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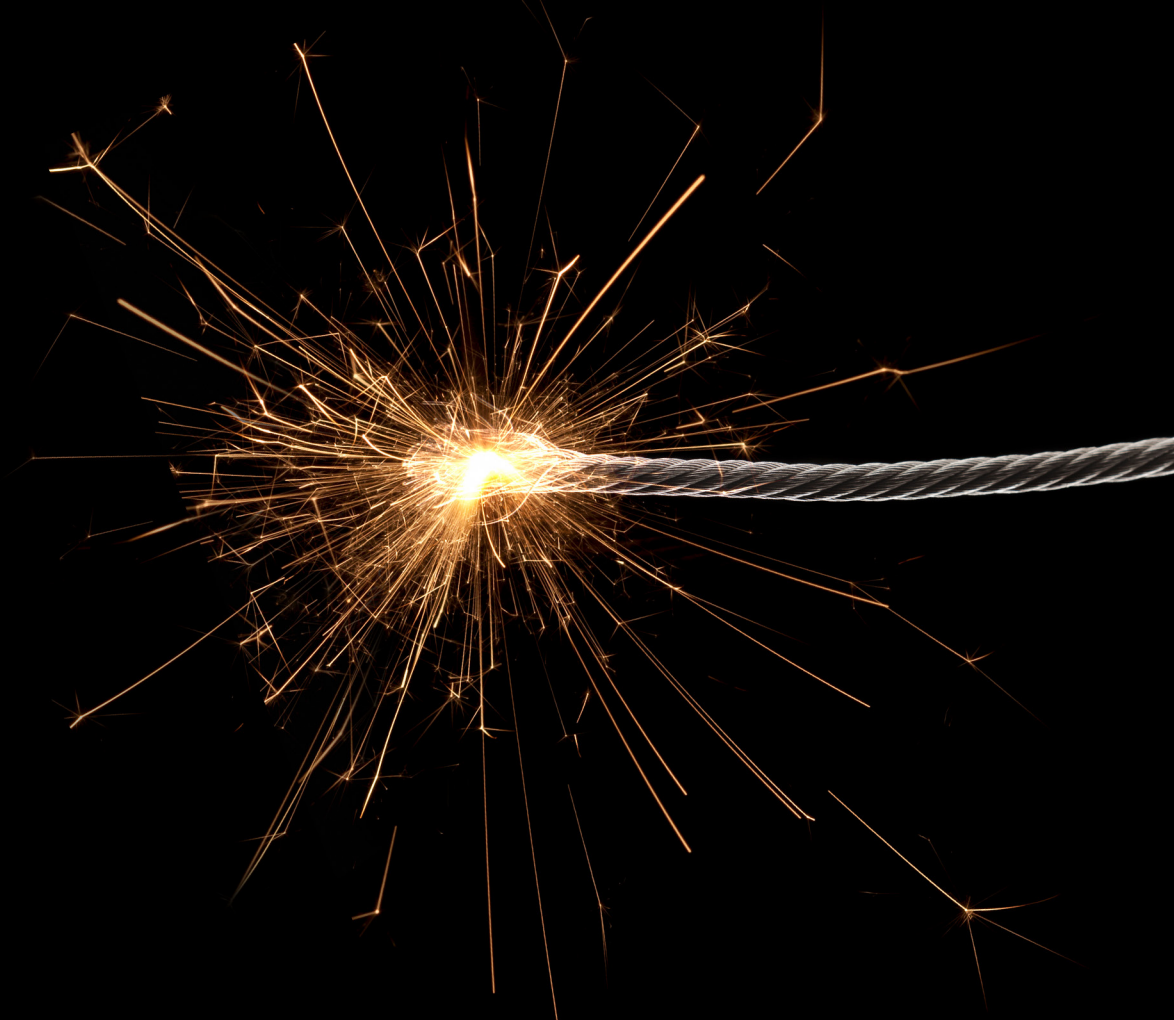
Harnessing the ‘bang’ Stories from the digital frontline



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SOFTWARE IS EATING THE WORLD. IT'S CHANGING SO MANY ASPECTS OF OUR EVERYDAY LIVES – THE CARS WE DRIVE, THE APPLIANCES WE USE AT HOME, THE WAY WE CONNECT WITH LOVED ONES. AND BUSINESSES WE NORMALLY WOULDN'T THINK OF AS TECHNOLOGY BUSINESSES ARE USING SOFTWARE TO CHANGE THEIR PRODUCTS AND INDUSTRIES, FROM RUNNING SHOES TO OIL PIPELINES

Atlassian co-founders Mike Cannon-Brookes and Scott Farquhar, and president Jay Simons

Growing the lucky country together

Eighteen months ago when we released *Digital disruption – Short fuse, big bang?* the second paper in our Building the Lucky Country Series, we did not anticipate the extent to which its analysis would reverberate globally.

Organisations around the world have responded, governments are interested, and the impact of digital disruption on the market has meant that those more digitally engaged businesses have seen increases in their revenues, while the more traditional players are experiencing shrinkage.

We said in our original paper in 2013, that the speed and thoughtfulness with which businesses responded in the digital age would determine their future, and this appears to be the case. As innovations constantly change our experiences, it is the opportunities we can find for scalable learning that is increasingly why we come together as organisations.

In this report, we have asked four market-leading and very different organisations on the frontline of digital disruption in the *Short fuse, big bang* quadrant to share their successes and their learnings, as they continue to deal with their digital transformation from disruption.

We have asked four market-leading and very different organisations on the frontline of digital disruption to share their successes and their learnings

Many organisations, large and small, both public and private, understand the opportunities of digital; yet find the process of integrating platforms, people, and planning a constant challenge.

As with all of our work at Deloitte, we hope you find these case studies useful and insightful. We also hope they challenge you to further reflect on your own organisation's digital journey and most of all, encourage you to take action.

Digital disruption is accelerating

Less than two years ago Deloitte released its seminal report *Digital disruption – Short fuse, big bang?* In it we warned that two thirds of the Australian economy, both public and private, would experience significant digital disruption within the next five years. The stark reality is that it has been more like five months for 65% of the Australian economy – including Deloitte's own professional services sector – to realise we are in the cross hairs of digital disruption.

Big bang map predictions – how do they stack up?

In one of the most disrupted sectors – **Information Communications Telecommunications (ICT) and media** – digital continues to pressure print, and business models are scrambling to respond. Over the past 18 months international newspapers have sent their digital arms into Australia to further disrupt Fairfax and News. Telstra is divesting assets such as its print arm Sensis in order to realign its portfolio to focus on a range of different digital investments aligned with its Digital First strategy.

The retail sector has accepted that, although perhaps only 3-5% of domestic sales are online, a significant slice of the Australian market purchase internationally online, and at least 80% of domestic apparel sales are influenced by online research. In the face of this increased competition with international retailers now reaching our shores in a combination of online and bricks and mortar outlets, Australia's incumbents – the grand old department store dames of Australia's fashion, Myer and David Jones – have moved on from their proposed merger to stave off disruptive competition, with the board of David Jones recommending shareholders vote in favour of the takeover offer by South African retailer Woolworths.

In **professional services** (predicted by '*Short fuse, big bang*' report to suffer a 40% impact within two and a half years) Deloitte[1] heeded the report's warnings and was a first mover, absorbing Australia's largest web-developer Eclipse into its business in the early 2000s – now its fully-fledged digital business, Deloitte Digital.

Also in the sector, a newcomer – the New-Zealand based cloud accounting service provider Xero – has rocketed up the share trading indices. Although its US$3.7billion market capitalisation was achieved by a company yet-to-make a profit, as at 21 March 2014, funds that track the Global Index had to include Xero in their portfolios to benchmark performance.

In the same vein, in **the SME/mid-market sector**, Deloitte shifted its core offering of compliance, tax and accounting services for private clients into a digitally delivered, software agnostic, cloud-supported advice model, that provides business owners with the opportunity to outsource their day-to-day financial activities and access a real-time view of their business, to focus on the future.

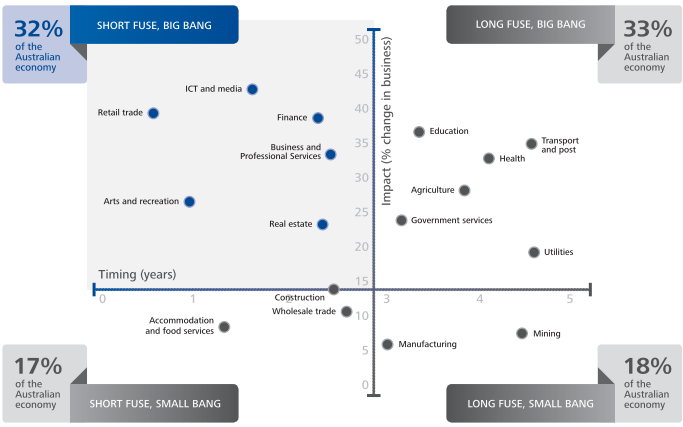


Figure 1: Deloitte's digital disruption map
In 2012 Deloitte Australia projected the magnitude of digital disruption across 18 major industries, tracked in Australia by the Bureau of Statistics. Deloitte compared their vulnerability to the size and likely time frame of the impact. The findings were dramatic, with 65% of the nation's economy and 13 of the 18 industries either experiencing or very soon to experience a big bang disruption.

