



THE DIGITAL JOURNEY

How technology is changing the consumer industry and redefining leadership profiles

*“Digital” has come a long way since its origins as 1s and 0s and has quickly evolved into a strategic priority for nearly every company. As organizations wrestle with the talent and leadership implications of digital, a major obstacle to making critical decisions is often a lack of agreement about what the term even means. **We classify digital as the broad range of technology-enabled advancements — including e-commerce, social media, big data and mobile computing — that are transforming how consumers live their lives and how consumer companies operate.** Digital enables growing price and performance transparency, simultaneously raising customer expectations and the stakes of a competitive landscape. As channels expand and new disruptors emerge, consumer companies will need to rethink their talent strategies in a digital world where desire for seamless, personalized experiences and rich, engaging content will only continue to grow. In this series of articles, we explore how digital is impacting the consumer industry today and how companies in the consumer products, restaurant, retail and travel sectors are evolving their leadership and organizational decisions in response.*

The Digital Journey series includes insights from executives at the following consumer companies:

Arla Foods	Hertz International	Saks Fifth Avenue
Bloomin' Brands	Hudson's Bay Company	Starbucks
Brinker International	Hungry Jack's	Starwood Hotels & Resorts
Carlsberg	Kimberly-Clark	Worldwide
ConAgra	MillerCoors	Staples
CVS Caremark Corporation	Norwegian Cruise Line	Telepizza
CWT (Carlson Wagonlit Travel)	Orbitz Worldwide	Travelport
Delsey	Office Depot Mexico	Vueling
Fossil	PepsiCo	Whirlpool Brasil
Gropo Gigante	Philips Brasil	Yum! Restaurants
Hasbro	RadioShack	
Hearsay Social	Ralph Lauren	

Consumer companies and their leaders recognize the opportunity — and acutely feel the pressure — to reach customers through the digital technologies and communications vehicles they use the most. Yet, even as consumer companies have embraced new technology platforms and adapted to new customer expectations at a faster pace than many other industries, initial digital efforts have focused primarily on e-commerce, digital marketing tactics and more streamlined internal operations.

Many consumer companies are expanding their efforts, such as investing more heavily in data analytics and GPS-enabled technologies to provide customers with highly personalized and targeted offers based upon their previous purchases and current physical location.

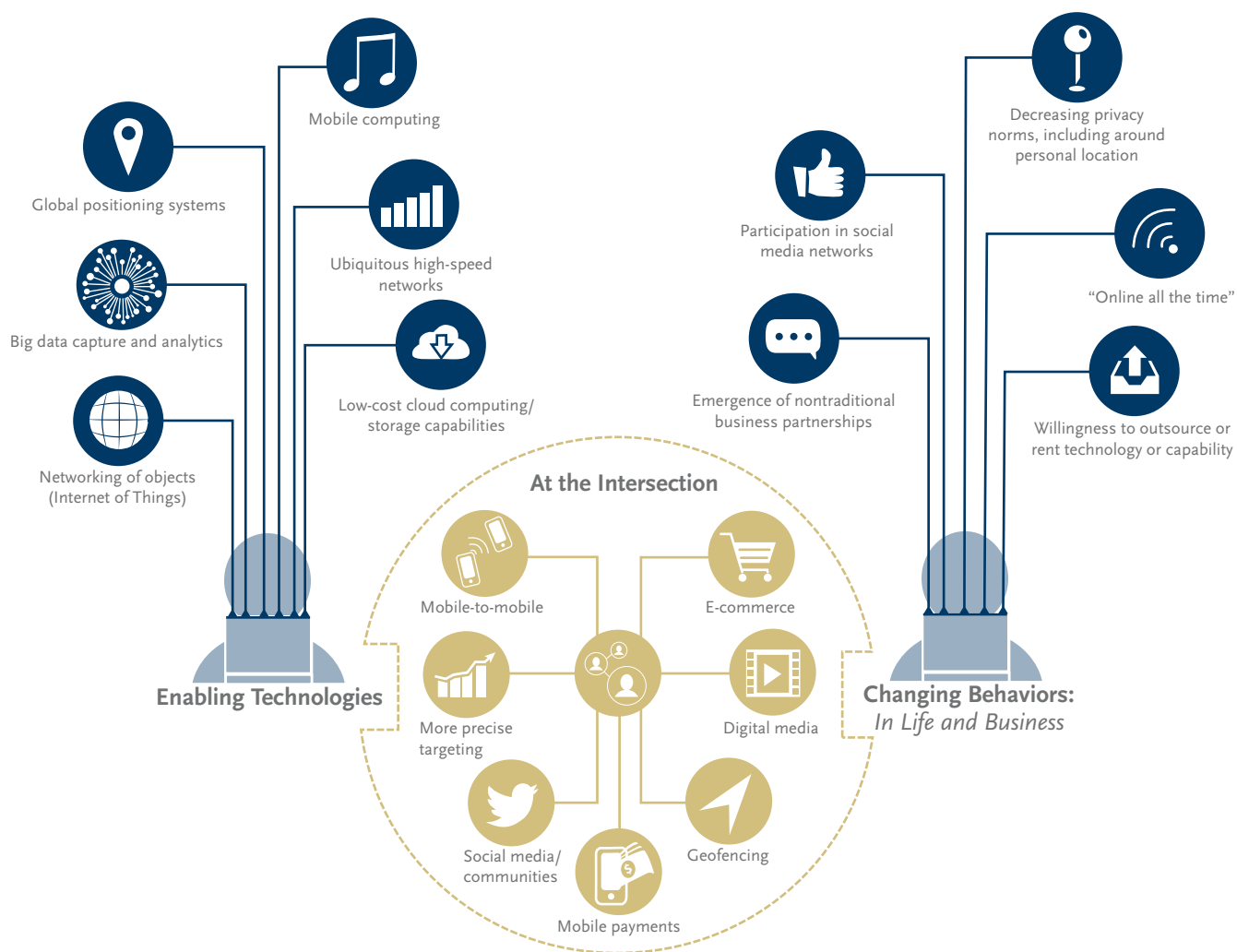
We are just now entering the phase where the business landscape will change in meaningful and still somewhat unpredictable ways, and this is likely to reshape how companies think about leadership going forward. These landscape changes include:

- the rise of disruptive competitors that have built entirely different go-to-market and operating models versus traditional companies and are now achieving meaningful scale;
- growing product and service customization;
- evolving consumer purchase decision frameworks that are reordering the traditional marketing levers of product, brand, location, and/or perceived price advantage;
- new payment methods driving transaction efficiency and greater data capture; and
- more powerful loyalty programs tied to increases in data/insight.

These myriad developments of digital will continue to have significant organizational and leadership implications for each of the major consumer sectors, and each is at a different stage. We spoke with more than 35 senior executives across the consumer industry about where their companies and sectors are on their digital journey and where they hope to be in the future. Each sector has its own specific nuances, but common themes have also emerged across retail, travel, restaurant and consumer products companies. By and large, a focus on the consumer is the underpinning at nearly every company we spoke with. However, capturing the consumer's attention (and business) is more challenging as digital disruptors in each sector have introduced previously unseen levels of transparency around pricing, features and quality. Thus, the customer experience becomes an even greater differentiator, value driver and brand asset.

Starting at the source

Before consumer leaders can identify digital priorities and the leaders they will need to help shape and execute those priorities, they must understand the two major forces driving digital: the rise of enabling technologies and changing personal behaviors. Technology enablers such as high-powered, constantly connected mobile devices are combining with changing human behaviors around the sharing of personal data and use of social media — and reshaping the consumer industry in the process.



Consumer companies and doing digital right

The rise of digital has required that consumer companies make dramatic shifts to their leadership profiles, cultures and organizational structures to remain competitive, often in short timeframes to keep pace with rapid change. Companies in the industry have adopted some of the following practices to successfully embed digital and requisite savvy leaders into their organizations.

Building digital expertise throughout the organization, not just marketing

We have witnessed an evolution in leadership profiles as companies' investments in digital platforms have matured and become more central to the way they do business. In the late 1990s, our searches for digital executives were conducted primarily for startups. From the early to mid 2000s, demand for heads of digital to report to the CMO came from a mix of startups and an increasing number of "traditional" companies. From 2007 to 2010, the focus shifted to finding CMOs with digital experience. Since 2010, there has been growing demand for board directors and senior functional and general management executives with digital expertise, reflecting how digital has become integral to the organization as a whole. As the technical enabler of digital, IT has advanced from being a function focused on infrastructure to one with strategic importance. Other functions will become less siloed as digital advancements continue to intertwine previously disparate groups. Functions across the organization are being required to collaborate in ways they never have before to share data, insights and expertise to fuel decision-making and execution in the name of digital.

