

DIGITAL TRANSFORMATION – AN INTRODUCTION

Business Innovation & Enterprise

IT1112/IT1212/IT1512/IT1812/IT1912

AY2025 Semester 1



LEARNING OBJECTIVES

- Define what is a business
- Describe the characteristics of a business
- Identify the different types of businesses, business sectors, business ownership and business activities
- Define what is a business model
- Define what is digital transformation
- Case Studies
 - DBS
 - Aviva

WHAT IS A BUSINESS

A Business is 'the organised effort of individuals to produce and sell, for a profit, the goods and services that satisfy society's needs'

- W.Pride, R.Hughes, J.Kapoor

CHARACTERISTICS OF A BUSINESS

1. Profit-Seeking

- ▶ Seeks to make a profit

2. Organised Effort of Individuals

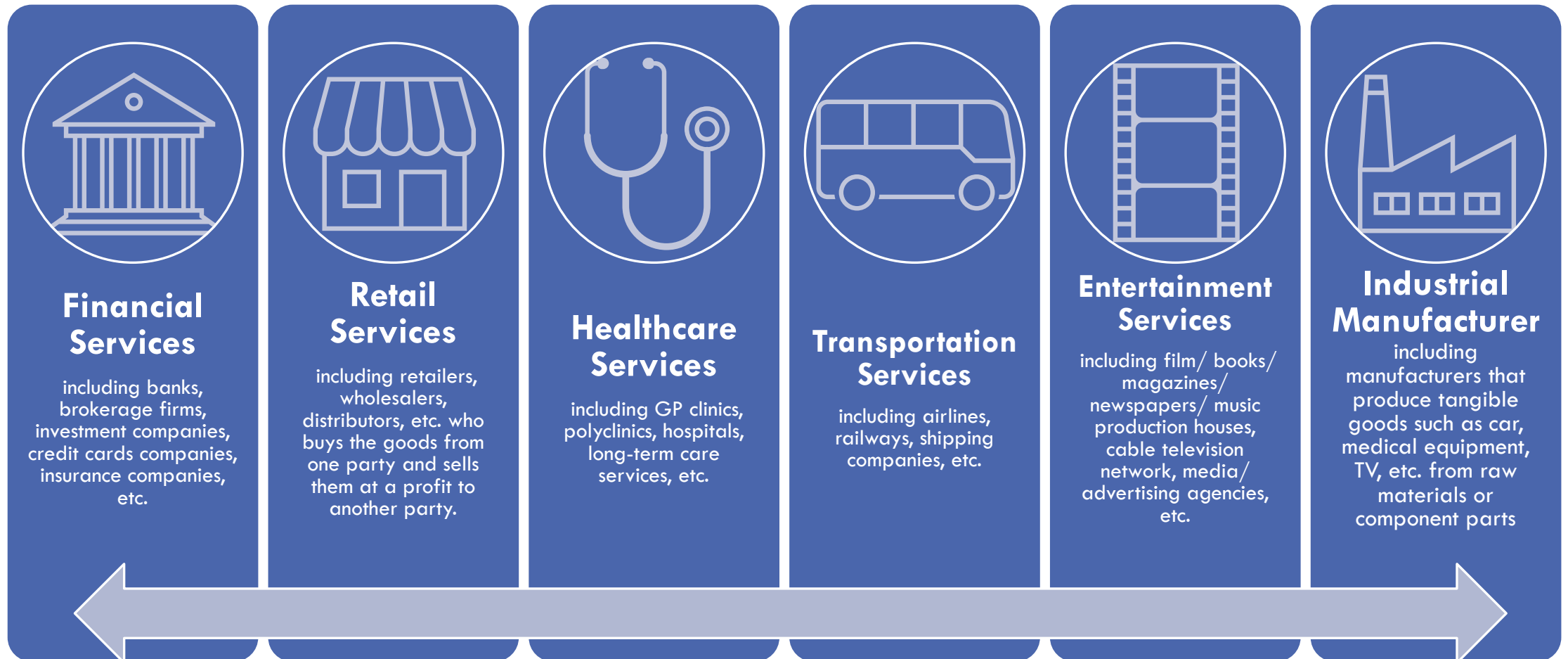
- ▶ Through people or resources working together in an organised way towards some common goals

3. Satisfy a Need for Society

- ▶ To provide a good or service that satisfies the need of consumers
- ▶ E.g. Grocery store satisfies the need for consumers to purchase food/groceries for themselves & their families

BUSINESS SECTORS/INDUSTRIES

Businesses can operate in one of these industries, and more:



BUSINESS-CUSTOMER RELATIONSHIPS

- **Business-to-Consumer (B2C)**

- Selling products and services directly to consumers who are the end-users of the products/services. E.g. direct consumers

- **Business-to-Business (B2B)**

- Selling of products and services to companies rather than individual consumers. E.g. Wholesalers and retailers

- **Business-to-government (B2G)**

- Provision of goods and services to government agencies at the federal, state and local levels.

