

# THE BIG DIGITAL FAIL – Why Only 1 in 4 Companies Achieve Topline Growth with Digitalization

Results & Insights of the Global Pricing & Sales Study 2017

In collaboration with:

The Center for Pricing at Simon Business School,  
**University of Rochester,**  
Z. John Zhang, Professor of Marketing at  
**The Wharton School**



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## Executive summary

### **3 in 4 companies fail to grow their top line with digitalization.**

- 81% of all companies have invested in digitalization initiatives in the past three years.
- 75% of those efforts were focused on increasing the top line, yet only 23% of all companies have seen an impact.

### **Most companies who fail at digitalization invest in the wrong initiatives.**

- Optimizing prices using Big Data and monetizing digital products have been the initiatives with the greatest topline impact.
- Yet at the same time they are the most neglected initiatives.

### **Companies can't "escape" digitalization as it will have a lasting impact on the marketplace going forward.**

- Pricing pressure will continue to increase as it is heavily influenced by factors linked to digitalization.
- Digitalized companies are twice as likely to start price wars, with a detrimental impact on profit margins.
- Relationships with customers will change significantly, impacting the role of the salesforce. It will become more important than ever to correctly segment customers.

### **18% of all companies are Digitalization Heroes.**

- Digitalization Heroes avoid price wars and see a significant impact on their top line.
- On average, their EBITDA is 37% higher than that of other companies.

### **Digitalization Heroes demonstrate superior practices in strategy, marketing, sales and pricing.**

- Digitalization Heroes are focused on revenue improvements, not cost cutting, and have a digitalization strategy & roadmap.
- They are superior at basic marketing tasks, e.g. make better use of data to develop and update their segmentation.
- Digitalization Heroes are more precise and faster at right-sizing their sales force.
- They invest more in pricing resources and use Big Data to make price decisions.

### **Simon-Kucher's digitalization framework helps companies in all industries to boost their top line.**

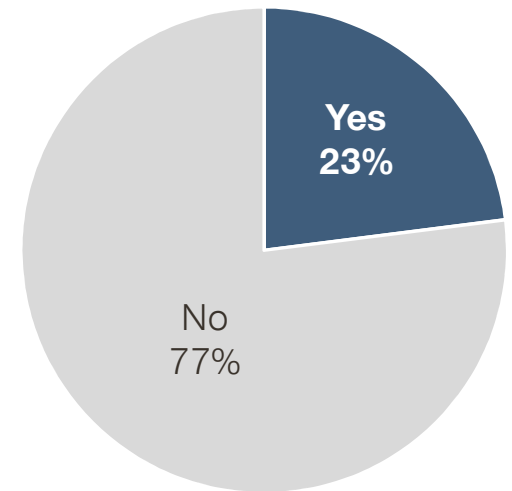
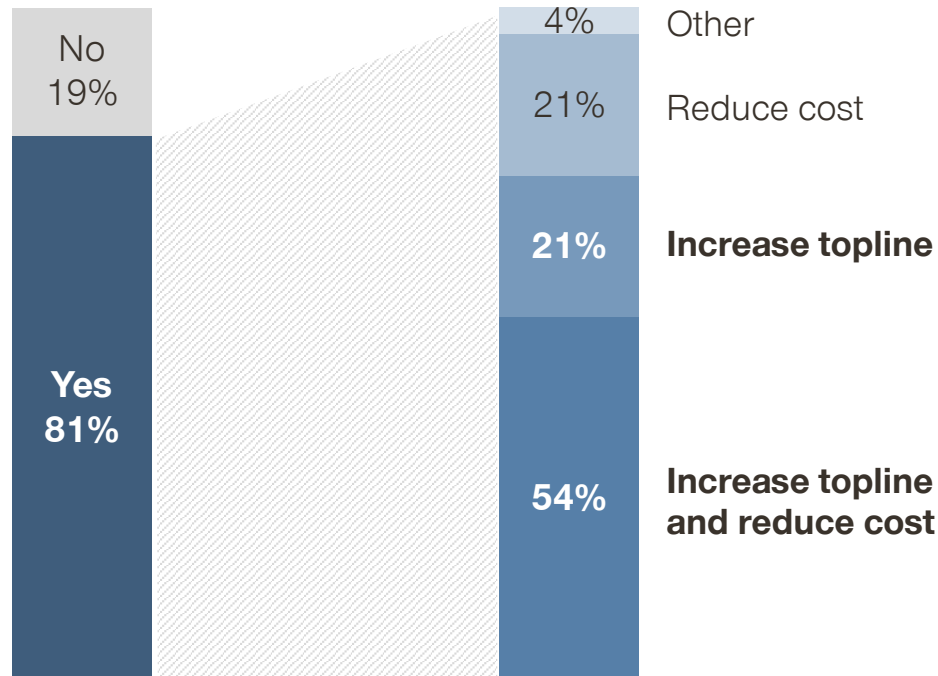
# 81% of all companies surveyed have made investments in digitalization, but only 23% saw a topline impact

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Strategy & Marketing Consultants

? Have you invested in digitalization initiatives in the past three years?