Companies need leaders throughout the organization who truly understand the customer and the various ways in which he/she is using digital technology every day.

Digital has become a strategic issue that can no longer be relegated to a single department. Thus, consumer companies today require leaders who have a strong understanding of the intersection of business and technology as well as an ability to communicate and collaborate across all functions in ways that defy traditional business frameworks. Companies need leaders throughout the organization who truly understand the customer and the various ways in which he/she is using digital technology every day.

Establishing digital as a priority from the top

Interestingly, executives from every consumer sector overwhelmingly believe that an organization's success on the digital journey is a direct function not of its bench of tech gurus, but of the CEO. Ultimately, the CEO's commitment to digital informs the entire organization's priorities and actions around digital. As the CEO sets the tone from the top, there must also be digital leaders throughout the organization who can help advance the digital agenda on a daily basis.

Using culture and workspace to compete for and retain sought-after digital experts

Historically, many executives in various functions simply took it upon themselves to learn about digital — a forward-looking decision at a time when such technology was in its early stages and not as entrenched in the day-to-day operations of particular functions as it is today. But as technology becomes more advanced at a faster pace, many consumer organizations are finding that they need digital natives, and competition for talent who "grew up" in digital is fierce. Senior leaders need to understand the importance of digital and create an environment that helps attract and retain highly sought-after digital experts. Many leaders have found that their organizational cul-

ture and the style of the physical office space help attract digitally savvy candidates who typically would be drawn to the flexible, decidedly “un-corporate” environments that often characterize tech companies and startups. Seeding the organization with proven digital leaders also acts as a magnet for similar candidates and further reinforces a company’s reputation as a “best place to work” at a time when such accolades are powerful talent attractors. It is also important to note that traditional retention strategies, such as rotating talent into different roles, are not as effective because digital talent is so highly specialized. In fact, rotation can be counterproductive in certain cases, simply serving as a springboard for talent to leave the company after acquiring additional skills.

Striking and finding the right balance of expertise

While there is not universal agreement about whether industry or digital expertise is more important, there is an emerging realization in the consumer industry that the ideal organization will require a blend of both types of talent. For example, many companies have encountered a shortage of digital and analytical candidates who are also able to manage teams. A long-tenured industry expert can provide context, content and leadership that digital natives may not have yet acquired; digital natives can bring critically important understanding of digital technologies and the wide-ranging implications for consumer behavior. As a result, companies will need to alter the expectation that a single person can carry the digital mantle and inspire and lead the rest of the organization.

The majority of consumer companies also realize they absolutely must invest in developing digital skills throughout the organization so that they have their own internal talent pipeline in the years to come.

Given the low supply of and high demand for the digitally savvy, companies are seeking talent from a variety of sources. Some partner with digital agencies to help fill gaps and get up to speed, and pursue digital experts from competitors, other sectors or pure-play organizations. The majority of consumer companies also realize they absolutely must invest in developing digital skills throughout the organization so that they have their own internal talent pipeline in the years to come.

Investing in your organization’s digital success

As digital technology continues to transform the consumer industry, the most significant challenge will be finding leaders who can help zero in on the best way forward for the organization. To do this, consumer companies will need to rethink their talent strategies to develop senior leaders who can meet the challenges of a digitally driven and ever-changing environment. Executives who can help their organizations succeed going forward must have a deeper understanding of technology; strategic agility to deal with a much more dynamic business environment; the bold change leadership often necessary to compete effectively; a high level of intellectual curiosity and adaptability to stay current; and a collaborative leadership style to be effective in increasingly integrated, cross-functional organizations. We hope that this exploration of the impact of digital on your sector and its implications for leadership provides insights that you can use as your organization continues on its own digital journey.

BUILDING YOUR DIGITAL BANDWIDTH

While the traditional hallmarks of good leaders remain important, our discussions with executives throughout the consumer industry have identified specific skills and attributes that have become integral for success in a digital world. Focus on cultivating these skills within yourself and your team, and seek them out as you bring on new leaders.



Make technology your job.

The past mindset of “This is what the IT team does” no longer holds true. Every leader must take a vested interest in understanding current and future technology, and how it fits in alongside the fundamentals of the business, such as economics, demographic trends and the cultures of the countries in which the organization operates.