Deloitte's strategy to build new innovative and agile business models to manage digital upheaval and position for the future has resulted in an alliance with global data analytics firm, Kaggle, research group 10EQS, and Silicon Valley big data analytics company Guavus. Deloitte has acquired growth strategists Monitor and Doblin, as well as Deloitte Access Economics in Australia to ensure the economics and market predictions for growth stack up.

Also in **the professional services sector,** Quicken is an interesting example of a company dealing with disruption that straddles both professional and financial services. Quicken's original service provision was delivering accounting services online to small businesses. Realising the value of the data it obtained on all of its clients, it adapted its business model to take advantage of this asset. It is now the third largest mortgage underwriter in the US today.

[1] **The Innovator's Solution:** Deloitte called the changes at the 'turn of the 21st century' with research through Harvard University Press from Clayton Christensen and Deloitte's own Michael Raynor in the Innovator's Solution. That was when it took the decision to maintain its consulting arm and continues to build its own technological, digital and innovative expertise, which today has morphed into Deloitte Digital in Australia, and the Centre for the Edge, both here and in Silicon Valley. Over the past few years Deloitte has also partnered with non-traditional disrupters and strategists who know how to help Australian companies successfully navigate digital, design and data analytic business models.

Many of the world's most innovative organisations consider carefully not just where to innovate but how. The 'best of the best' have a very clear hypothesis and focus on the 'end game'

Deloitte Digital

Also in the USA, Facebook, which recently celebrated its ten-year milestone, bought the mobile photo sharing application Instagram for US$1billion, WhatsApp for $21billion and Oculus Rift, a virtual reality gaming headset, for $2billion. The latter transaction notching up the highest price paid for an 'as yet profitless' start-up since Google bought YouTube in 2006.

Closer to home, **IBM recently announced** a major repositioning; redeploying thousands of employees to better compete in a market focused on cloud computing, mobility and analytics. The former 'Big Blue' acquired infrastructure player SoftLayer for US$1.2billion last July, and is expanding its 'software as a service' and cloud and connected services from Singapore into Australia this year. It plans 15 new data centres, with the first two due to come online in the second half of 2014. Globally, companies like Microsoft, Citrix and Cisco have a lot of cash sitting on their balance sheets and are looking to invest before shareholders seek capital distributions.

The *Long fuse* map quadrant is beginning to take the heat

According to the Deloitte digital disruption map, **Government Services, Transport** and **Post** as well as **Health** have a longer fuse, although they are still expected to take a significant impact from digital change.

Somewhat predictably, mail volumes for Australia Post have plummeted over the past few years and are expected to decline by a further 40-50 per cent over the next five years. In a recent announcement Australia Post CEO Ahmed Fahour said: "By 2020 we will only be delivering about 25 per cent of the letter volume that we were delivering in 2008. And furthermore, by 2025 – only 10 years from now – the letters business in Australia will have completely evaporated and accumulated billions of dollars of losses."

In addition to shrinking mail volumes, the postal giant remains constrained by its public service mandate, and to a certain extent, its retail arms. Although it is bolstering its profitable parcel delivery services and investing in online shopping to balance its letters' business. Also across the Tasman, in a clear sign that emails and texts have finally rendered snail mail an endangered species, last year NZ Post reduced its letter-delivery services to just three days a week.

In health, e-health opportunities continue to gather momentum, but remain too slow for many. How we currently interact with the available technology lags far behind current cultural shifts. The expectations, ability and understanding of 'digital natives', those under-35s, as they shift into middle management positions in health as well as every other industry, are presently and frustratingly limited, constrained by available technological and regulatory environments.

Nevertheless organisations like the Victorian Comprehensive Cancer Centre (VCCC) acknowledge that technology is, and will continue to, play an increasingly critical role in accessing insights from data. To this end they are investing in an innovative IT solution to probe the vast, complex and continually growing body of data and knowledge. Technological solutions will help the organisation to consolidate, analyse and share information with patients, clinicians and researchers in oncology. This will become a very valuable support tool for cancer treatment and research.

Another example ahead of the curve is an ophthalmoscope – an advance in e-health that enables an optometrist and general practitioner to determine the state of a patient's retina and iris, an indicator of many other health conditions, and an adjunct that can also be used in other industries for identity. Emerging countries that by necessity have leapfrogged the constraints of big centralised health and regulatory systems, are now enjoying the advantages of a 4G environment. In addition it is possible to deploy such technology as the ophthalmoscope as a mobile app, meeting much needed outcomes, and avoiding the issues of, 'process'.

Long fuse, small bang – significant changes

The manufacturing sector – in the bottom right hand quadrant of the Deloitte digital disruption map and the segment with the longest fuse and the least impact from digital – has also undergone a significant change over the past two years.

The sector appears to be stagnating and faces dire consequences without the energy of digital transformation. For example, Holden and Toyota, reel from recent closure announcements, reflecting the drag of traditional economic forces such as the exchange rate and international competition. However in the US, the Tesla CEO (co-founder of PayPal) powers ahead selling electric cars over the Internet, direct to consumers. Tesla has also ensured its bottom line by investing in battery manufacturing plants for instance.

On another level, the formerly 'fantastic' and wildly 'futuristic' concepts of 3D printing are now fast becoming a reality, threatening to change the face of manufacturing, and, along with it the labour forces needed to produce physical goods.

Against this high-velocity change backdrop, Deloitte decided to take an in-depth look at how some of Australia's market-leading organisations in the *Short fuse, big bang* position on our digital disruption map are dealing with their changing world.

In this report we interview these long-standing businesses that have had to make hard choices in terms of change, but are now seeing their investments in people, design and digital deliver.

INDUSTRY: **ICT AND MEDIA**

DIGITAL DISRUPTION EXPERIENCE RANK: **3/18**

In the *short fuse, big bang* quadrant between 2011 and 2013, ICT and Media experienced the third biggest increase in revenue dispersion between firms in the Australian economy. This reflected how many established players saw declines in material revenue, while digital players experienced significant growth. Companies like News Corporation saw shifts between channels, with news.com.au audiences climbing 9% while daily newspaper circulation fell by 9-15%. However, with the advertising spend still dominated by traditional broadcast campaigns (still 37%, from 41% five years ago), one might be inclined to think a bigger change still lies ahead.

Table 1.1: Selected firm performance in the IMT industry

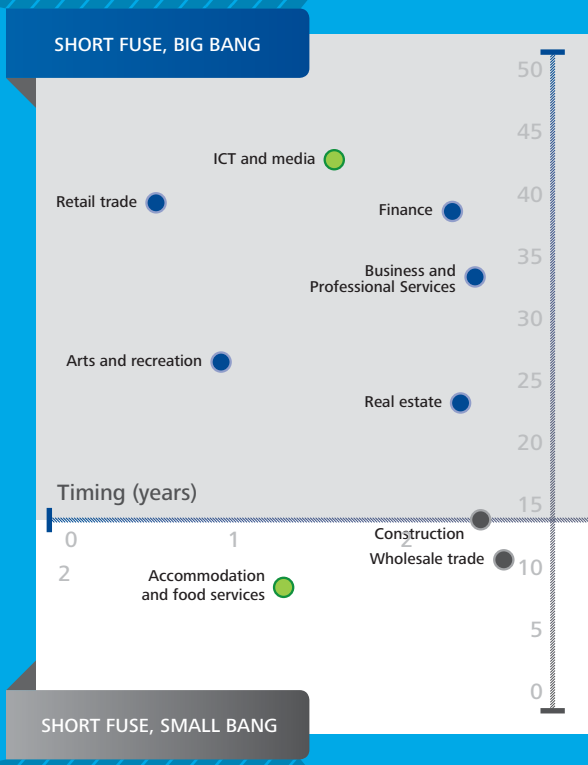
Firm	Change in revenue over 2 yrs
Established players	
Fairfax Media Limited	-18%
News Australia Holdings Pty Limited	-9%
Thomson Reuters (2010-2012)	-2%
Ten Network Holdings Limited	-23%
Primarily digital players	
Google Australia Pty Ltd (2010-2012)	77%
Carsales.com Limited	41%
REA Group Ltd	41%

Source: IBISWorld (2014)

DIGITAL DISRUPTION'S FUSE IGNITES

A clear sign that the Australian economy is experiencing disruption is the rate that the gap is growing between businesses with increasing revenues and those with declining revenues. Analysis of the top 2000 Australian companies (categorised by 2011-2013 revenues) shows that the standard deviation between firm revenues has risen by 10% over the past two years, and that the bigger increases have been recorded in what we term *Short fuse, big bang* industries like Information Communications Telecommunications and media compared with less impacted industries like accommodation and food services or manufacturing.

It confirms the central proposition of our digital disruption map – that some industries have experienced greater change sooner – i.e. a short fuse with a big bang – compared with others that have experienced smaller changes so far, with bigger changes to come.



INDUSTRY: **ACCOMMODATION AND FOOD SERVICES**

DIGITAL DISRUPTION EXPERIENCE RANK: **12/18**

Accommodation and food services is a *short fuse, small bang* industry. From 2011 to 2013, the industry recorded a small increase in the spread of revenues in the industry. This suggests that the industry has experienced some spread but not significant. The traditional component of food and beverage includes more established players such as Yum! Restaurants, McDonald's, and Domino's Pizza. Fast revenue growth was seen in the catering sub-sector, in companies such as Compass, Cater Care and Gate Gourmet, but reflects economic changes rather than purely digital trends.