? What is the focus of your digitalization initiatives?

? Have your initiatives had a visible impact on your top line?



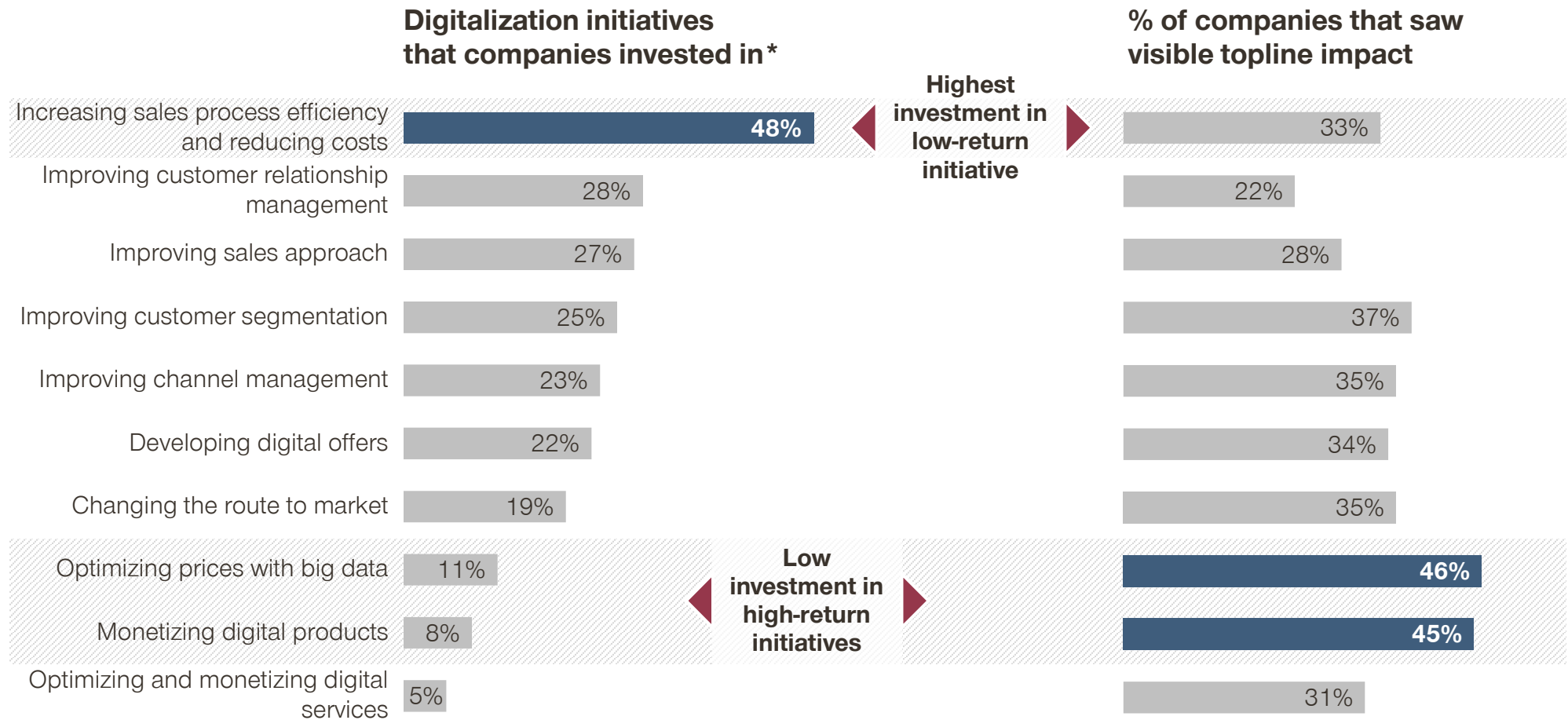
**3 in 4 companies fail to grow their top line with digitalization.**

Source: Global Pricing & Sales Survey 2017. NOTE: Digitalization is referred to as use of digital technologies to change a business model or improve process efficiency of customer interactions to increase the value-to-customer and produce incremental revenue streams.

Simon-Kucher & Partners, Global Pricing and Sales Study 2017

# Most companies focus their digitalization investments on the wrong initiatives

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**Initiatives to optimize prices using Big Data and monetize digital products have the highest topline impact, yet are the two areas where companies invest the least.**