Develop strategic agility.

Although leaders have always set strategy, the priorities for consumer companies have typically fallen into well-defined frameworks for the past several decades, including new market expansion, functional excellence and consolidation to drive scale. In the last 15 years, strategy around competition and growth has become more complex especially with the rise of technology-led disruptors. Consumer executives must not only be able to adapt to these changes, but approach strategy with a greater degree of foresight and flexibility than ever before.



Become a leader of bold change.

Fully embracing technology and adapting strategies to maximize digital opportunities often result in dramatic changes for the organization and its people, from requiring new types of talent to losing existing customers in the short term. Consumer leaders need to bring the entire organization along on the digital journey, and communicate everyone’s role in the evolution — also accepting that very difficult decisions will need to be made along the way.



Foster a sense of perpetual curiosity.

In earlier generations, senior leaders could more effectively rely on the wisdom gathered over their careers to guide their decisions at the highest levels of leadership. However, with today’s pace of change and innovation, leaders can quickly become obsolete if they reach a learning plateau. An ongoing sense of curiosity and commitment to learning will be key to long-term career success in a fast-moving digital world.

Highlights from the Major Consumer Sectors

Digital is undoubtedly transforming the consumer industry and, while common themes have emerged across its major sectors, priorities and leadership implications can vary from one sector to the next. Following is a brief overview of how digital is affecting each of the major consumer sectors: consumer products, restaurant, retail and travel.

	Consumer Products	Restaurant	Retail	Travel
Digital priorities	<ul style="list-style-type: none"> • Providing better customer service • Focus on social media for customer engagement and internal communications, big data, CRM • Exploring development of direct e-commerce capabilities 	<ul style="list-style-type: none"> • Enhancing the customer experience and creating operational efficiencies within the organization • Focus on big data, social media, mobile and geofencing (use of GPS to target consumers based on their location) • Testing apps and tablets for placing orders, table-side entertainment and payment options 	<ul style="list-style-type: none"> • Providing a truly seamless experience for customers across all touch points and channels • Focus on mobile, geofencing, big data, innovation 	<ul style="list-style-type: none"> • Delivering a strong, differentiated customer and brand experience • Focus on mobile, social media, CRM, big data
Digital challenges	<ul style="list-style-type: none"> • Unprecedented transparency around prices and quality created by disruptors (e.g., Amazon, Drugstore.com) • Changing organizational culture in order to embrace digital 	<ul style="list-style-type: none"> • Reduced control over customer decision-making, which is now more influenced through real-time information found on websites and apps such as TravelAdvisor (daodao.com in China) and Yelp 	<ul style="list-style-type: none"> • Changing organizational culture in order to embrace digital 	<ul style="list-style-type: none"> • Unprecedented transparency around prices and quality created by disruptors to traditional travel companies (e.g., Orbitz, Expedia) • Maintaining consistent brand experience across channels
Level of advancement (i.e., variety of digital technologies used, seamlessness of experience across channels, use of data to drive business decisions, level of operational efficiency stemming from digital)	<ul style="list-style-type: none"> • The business model has not faced the same demands as retailers and travel companies in terms of providing digital options for end customers • Digital efforts thus far have focused on marketing and research 	<ul style="list-style-type: none"> • Level of advancement informed by type of restaurant: Carryout and fast food restaurants tend to be more digitally advanced (e.g., mobile and social media) • Upscale restaurants will be more selective about use of digital in order to balance high-touch experience with customers' digital lifestyles • In general, not as advanced as retail and travel sectors 	<ul style="list-style-type: none"> • Among the most advanced of the consumer sectors employing a range of digital technologies, seamlessness of experience and use of data to both enrich customer experience and increase sales • Some retailers have established omnichannel financial goals to drive further collaboration and better performance around digital 	<ul style="list-style-type: none"> • Among the most advanced of the consumer sectors with strong use of mobile, CRM and big data to create personalized experiences
Talent: Who tends to lead digital initiatives	<ul style="list-style-type: none"> • Collaboration between CMO and CIO 	<ul style="list-style-type: none"> • Collaboration between CMO and CIO 	<ul style="list-style-type: none"> • Often one single leader who carries the digital mantle 	<ul style="list-style-type: none"> • At online travel agencies, digital is embedded throughout the organization • Collaboration between CMO and CIO at more traditional travel companies

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