

# Digital transformation

A hand is shown reaching out from the bottom, touching a glowing, interconnected network of nodes and lines that forms a sphere. This central sphere is surrounded by several circular icons connected by lines: a computer monitor, a globe, a headset, a smartphone, a document, a laptop, a shopping cart, and an envelope. In the background, there is a faint world map with small human figures scattered across it, suggesting a global digital presence.

DIGITAL FOR BOARDS

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# Introduction



## Arun Arora

Digital Partner, McKinsey and Co

- President, Home appliances and Home services, Sears (*over \$10 bn in rev*)
- SVP and GM, Global e-Commerce, CLIENT (*Over \$12 bn in rev*)
- Groupon, Global Operations (*pre and post IPO*)
- Various roles at Apple, Sun Microsystems, 3M, and Goldman Sachs

# Digital transformation is complex...



## Talent mindsets, and culture

- Capability building of existing human capital
- Inject external talent to jump start change
- Test and Learn - Failure and iteration



## Technology and architecture

- Short term impact possible with existing technology systems and architecture
- Longer term choices a function of human capital capabilities and budget



## Marketing and branding

- Leverage digital marketing channels to drive awareness and engagement
- Existing brand or flanker brand



## Data and customer insights

- Short term impact via judicious use of existing customer data
- Evolve advanced insights using structured and unstructured data to segment and personalize at 1:1 level



## Cust. experience / design thinking

- Customer centricity drives decision making
- Opportunities to reduce customer friction throughout customer decision journey



## Internal processes and org structure

- Accelerated cadence of decision making
- Selection of best fit org model i.e., Stand alone BU, COE, or within each BU

...and there are pitfalls along the way

Failure to launch / no bias for action

Ignoring embedded cultural roadblocks

Placing business process or needs  
ahead of the customer

Refusing to empower execution teams

Shying away from discomfort

Trying to eat the whole apple at once

Not tackling all the transformation levers

**Digital is not  
an initiative... it's  
a transformation  
that requires a  
new way of  
thinking and  
doing**

# CLIENT was under increasing pressure from competitors and facing declining revenues

**CLIENT.com was #2 in eCommerce in the US behind (B2B and B2C) Amazon yet was seeing ~3% revenue decline; CLIENT Retail was declining faster**

Lack of benchmarking to competition across eCommerce experience

- CLIENT had 120k SKUs online while Amazon had 4.0m
- Prices were 7 to 40% higher than Amazon
- Website had 8 clicks to checkout and website took 9.2 seconds to load vs. Amazon with 1-2 clicks to check out and a website that took 2.1 seconds to load
- Mobile traffic % of visitors increasing, yet mobile experience was poor

eCommerce team was 16.0 yrs. avg. tenure at CLIENT; most came from supply chain, print marketing and store operations.

Digital was allocated fewest dollars across all categories in last five years resulting in material underfunding

Technology roadmap was driven by third parties; nearly 1,400 systems maintained by six different vendors

# How can you create momentum and results, while simultaneously rebuilding the foundations?

## Quick wins (0-6 months)

### Improve digital marketing

- Digital offers for digital channel
- Use of all channels
- Segmentation of offers

### Improve digital customer experience

- Revamped online experience for CLIENT.com
- Fully Redesigned mobile sites for better conversion/usability
- Improved technical performance

### Established dedicated analytics team

- Implemented dynamic pricing



## Rebuild the core (6 months - 2 years)

### Instill across all digital disciplines a fierce culture of customer centricity

- Digital marketing - Agency review, selection, and targets
- Design - Design as a core competency
- DevOps - Drive reliability, stability and performance
- Pricing and promotion – advanced modeling providing 1:1 pricing
- Merchandising - Customer centricity through elimination of non-vendor funded merchandising

### Build supporting IT architecture

- Abstract fast-moving customer experience from slow-moving core systems



## Transform across channels (2+ years)

### Create results and improve customer experience across all channels

- Create more traffic - regardless of where they ultimately transact
- Curate store experience to improve purchase conversion – all additional SKUs online in “endless aisle”
- Capture email at POS to drive local store and digital traffic
- Apply media mix modeling to determine which marketing levers are a positive impact to store, digital or both

# We took customer insights and changed Retail as well

“ *First time in 9 years we redesigned the website. I told Arun that if this fails he needs a new job. Instead we are making more money than ever before ...*