Table 1.3: Selected firm performance in the food and accommodation services industry

Firm	Change in revenue over 2 yrs
Food and beverage	
Yum! Restaurants Australia (2010-2012)	6%
McDonald's Australia (2010-2012)	7%
Domino's Pizza	16%
Catering Services	
Compass Group	43%
Cater Care Australia	55%
Gate Gourmet (2010-2012)	62%

Source: IBISWorld (2014)

INDUSTRY: **UTILITIES**

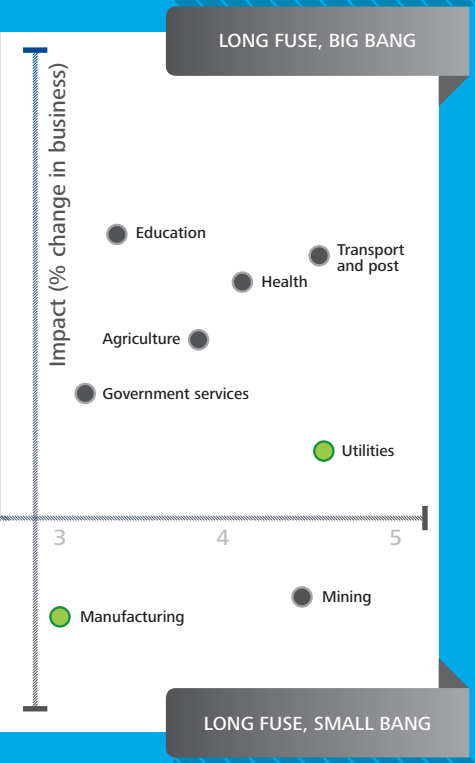
DIGITAL DISRUPTION EXPERIENCE RANK: **6/18**

Utilities is a *big bang, long fuse* industry covering infrastructure and retail providers of electricity, gas and water services such as Ausgrid, Origin Energy, Sydney Water, Transpacific, AGL and Macquarie Generation. Over the past two years, the industry has seen an increasing spread in revenue. However, to date the activity in this industry has been driven by consolidation which is more about improving scale, flexibility and diversity to better manage market shocks. This suggests that the big changes in revenue have a stronger link back to consolidation, regulation and consumer patterns rather than major digital disruptions. However, in the longer term (5-10 years) digital disruption manifesting in the form of improved solar photovoltaic and storage of energy may be a source of major disruption.

Table 1.2: Selected firm performance in the utilities industry

Firm	Change in revenue over 2 yrs
Ausgrid	8%
AGL Energy Limited	37%
Macquarie Generation (2010-2012)	-9%
Origin Energy Limited	41%
Sydney Water Corporation	8%
Transpacific Industries Group Ltd	5%

Source: IBISWorld (2014)



APPROACH

To examine the impact on individual industries, we calculated the change in standard deviation in revenue (the dispersion) between firms. First we assessed the revenue spread of the industry and then examined the performance of primarily digital firms, comparing them to firms that are not.

At an industry level, disruption is measured by revenue spread over the past two years. The change in revenue is a noisy measure of disruption but is preferred to profits since profits are more easily influenced by other short term factors. It confirms the differences between industries. However, it is important to note that this is not a perfect measure; revenue is affected by many non-digital factors and individual company circumstances. Further, the experiences of firms in short fuse smaller bang and long fuse big bang industries appear similar in the short term, i.e. smaller impacts now. Further, in the manufacturing industry (long fuse, small bang industry), the industry has actually had a decline in revenue dispersion, most likely resulting from a variety of changes in economic circumstances.

Figure 1.1: Revenue dispersion rank
Source: Deloitte Access Economics (2012)

INDUSTRY: **MANUFACTURING**

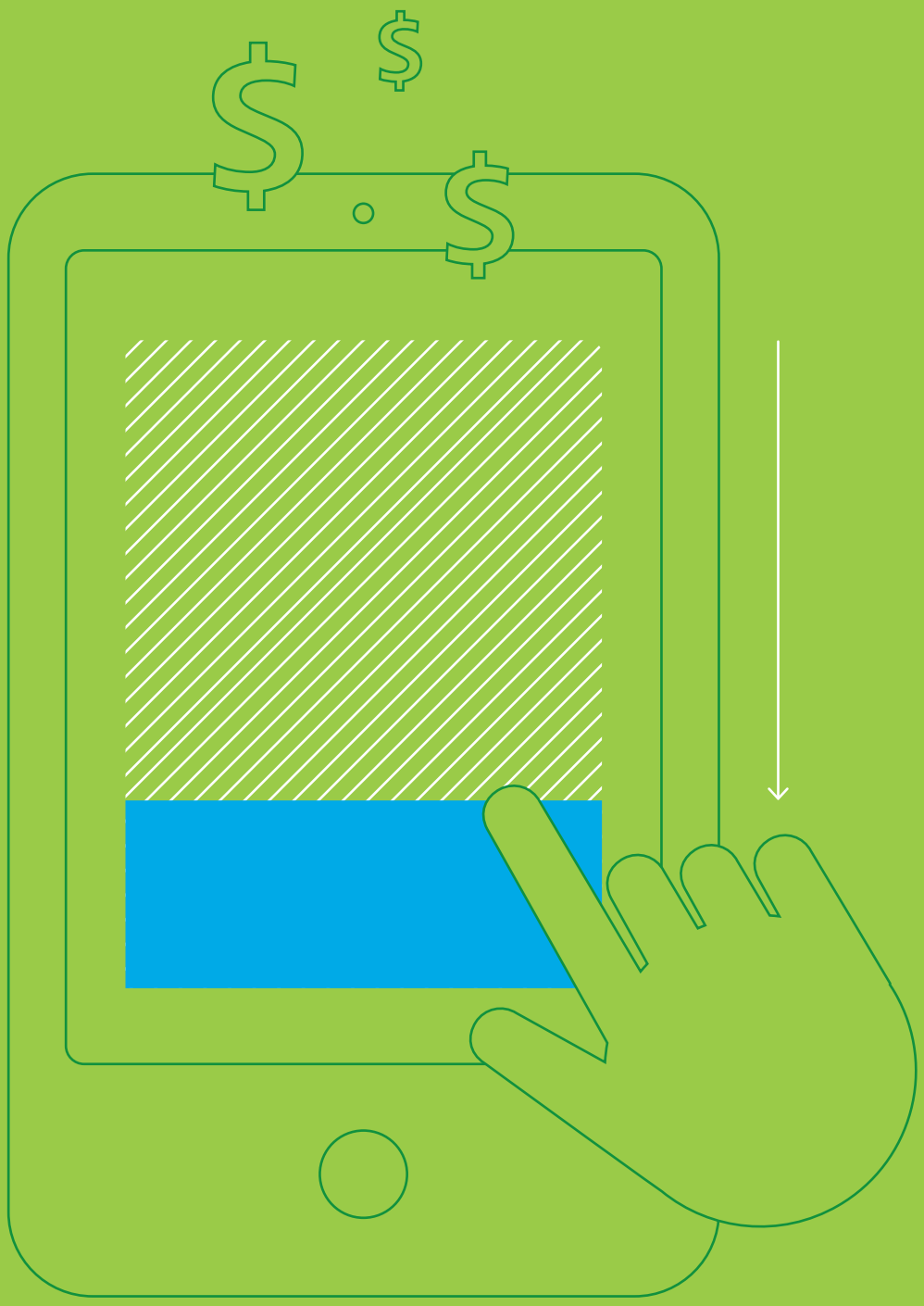
DIGITAL DISRUPTION EXPERIENCE RANK: **17/18**

Manufacturing has received significant press coverage with the impending closure of the major car manufacturers such as General Motors Holden and Ford Motor Corporation. This industry is a *long fuse, small bang* industry. Over the past couple of years, revenue dispersion has actually declined. This suggests that common forces have affected the industry rather than digital disruption creating a gap between winners and losers. In general, we find that the better performers are connected to other industries, like construction e.g. Boral, and agriculture e.g. Murray Goulburn. Those that have seen declining revenues are industries subject to international competition e.g. automotive manufacturing.

Table 1.4: Selected firm performance in the manufacturing industry

Firm	Change in revenue over 2 yrs
Boral Limited	20%
Orica Limited	12%
Murray Goulburn Co-operative Co Limited	4%
Ford Motor Company of Australia Limited (2010-2012)	-8%
GM Holden Ltd (2010-2012)	-9%
Toyota Motor Corporation Australia Limited (2010-2012)	-14%

Source: IBISWorld (2014)



THE 24/7 TELSTRA APP AND CROWDSUPPORT PLATFORM HAVE REVOLUTIONISED HOW TELSTRA RELATES TO ITS CUSTOMERS

TELSTRA

Digital capability to empower customers and staff alike

The case for digital

At the forefront of societal and economic change, telecommunications and media companies sit squarely in the *Short fuse, big bang* quadrant of Deloitte's digital disruption map. Telstra's business of fixed-voice revenue dropped from $5.37billion to $4.358billion from 2011 to 2013 in line with the mass take-up of mobile devices.

It's an illustration of the digital disruption the major Australian telco faces. In 2010, the company knew it had to embark on its own comprehensive digital transformation if it was to prosper and succeed in the digital economy. Telstra had to extend from its origins as a conservative engineering culture to a fast-paced digital one. Telstra Digital was formed to help bring about the necessary change. Gerd Schenkel, Telstra Digital's executive director, takes up the story of what happened next.