- **B2B2C/B**

- Selling of products and services to a business who in turn sells to either direct consumers or businesses who are the end users of the products or services. E.g. Distributors

BUSINESS OWNERSHIP/ FORMS

Business entities can exist in the following forms:

- **Sole Proprietorship**

- Owned by one person
- Owner may hire employees
- Owner usually have unlimited liability for all obligations incurred by the business

- **Partnership**

- Owned by two or more people
- Owners usually have unlimited liability for all obligations incurred by the business

- **Corporation**

- Can be either government-owned or privately owned
- A privately owned corporation can be either privately held by a small group of individuals or publicly held (shares publicly traded on stock exchange) by shareholders
- Directed by an elected board of directors & managed by hired managerial staff
- Owners have limited liability for all obligations incurred by the business

- Etc.

BUSINESS ACTIVITIES

Businesses typically conduct the following activities:

- **Production/ Manufacturing**
 - Focuses on creation of the good/service
 - Includes assembling components into a finished product/ good, defining the steps of a service process
- **Marketing & Sales**
 - Focuses on selling the goods/services to the end consumers
 - Includes advertising, product pricing, etc.
- **Finance & Accounting**
 - Focuses on managing the company's finances
 - Includes P&L reporting, investment, etc.
- **Research & Development**
 - Focuses on development of new good/service
- Etc.

BUSINESS MODEL

A Business Model is 'the architecture with which an organization creates value for customers, how it delivers that value, and how it captures that value'.

- Alex Osterwalder

In short, a Business Model explains:

- How the business creates & deliver value to the customers
- How the business makes money

EXAMPLES OF *TRADITIONAL* BUSINESS MODELS

Type of Model	Description	Examples
Franchise	A franchise can be a manufacturer, distributor or retailer. Instead of creating a new product, the franchisee uses the parent business's model and brand while paying royalties to it.	McDonald's, Subway, Ya Kun
Direct Sales/ Multi-Level Marketing	Leverage friends, family, and other personal networks to recommend products and act as a sales force. Include door to door sales.	Tupperware, Mary Kay Make-up
Subscription	Require the customer to sign up for automatic payment plans, and they may charge a cancellation fee for a contract that ends prior to the preset time frame.	Singapore Powers (Utilities), Singtel/ M1 / Starhub (Phone Companies)

EXAMPLES OF *TRADITIONAL* BUSINESS MODELS

Type of Model	Description	Examples
Advertising	Businesses buy space on traditional media (TV, radio, newspapers, magazines, etc.), and these purchased "spots" generate revenue for the production houses or media agencies.	MediaCorp
Razor-razorblade	Consumer purchases a low-margin item like a razor handle or inkjet printer. Sale of necessary consumables such as replacement blades or ink are sold at a very high markup.	Gillette, Hewlett-Packard Printers, Nestle Coffee Makers
Nickel and dime	Price the most cost-sensitive item as low as possible and then charge for every little extra.	Budget Airlines

EXAMPLES OF *DIGITAL* BUSINESS MODELS

Type of Model	Description	Examples
Bricks-and-clicks	Extension of in-store shopping to include online ordering with in-store pickup or items found exclusively online	NTUC Fairprice Online, H&M, Uniqlo
Advertising (most common)	Extension of traditional advertising model. Website provides content mixed with advertising messages either in the form of banner ads or blog posts.	Online blogs, Google, Yahoo, etc...
Crowdsourcing + Advertising	Content is created by users who, in turn, get access to content created by other people.	Facebook, YouTube
Affiliate (one form of advertising)	Resell items from other merchants on website. Paid for driving new customers to the merchant who is selling the item.	Trivago (Hotels), Skyscanner (Air tickets), Amazon

EXAMPLES OF *DIGITAL* BUSINESS MODELS

Type of Model	Description	Examples
Brokerage	Brings together buyers and sellers to make some transactions and charging a specific fee for doing it.	Grab, Airbnb
Freemium	Offers basic services to the customers for free while charging a certain premiums for extra add-ons	Dropbox
Subscription	Customers pay monthly subscription fee to access/stream the content e.g. videos or music	Netflix, Spotify
Reverse Razor-razorblade	In contrast to Razor-Razorblade business model, the main products is sold for a high price while the companion products is sold relatively much cheaply	Apple iPod/iPhone, Amazon Kindle

DIGITAL TRANSFORMATION

Digital Transformation is the fundamental rewiring of how an organization operates. The goal of digital transformation should be to build a competitive advantage by continuously deploying tech at scale to **improve customer experience** and **lower costs**.

- McKinsey & Company

(<https://www.mckinsey.com/featured-insights/mckinsey-explainers/what-is-digital-transformation>)

CASE STUDIES (FROM E-LEARNING)

How has a deep understanding of the customer informed Aviva's and DBS's priorities in their digital transformation journey?