**Ron Seargent**  
**(CEO to Board of Directors Oct. 2013)**

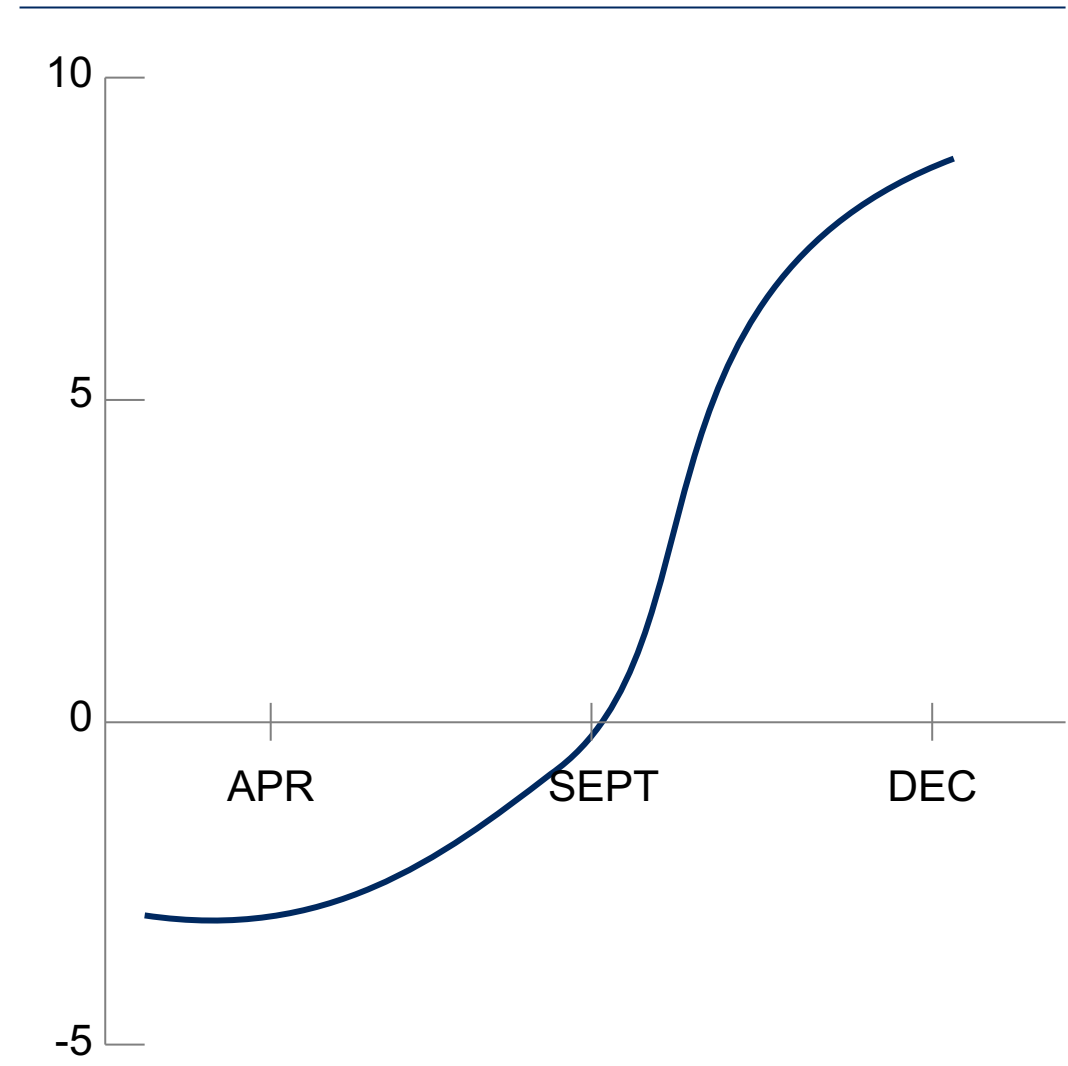
”

“ *Thank you CLIENT for listening to my feedback. I love your new website*

**Customer Nov. 2013**

”

**Growth trajectory 2013**  
%



# Massive improvement across business results and fundamental business / digital / omni-channel capabilities

## Online Quick wins

- B2C and B2B businesses stabilized within two quarters, growing by fourth quarter
- 4% growth rate vs. -3% decline
- 146% growth in traffic growth for mobile and 14% for online
- 40%+ growth in sales over the Black Friday and Cyber Monday YoY

## Transformation across channels

- 21% improvement in NPS regardless of where customer started his/her shopping experience
- 15% reduction in customer attrition through previously identified issues in single channel fulfillment
- Consolidated three separate digital assets - \$57m of OPEX savings
- 84% of marketing budget drove Omni engagement vs. 3% just two years earlier