The journey

"The journey started with centralisation of the existing web teams. As a company we were spending significant amounts of money on disparate digital platforms from which we were not realising proper value because of fragmentation. We had five different internet platforms, five different relationship sets with suppliers and five different approaches to UX and design."

Tasked with bringing them all together, Telstra Digital sourced some of the best digital talent in the market to create one of the most prevalent digital teams in the country.

The move toward one platform and a unified approach to information and channel architecture soon yielded game-changing initiatives.

The Telstra 24x7 smartphone and tablet apps and CrowdSupport community were among them. These helped to revolutionise the way Telstra relates to, and services its customers, and cut the company's cost-to-serve by a significant margin.

"The benefits were many, but there were also challenges," says Schenkel. "Some things took longer to implement than we expected. It was important to understand the nuances and the details," he says.

"We always aimed at the dual benefit of digitising our systems and processes. It lowered our costs and provided a better customer experience, at the same time. Both imperatives fitted neatly with our corporate strategy."

Saving along the way

One early obvious benefit of a centralised digital platform, including the online My Account, was the ability to reduce external expenditure such as printing and postage. Telstra soon had almost three million electronic bill customers. "By not sending those paper bills, we save a significant and measurable amount every month."

The Telstra 24x7 app allows customers to keep track of their estimated voice and data usage and make bill payments, helping customers to stay in control of their Telstra accounts and services. App downloads reached 2.5 million in 2013 with 1.5 million regular users.

"We've built more than just an app. We've created a major channel right into our customers' palms, which is extremely valuable in customer service terms. Thanks to the app and its benefits to our customers, we now have a direct channel to easily enable customers to take up data packs and other add-ons tailored to our customer needs, so it's now a revenue source."

The demand for Telstra Digital's services far exceeded supply. "There is a high degree of tech literacy at Telstra, which is a good thing. We didn't have to explain too much. But it also meant that everyone wanted more digital functions for their product or their channel," says Schenkel.

Ensure the digital arm of the business remains part of the core organisation structure of the company, rather than being a think tank off to the side

Harnessing the crowd

In 2011 Telstra launched the CrowdSupport customer service platform where users, including Telstra customers and others, answer questions and help each other.

"CrowdSupport, which is now embedded in Telstra's business, is much more than a forum. It's a rich database of really important knowledge that has now been integrated into online search and help," explains Schenkel.

For example, when Apple made a change to its iOS7, customers quickly identified any flow-on issues. "It took a customer base of millions only minutes to figure this out," says Schenkel.

"Our scale, which is key to the quality of our community content, gives us a strategic advantage. We have the potential to provide better support to everyone, not just our customers."

Learnings

Reflecting on the past three years, Schenkel says the biggest challenge Telstra faced on its digital transformation journey was managing expectations, both internally and externally.

"It's important to communicate what is achievable in certain time-frames. There are often things you would like to do but they may take longer and be more difficult than stakeholders imagine because of issues like our legacy infrastructure or outdated processes and procedures."

The advice Schenkel would give other big companies embarking on the digital transformation journey includes:

- **Support from senior leadership is crucial**
  - "In large organisations, teams take their cues from their senior leaders. If there isn't clear alignment on a digital agenda, it will be just harder to execute and potentially grind to a near halt."

- **Ensure the digital arm of the business remains part of the core organisation structure of the company,** rather than being a think tank off to the side.
  - "Think tanks, innovation centres and labs seem to have limited life spans in large companies because they are sometimes seen as a luxury
  - "By being part of the core, you can build a strong sense of collegiality and reinforce that you need to move together towards a shared goal."

- **Take a portfolio view of all the activities**
  - "We had three tiers in the portfolio: quick visible wins (including social media service and CrowdSupport); core commercial activities that require meaningful investment but deliver serious payback, (including rebuilding our online shops and the Telstra 24x7 app); and pure infrastructure investments (including our replacement of the identity layer)
  - "It's all about balancing these elements. If you do too much infrastructure investment, the visible output can take too long and people lose interest. On the other hand, if you don't do any of the heavy lifting and concentrate purely on quick wins, mega problems can catch up with you down the track."

- **Digital transformation strategies need to be clear on what is in and what is out of the timeframe.**
  - "Initially, we took a two year time-frame, which I think is right for the initial phase. You need to be really clear on some key performance indicators that you can share with the public
  - "For us that was the service transaction share of the company. We made a public commitment to reach 35% in two years. And while this seemed totally out of reach initially, we reached this goal in 18 months."

Future plans

"At Telstra Digital, we sell product and service customers every day of the week, 24x7. We have our targets and we have to justify our existence with our performance," says Schenkel.

With the ambition of conducting nearly all consumer transactions online over the next three years, and significantly increasing sales as part of a Digital First program, Telstra aims to become the global leader in applying digital tools and methods to achieve another step change in operating efficiency and customer experience.

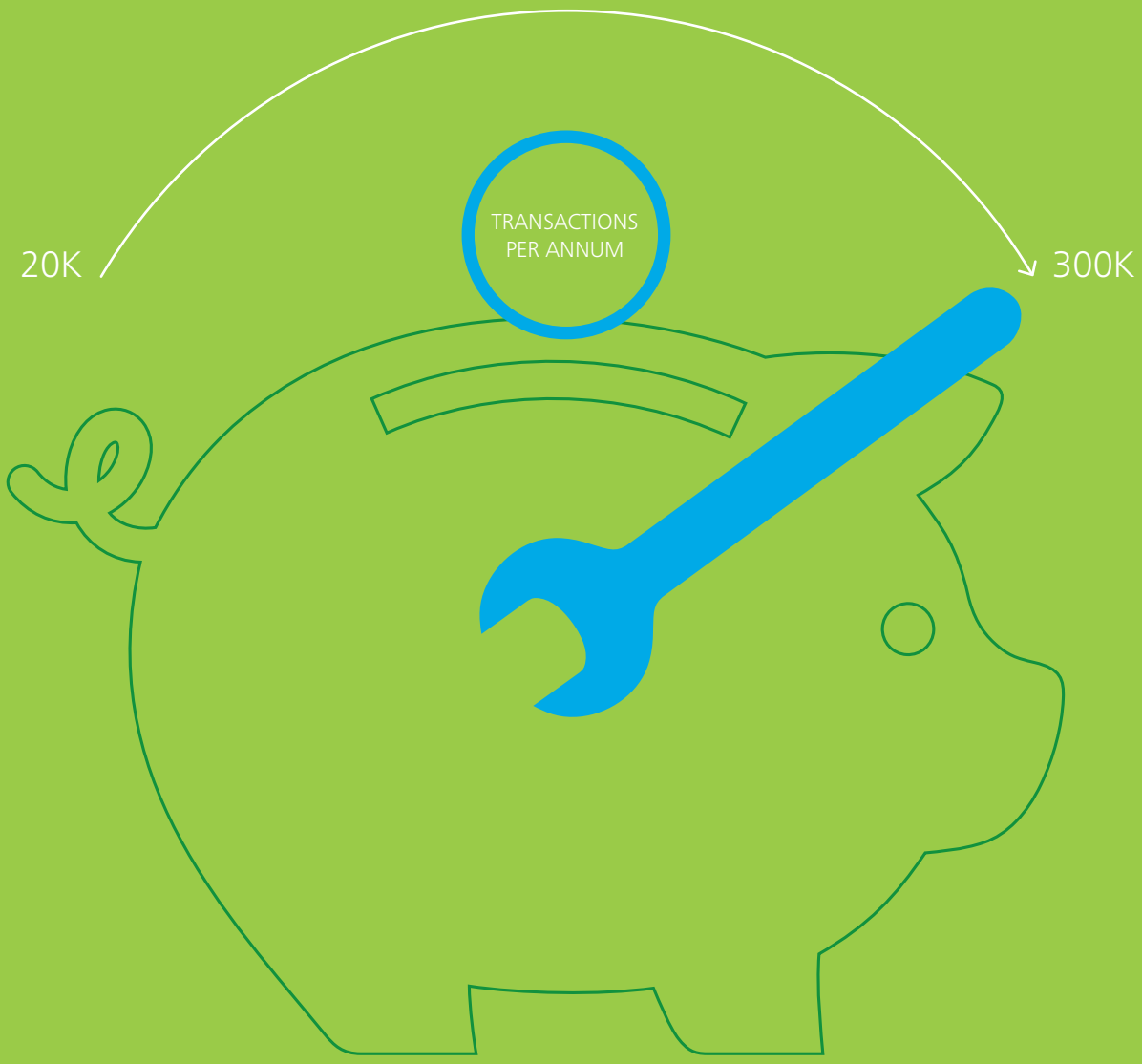
Telstra plans to upgrade its retail stores, electronically connect field technicians to customers and improve its existing processes to make it easier to buy goods and get support.

It's a win:win

The Telstra 24x7 app enables customers to take control of their Telstra accounts. App downloads reached 2.5 million in 2013 with 1.5 million regular users.

"We've built more than just an app. We've created a major channel right into our customers' palms, which is extremely valuable in customer service terms. Thanks to the app and its benefit to our customers, we now have a direct channel to easily enable customers to take up data packs and other add-ons tailored to our customer needs."

> Now that Telstra Digital has some runs on the board, we can afford to take on a three year bold ambition
>
> **Gerd Schenkel, Telstra Digital**



AUSTRALIANSUPER INCREASED TRANSACTIONS FROM 20,000p.a. TO 300,000p.a. (1500%) IN 18 MONTHS, BY SHAPING AND CONTINUOUSLY PERSONALISING ITS DIGITAL OFFERING

AUSTRALIANSUPER

Digital was seen as a way to create a relevant, personalised experience that would make each transaction a positive, personal and memorable experience for the member

The case for digital

As part of the superannuation industry, AustralianSuper, is within the *Short fuse, big bang* quadrant of Deloitte's digital disruption map. In 2010, customer demand for a personalised experience prompted the Top Ten fund to act in response to digital disruption. The organisation realised that the primary driver for creating a memorable and simplified digital experience for customers dovetailed with an opportunity to be more efficient and environmentally friendly by transitioning to a paper-less business.

And so these imperatives crystallised AustralianSuper's view that the vanilla service offered by its previous model would no longer suffice a membership base that was set to increase (and has indeed has reached two million in 2013). This reality is underlined by the Australian public's rapidly increasing interest in their superannuation. The national retirement savings pool now surpasses $1.6 trillion in assets, and Australia has the world's third largest superannuation asset pool.

"All our research told us that the member experience is critical," said AustralianSuper's Group Executive, Service and Advice, Shawn Blackmore. "It made complete sense to transform our super business to ensure we could shape and continuously personalise our offerings."

In addition the business case for moving to digital from paper-based services was compelling. Education and stakeholder buy-in would prove the keys to achieving success.

The journey

When the journey began, those advocating for digital transformation did not predict the level of education and understanding that would be required to bring on board all stakeholders at AustralianSuper.

"We underestimated the storytelling needed," said Blackmore. "The need for stakeholder buy-in sounds obvious now, but when we began we needed to balance the operational side with the energy required to canvas opinions widely. The people doing the business case lived and breathed the need for change. It was second nature to them," explained Blackmore. "But it was sometimes harder for others to visualise."

To garner the support of the broader stakeholder group, the project leaders would personalise digital. "We did this by talking to the broader group about their experiences using online banking; describing the ease of access compared with physically attending a branch," he said.

It took 12 months to ensure the organisation had the right expertise to bring about the change. "We had operational, transactional and communications skills. But we didn't have any specific IT skills in-house."

The fund brought in trusted parties to educate its decision makers more deeply and to scope requirements for permanent roles as well as their structure. An executive sponsor was appointed to champion the project and a working group set up. The team was delivery-focused.

Looking back, the organisation acknowledges it should have put more effort into awareness-raising. It could also have refined its target operating model better.

"We treated it as a project to deliver a digital platform. When the website went live, that was when we really felt the implications of increased customer demand for functionality, tools and resources," Blackmore explained.

> We had expected a gradual improvement not a complete spike, which automatically highlighted that later phases of the project that we thought could be delayed for a few months, had to be delivered sooner

For example, the previous ecosystem before the new site was launched did not support a single login. Multiple logins were needed, and users had to source their details to be able to log on. The new site introduced a single login that enabled viewing and accessing information for multiple platforms. The user experience was all important. It needed to be as seamless as possible.

Learnings

Change management is always a key challenge for those responding to digital disruption, and AustralianSuper acknowledges it should have made it more of a priority. Blackmore explained: "Not too many people do change management well. Most organisations have lessons to learn in that space."

Structural and organisational change

- **Recognise change resistance**
  - People confined to silos
  - Ensure an ongoing owner is appointed to continue the change program. In AustralianSuper's case the digital platform was created as a single project initially and no ongoing owner was appointed
  - Ensure there is a program for continuous improvement.

- **Set up a department to transition people and skillsets from the old, paper-based world to digital**
  - Ensure customer information and marketing content are created once and not duplicated
  - Populate customer information and marketing content across all channels.

- **Separate the Digital and IT departments**
  - Ensure the strongest focus on member and user experience is underpinned by the IT hardware and infrastructure systems.

- **Continue to iterate and refine the structure.**

Starting out

- Appoint a strategy owner and have a multi-year year strategy
- Invest in time and trusted advisors with skills and understanding
- Recognise the importance of continuous storytelling.

"The digital landscape moves very quickly. You need to stay ahead of developments and be sufficiently educated – or advised – to judge the difference between an important innovation and a fad. You also need to tell the story to key stakeholders early, and often," Blackmore said.

In 18 months AustralianSuper's transactions went from 20,000 p.a. to 300,000 p.a., and member engagement went up by 25% to 30%. By responding proactively to digital disruption, the business transformed to meet the future head on.

Future plans

Blackmore says integrating mobile services is now a top priority. "Where does the data warehouse sit? As the superannuation pool increases, customer demand for ease of access to their assets will bring increased security risks. Where does the risk overlay of digital sit? These are some of the challenges."

AustralianSuper wants the voice of its members to help shape its digital platform into the future. It wants to get the members involved at the design and development phase. To this end a cross-departmental, digital community has been set up to help manage marketing, operational and communications workflow. Blackmore says personalisation needs to be 'top notch' for superannuation fund members. "Consumer segments will become redundant as technology enables a level of personalisation that drills right down to the individual."

AustralianSuper wants the voice of its members to help shape its digital platform into the future. It wants to get the members involved at the design and development phase

Shawn Blackmore, AustralianSuper

The Search Party

THE SEARCH PARTY

A disruptor

The case for digital

The Search Party is an Australian start-up in the professional services sector. It sits within the *Short fuse, big bang* quadrant of Deloitte's digital disruption map. Founded in 2011 in Sydney, The Search Party is successfully challenging the traditional recruitment process, reducing the time it takes business to hire by more than two months, and the average cost by thousands of dollars, while offering better access to talent at the same time.

The founder and CEO, Jamie Carlisle, calls his company a 'positive disruptor'.

Jamie Carlisle realised, after a number of years in the recruitment business, and at the helm of a number of start-ups, that the recruitment and HR sectors needed to evolve. "The recruitment industry could be more profitable and sustainable if it embraced the technological and digital revolutions," he said.

In Australia, it costs on average $15,000 and takes 81 days to fill a position. This lengthy time and the high cost of hire are hurting businesses across the country. Furthermore, these realities often force line managers to make bad hires. One in two hires fail to meet their original job specification according to research conducted in the UK, commissioned by The Search Party / Talent Party (UK).

"While the rise of social networks and online jobs sites have created new ways to seek out potential employees, these tools have ultimately failed to impact the fundamentals behind recruitment – the time, cost and quality of placing great talent," said Carlisle.

The journey

When founding the business in 2011 Carlisle's plan was to develop technology to increase productivity and efficiency in the recruitment businesses. Joined early in 2012 by management consultant and perennial problem solver Ben Hutt, the business evolved and by November 2013, after many months in development, The Search Party launched the 'Marketplace' in Australia with more than two million candidate CVs verified by recruiters. The average time to hire a candidate with the Search Party today is just 12 days, compared with the industry average of 81 days. This is a huge saving for business.

With The Search Party, the cost of hires has also fallen – fees to date are 8-15% (median 11%) of a salary, another saving when compared to the industry average of 15-20%.

For employers, the process starts by filling out a short online job specification form. They can then search a pool of more than four million verified candidates and immediately get a shortlist to choose from. The results are ranked by order of relevance. An additional feature – a feedback mechanism – lets users indicate whether they like the search results or need further refinement.

To help refine the search process even further, the Sydney-based company has a team of data scientists developing big data algorithms that are continually perfecting the search results by taking into account more than two trillion data points.

Once an employer selects a candidate for interview, they propose a fee and commercial structure to the recruiter(s) via the platform, where fee negotiation and agreement takes place. The successful recruiter will then send the candidate's full profile and arrange an interview.

"We have more than 100 employers and 100 recruitment agencies already using the platform in Australia with some three million candidate profiles on the platform currently," said Carlisle.

So far the platform has proven an enormous success, with the company already expanding to the UK where it had 100 employers and four million candidates on board as of May 2014.

Learnings

"Just because a sector is on its knees, don't expect the industry to be ready for change," said Carlisle. "The Search Party is a win-win for employers and recruiters, but we over-estimated the level of acceptance and readiness there was to try new ways of doing business in the recruitment industry. However once they understood the approach, they jumped on board. But the process of change and adoption was slower than I expected.

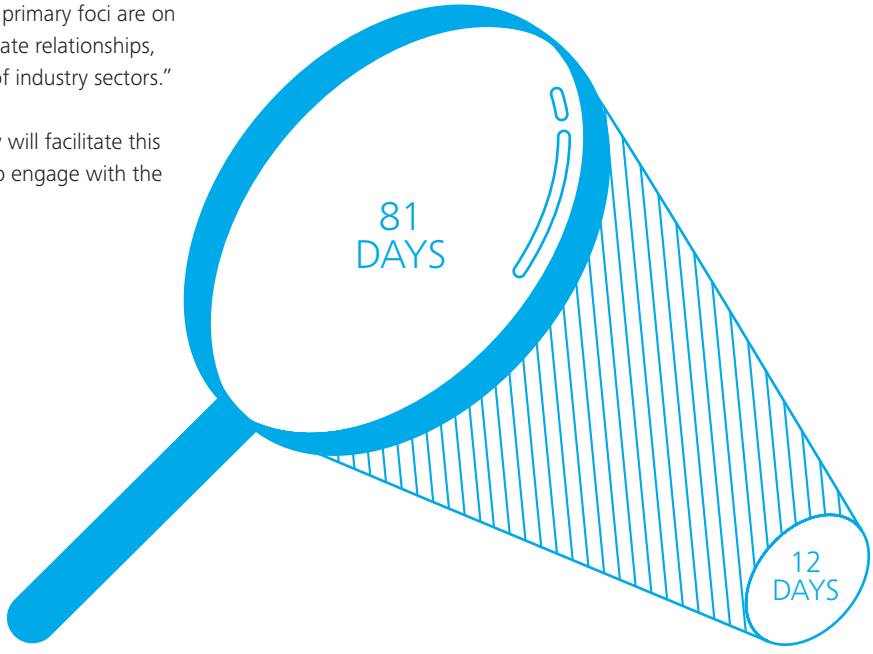
"We were successful when we focused on those businesses which acknowledged the need for change, and those companies which were looking to evolve their existing business practices."

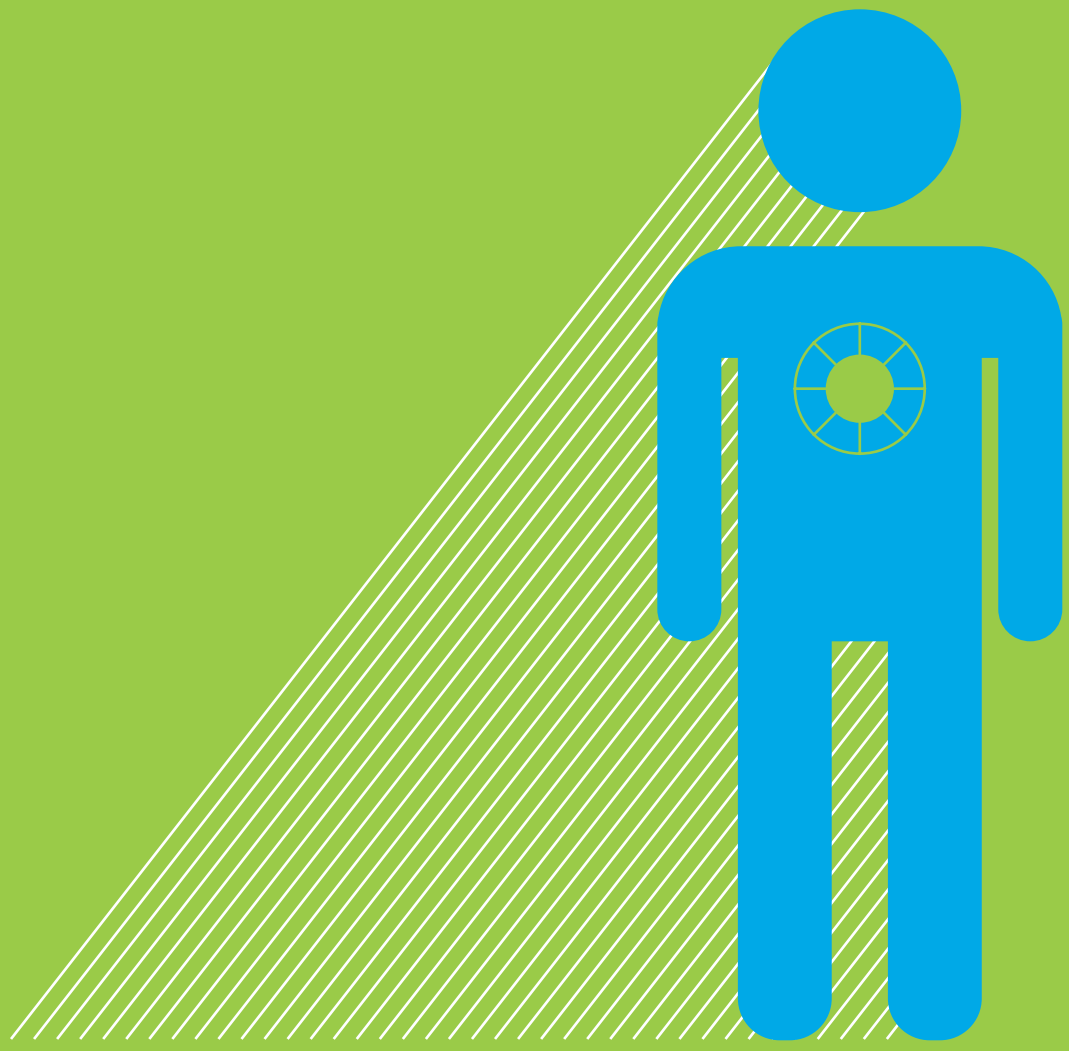
Future plans

"Long term, we believe that in the next five years the recruitment industry will re-invent its business model with scale and structural significance. Recruitment will return to its roots and ensure its primary foci are on building and maintaining candidate relationships, and honing a deep knowledge of industry sectors."

For The Search Party, technology will facilitate this evolution to enable employers to engage with the market in new ways.

> We'll see things become possible by leveraging big-data which would have just been a pipe dream a year or two ago
>
> **Jamie Carlisle, The Search Party**





0 IN 2008

375K IN 2014

UBANK IS AUSTRALIA'S FASTEST GROWING ONLINE ONLY 'YOU' FOCUSSED BANK – A DIGITAL TRANSFORMATION SUCCESS STORY

UBANK

NAB created UBank to revolutionise banking

The case for digital

The banking sector as a whole is perceived as having been slow to respond to the digital revolution's *Short fuse, big bang* impact on its business. However by 2006, NAB knew it needed to engage with customers in new ways and invest in its existing technology platform to do so.

Digitally-savvy customers understood that technology would be the way that banks could offer them a new world in financial services. In fact, they were demanding it.

NAB faced the choice of whether to take its entire organisation on this steep, innovation journey, or to set up a separate division, and give it the freedom and agility to explore, experiment and create a responsive, technology-driven service – fast.

And that's what NAB opted to do. The decision was made to create a separate division of the business which is now Australia's fastest growing bank – an online, customer or 'you' focused – UBank.

The journey

UBank's general manager, Alex Twigg explains: "The world had changed; we had seen a massive shift in technology's capabilities, communications and trust. The key choice was how to work with these trends and respond in an uncertain world. Although many argued that a new brand would not achieve necessary cut-through, others believed it would open up a world of opportunity to do something that was good for customers, good for business, and very different."

The approach UBank decided on was to hone in on customers who wanted to use online banking facilities only, that is, people who didn't want to go to a physical branch, or talk to anyone on the phone. These customers said they wanted very simple, easy-to-understand products that would be delivered through a digital channel.

UBank was launched in 2008. From a standing start, it now has almost 375,000 customers, which, by many measures, makes it the fastest growing bank in Australia.

> People focused entirely on the customer, innovation and agility were keys to success

"UBank is a digital business that is a bank," says Twigg. "It has been deliberately run very separately from the NAB brand both from an operating and customer perspective, while under the same umbrella of regulation and governance. This has empowered our team to find innovation through challenging the perceived wisdom of the status quo, and iterate solutions quickly.

"Commentators often look at UBank and see a bank that has gone digital. What I see is a business, fixated with its customers and people that offers digital banking solutions. That's how the UBank Manifesto was born."

Figure 2: UBank Manifesto

Simultaneous to the creation of UBank, NAB decided to invest in a new platform for its core banking assets, to maximise the opportunities provided by a new generation of technologies and remove the shackles of its legacy systems. The opportunity to combine the 'new bank', UBank with 'new technology' to create a transformational change in service, costs and agility, would go hand-in-hand.

Although offering only personal products, UBank was placed under the Group Head of Strategy reporting to the CFO. This was a key decision, and ensured that the fledgling business was given the space and backing to grow as a 'Horizon 2' initiative without being caught up in the immediate imperatives of a scale-operating business.

Twigg said: "It was important to treat UBank in this way so that its ability to disrupt the market was not constrained by the traditional business."

UBank started out occupying a floor in NAB's Sydney head office building, but it quickly moved to a location away from headquarters. "Being powered by NAB was important. But we also needed to create a brand to appeal to digital natives (under 35s who are very familiar with technology and have high expectations of what it can deliver), so the physical separation was symbolically important to us."

Allowing its employees to be different from the traditional image of a banker, and more like those you'd expect from a digital start-up – wearing jeans and T-shirts – was just a start, as the team created and codified their own employee brand.

'To make the right kind of difference for our customers, we need to be a little different too. Unified by a unique culture and a genuine drive to achieve, we deliver innovation and remarkable service to our customers in a fun and supportive environment.'

Learnings

There were a number of learning's according to Twigg:

Skill sets

- UBank actively hired people from non-banking backgrounds including retail, and telecommunications
- It hired people with different experiences overseas
- It sought out people who didn't have the traditional view of the Australian banking sector.

Culture

- It wasn't about 'white-labelling'. Digital banks can be copied, but passion and purpose can't
- Understand that not all individuals are suited to a start-up culture
- Some people could make the transition from the large corporate culture, but many struggled.

Recruitment/remuneration

- UBank's HR model, the way it recruited and remunerated, helped create a culture of belonging and ownership that was key to UBank's success
- Be prepared for the fact that that not all hires will work out
- Recruitment for cultural fit was paramount to success.

Business model

- Simplicity first
  - No-one wants to 'bank'. People want help in managing their money, buying a house, car or holiday, so the experience needs to be 'frictionless'
- The status quo always provides disruptive opportunities
  - Sometimes it can be as much about what you 'don't do' as what you do

- UBank had to break out of an established, big business paradigm
  - Creating a nimble business is not easy in a big, traditional bank
- There was huge customer support and advocacy for UBank
  - Put loyalty first – always reward your loyal customers at least as well as your new customers.

Agility

- The need to be agile can sometimes mean 'going live' when the back office is not quite as ready as you would like it to be
  - "But you 'go live' knowing that"
  - It might mean running around for a few weeks fixing all that might not have been quite ready
  - But that's OK because the imperative was to get offerings in front of customers
- As long as the customer isn't inconvenienced by the fact that issues are being solved in the background, these necessary compromises to get to market earlier can be managed
- Once the business scales up, systems and processes become more important.

If I could do it all again…

- Being attached to NAB was fundamental to UBank's success
- Faster, faster, and faster as every day passes – the expectation for speed of change increases
- Disruption is the key to growth, don't hesitate, if you are nimble you can always correct your course.

Future plans

Twigg sees the future for UBank: "I'm really excited about the future, and can see even more opportunities to be disruptive. The key will always be to continue to drive customer growth through a broader range of intelligent services. Harnessing big data to develop offerings that are absolutely focussed on the evolving and constantly growing needs and desires of the customer."

I think the digital bank of the future will almost be invisible to its customers. We have all invested heavily in enabling technologies to deliver products and services more conveniently. But of course the most convenient thing is not to have to do them at all! I've never met a person that has leapt out of bed in the morning and with delight said: 'I'm going banking'!

Our role as an industry is to ensure that the millions of dollars we spend on optimising the experience of banking, truly translates into its end result – the provision of a home, a car, a holiday, security in old age, peace of mind

Alex Twigg, UBank

WESTFIELD'S AUSTRALIAN 'SEARCHABLE MALL' FEATURING 100,000 PRODUCTS ONLINE

WESTFIELD

Change agents went shopping for the future

The case for digital

By 2010 the Westfield Group had realised that their hugely successful model of building large, quality, long-lasting shopping malls across the world, was being challenged by a profound change in shopper behaviour driven by technology enabled connectivity. It became apparent that this could be a disruption with a big bang or a transformative opportunity to connect the digital shopper with their shopping centres to improve the shopping experience.

By 2012 Westfield Labs was set up as a new entity of the Westfield Group, serving as a global digital lab focused on innovating the retail ecosystem by leveraging the social, mobile and digital market opportunities that converge the digital shopper with the physical world.

The new team and office is based in the San Francisco Bay Area, the global hub of innovation and development of digital technology.

Understanding the shopper's journey

Westfield's ongoing evolution was stimulated by understanding the changes in the shopper journey. Westfield's Director of Marketing, John Batistich said: "Shoppers are engaging in more channels to inform their purchase decisions and have access to more real-time information than ever before.

"Shoppers are spending more time at the **discovery** stage, learning about brands and spending less time finding products and services as a result of improvements in online search and comparison.

"The buy stage can occur anytime, anywhere with many retailers focusing on reducing friction at the point of sale in terms of product availability, payment and service.

"Technology is enabling the buy stage to be decoupled from the acquire stage, allowing shoppers to click and collect, and buy in-store and get what they want home delivered.

"We also know that shoppers are increasingly sharing their experiences with brands with their social network and seeking an ongoing relationship with their favourite brands to make it easier, cheaper or more special.

> Digital storefronts, digital in-centre signage, click and collect hubs, wi-fi networks, frictionless car parking payment services, mobile food service apps and the searchable mall web platform that integrates retailers, helps shoppers find what they want in their local Westfield shopping centre

"There is evidence that technology has slowed down the shopper journey as the time spent through the pre-purchase phase increases, particularly in the discovery phase, as we learn and gain inspiration about brands via an ever increasing range of digital channels.

"While technology has slowed the journey, the amount and quality of shopper data has increased significantly, providing opportunities for measuring attribution. It's increasingly possible to leverage this data to understand what, when and where shoppers buy, and importantly, what influences the purchase and brand relationship throughout the shopper journey."

Westfield's learnings on the shopper journey has supported a broad range of new digitally enabled innovations including digital storefronts, digital in-centre signage, click and collect hubs, wi-fi networks, frictionless car parking payment services, mobile food service apps and the searchable mall web platform that integrates retailers to help shoppers find what they want in their local Westfield shopping centre, and helps them to buy their way, either in-store or online with the retailer.

Learnings

Co-create the digital strategy

- A key learning was the importance of working with Westfield's retail partners on its digital strategy.
- Respect existing business relationships and involve them in the online business discussions.
- Be clear about how digital will enable strategy and be sure to closely tie it to critical cultural change around innovation, including measures for rewards around digital DNA.

Take a pause

- Find the courage, at key points, to stop innovating until you have your technology infrastructure 'stacks' in place.

Change agility – new skill sets

- Being change-agile and multi-dextrous is also important
- As well as being a builder of huge, expensive 'big-bet' construction projects, Westfield is now in the business of creating digital products and markets
- Combining a culture of highly detailed bricks and mortar projects with long gestations, alongside more rapidly formed online marketplaces, involves very different methodologies
- Invest in market-leading digital natives and re-tooling existing people with digital capabilities.

> Not enough businesses in Australia understand the threat from digital disruption. Too many are internally focused
>
> **Andy Hedges, Director of Shopping Centre Management, Westfield**

Future plans

Westfield is focused on delivering new products, partnerships and services that will be commercialised globally to transform emerging ideas and technologies into viable businesses that move the retail industry forward. The opportunities to connect browse, transaction, social and location customer data, presents an exciting future for retail to deliver a more relevant personalisation experience, improving the entire shopping experience.

Westfield's Director of Shopping Centre Management, Andy Hedges concluded: "Not enough businesses in Australia understand the threat from digital disruption. Too many are internally focused."

> Business needs to get curious around technology and how it impacts customer behaviour. Get testing, get learning, and get close to the technological future. Define your competitive context and then imagine different scenarios for the future

John Batistich, Director of Marketing, Westfield

How organisations can prepare for action

These stories from the frontline of digital disruption reflect how major technological change has impacted Australian businesses in the *Short fuse, big bang* quadrant of Deloitte's digital disruption map. While each story is unique to the individual organisation, some strikingly common themes emerge. They include:

Customer experience

Customers are leading the data and digital revolution. They are more empowered than ever to tell businesses what they want. Those businesses that listen – and appreciate the intellectual-property value of their customer base – are the ones that are responding successfully to digital disruption and staying ahead of the pack.

As our **UBank** and **AustralianSuper** stories show, the financial services sector received clear feedback from customers that they wanted simplicity. As well as easier, and better access to their financial institutions, customers wanted their institutions to assist them with their complex transactions, and financial affairs, as well as enabling the 'every-day' transactions. As a result, physical locations and paper-based services to attend to simple financial matters are likely to morph into convenient, secure, online experiences.

Customers are leading the data and digital revolution. They are more empowered than ever to tell businesses what they want

The customer experience theme was particularly important for our telecommunications and retail behemoths. The 24x7 **Telstra** app enables customers to keep track of their estimated voice and data usage and make bill payments, helping customers stay in control of their Telstra accounts and services. App downloads having reached 2.5 million in 2013 (a conservative 20% of Australia's total digitally enabled population). Telstra's CrowdSupport customer service platform serves the ultimate customer experience by both empowering customers and leveraging their power to continue to build relevance and authenticity. It enables Telstra customers and others to answer questions and help each other to problem-solve in the digital world.

In a business-to-business example, a key learning for **Westfield** was the importance of working with its retail partners on digital strategy. Involving them in the online business discussions and engaging them in its new, searchable mall, that placed the shopper experience firmly at the forefront of the retail experience.

Investment in digital technology platforms

The importance of getting digital technology infrastructure right was vital in every one of our case studies. **Telstra** reported having struggled to deal with fragmentation and legacy technology systems. Centralisation to one unified platform was critical. But it also cautioned the need to balance all the elements – speed, and getting the infrastructure right. Too much infrastructure investment could take too long and cause people/customers/stakeholders to lose interest.

For **AustralianSuper**, it was a case of building a digital platform from scratch and then dealing with the implications of increased customer demand for functionality.

UBank's online verification tool was one way it identified how to use technology to become more than just an interesting channel to sell products. It also acknowledged the need, in the start-up phase, to embrace the 60:40 rule and in the 'start-up' phase the need to be prepared to go to market with technology systems that were not perfected. Businesses need to balance the need for speed-to-market with the implications of going live when the back office is not quite ready.

For **Westfield**, getting the technology infrastructure 'stacks' in order was a huge priority. The urgent need to innovate can lead to technology solutions that may be 'tacked on' rather than integrated into the overall platforms. There is a point at which organisations may have to pause their innovation plans to deal with this.

Investment in mobile and social media is essential if organisations are to communicate effectively with their customers and with their own people. Westfield's experience, in which its retail partners are collaborating into communities through social networking tools such as Yammer, is a case in point.

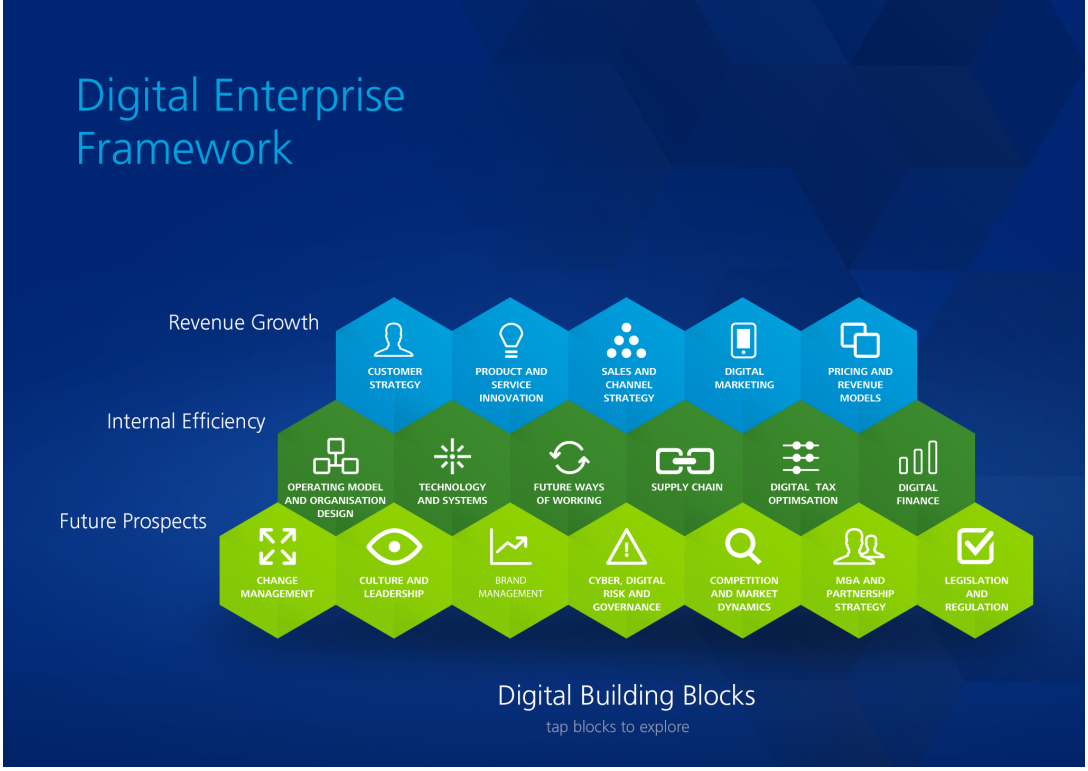


Figure 3: Deloitte's Digital Enterprise Framework

Culture change

The 'people' piece is big. Implicit in all of these stories is the need to engage an organisation's people in the digital transformation journey. This begins with buy-in at the most senior levels of an organisation. Support at the C-suite level is crucial. Strong CEO support sends the message that digital transformation is being taken seriously. **Telstra** says collegiality among peers is absolutely critical in such a large complex organisation to ensure that everyone knows that they are all working towards the same goal.

Internal social networking tools are becoming increasingly important for communicating change in a timely manner to all levels of the business. **AustralianSuper** reported having underestimated the amount of 'storytelling' needed to help those not directly involved with the digital transformation project to understand and visualise the future.

For **UBank**, the culture story was about creating a business identity. It was about leveraging the support of its parent company NAB, while setting itself free to become a new entity. Casual dress codes and dedicated UBank office spaces helped on the journey.

At **Westfield**, the cultural change was all about being change agile and multi-dextrous. Combining a culture of highly detailed bricks and mortar projects with long gestations, with more rapidly formed online marketplaces, involves very different methodologies. Westfield continues to invest in market-leading digital natives and re-tooling existing people with digital capabilities.

Continuous improvement

All of the businesses Deloitte interviewed for this publication are acutely aware that the digital transformation journey is ongoing. Technological change will continue at a rapid pace. And innovations will be exponential. Businesses must adopt a change-agile mindset – agility in platforms, people and planning. Scalable learning is the name of the game as virtual ATMs, data that measures shoppers' behaviour, wearable technology that measures an individual's health metrics, and more sophisticated personalisation all inform the agenda. As Westfield's Batistich said: "Get testing, get learning, and get close to the technological future. Define your competitive context and then imagine different scenarios for the future."

A useful framework

Deloitte's Digital Enterprise Framework helps clients identify how their sector is being disrupted and how to apply revenue, cost and agility levers to respond.

These include:

- Building digital capability
- Centralising digital capability
- Driving culture change initiatives
- Investing in mobile and social.

Are you harnessing the bang?

Boards should be inquiring about their organisation's innovation culture and infrastructure, looking at who the innovation champions are in the organisation, what innovation strategies they are pursuing, and how they support and nurture innovative ideas. They should also be asking management to report on how they are responding to competitive threats while also tapping and maximising the many opportunities presented by digital change.

10 questions to ask

1

What innovations has our organisation developed over the past two years?

What innovations have our major competitors developed in the same period?

Are we leading, keeping pace with, or falling behind our competitors?

2

What are the most disruptive innovations in our industry?

How can we better test or harness these emerging business models?

3

Globally, what can we learn from other industries that have been materially disrupted?

4

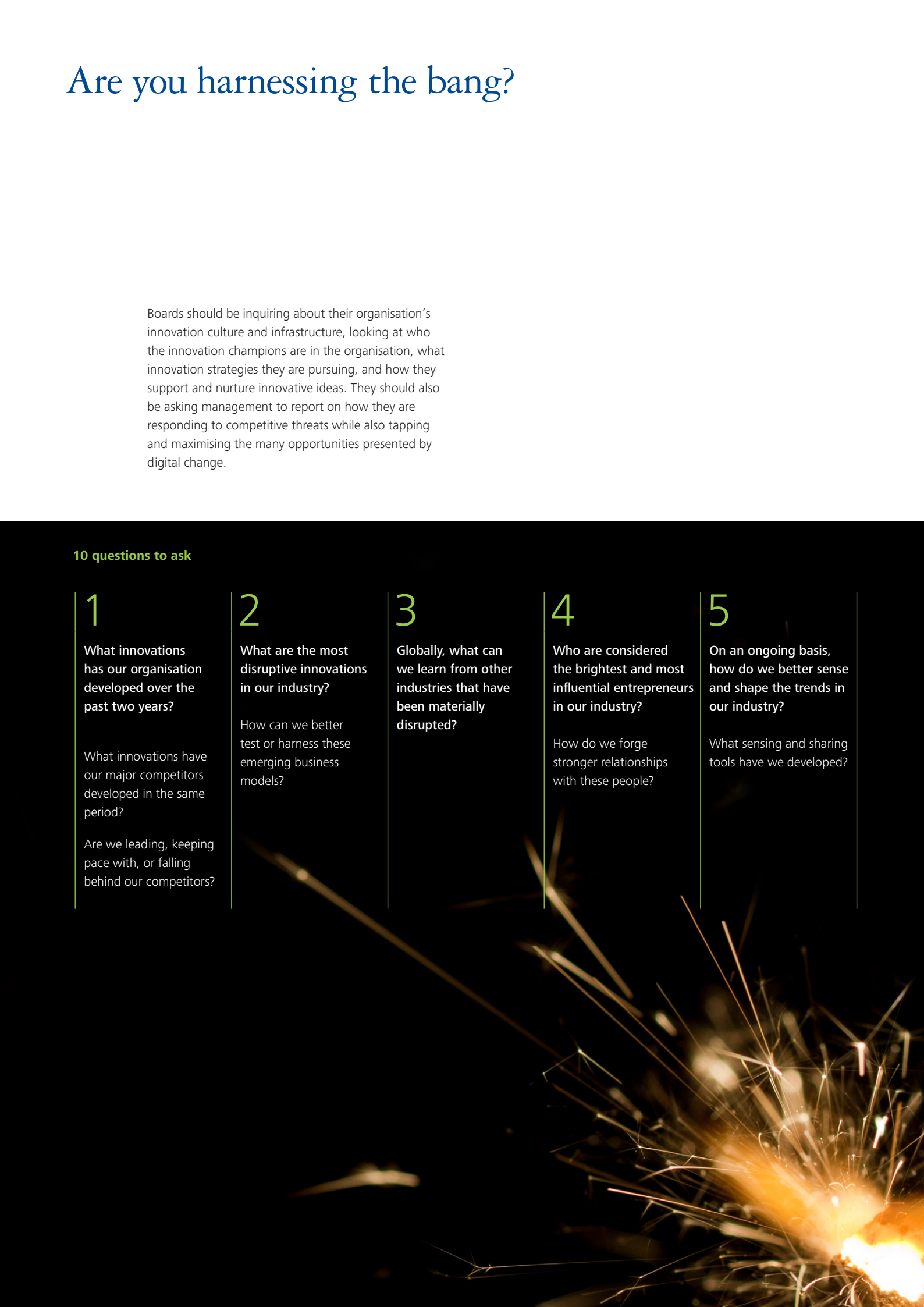
Who are considered the brightest and most influential entrepreneurs in our industry?

How do we forge stronger relationships with these people?

5

On an ongoing basis, how do we better sense and shape the trends in our industry?

What sensing and sharing tools have we developed?



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What is our organisation's innovation culture?

Are we willing to take innovation-related risks or is our organisation too tentative and, therefore, in danger of remaining stuck in the ways that it has operated in the past?

Do we encourage orthodoxies to be challenged?

7

Are we sufficiently curious about our customers?

Do we collect enough data often enough, from our customers?

Do we make good use of it?

Do we listen to them?

8

How agile are our organisation's IT systems given these are an increasingly important element of a company's capacity to be innovative?

9

Has our organisation created any innovative partnerships?

Are there others we should be forging?

In what ways are we adding value into a broader ecosystem that enable us to more quickly learn and better compete?

10

What worked? What didn't? Learnings from hindsight?

Can you see more change on your horizon?

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