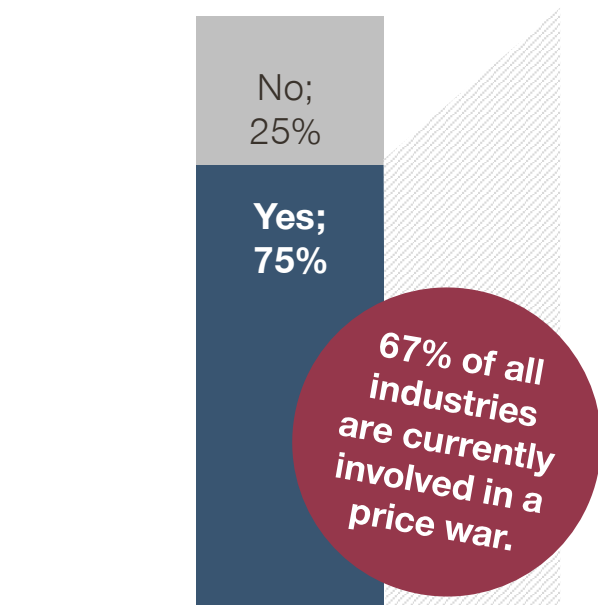
Source: Global Pricing & Sales Survey 2017 (n = 1,925); Q14 What digitalization initiatives have you invested in so far?; \* Note: %s will not add to 100% as companies were able to select multiple choices

Simon-Kucher & Partners, Global Pricing and Sales Study 2017

# The increased pricing pressure in the last two years is mainly driven by factors linked to digitalization

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? Experienced higher price pressure in the last two years?



Top 5 reasons for intensified price pressure:

Low-price competition

47%

Increased customer negotiation power

33%

Increased price transparency

32%

Increased professional procurement processes

23%

Need to meet targets

16%

**Top 3 drivers can all be linked to digitalization!**

**Digitalized companies are 2x as likely to start price wars!**

Source: Global Pricing & Sales Survey 2017 (n = 1,925); Q19 Have you experienced higher price pressure in the last two years (i.e., the need to lower your prices or to give more discounts, rebates, promotional offers, etc.) than previously?; Q20 In your opinion, why has price pressure intensified? (select 1-3); Note that %s will not add to 100% given that respondents were able to select multiple answer choices

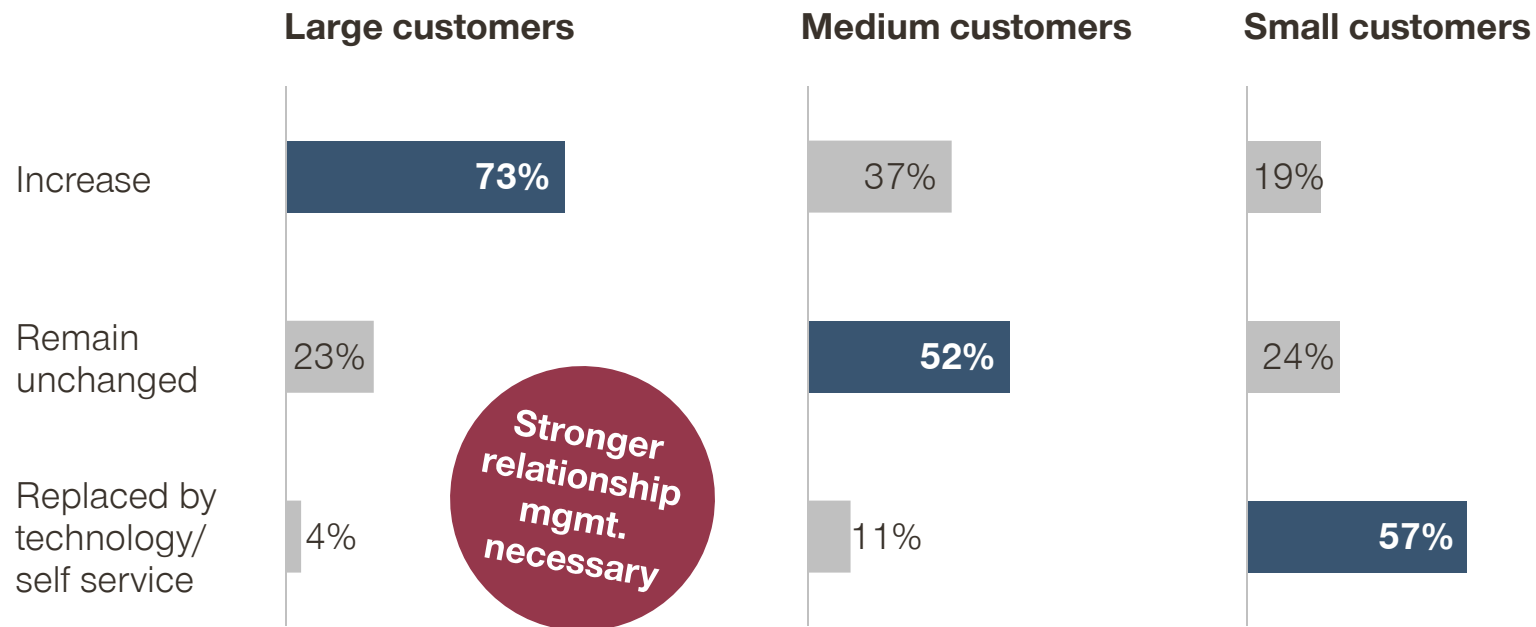
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# Digitalization will change the role of the salesforce significantly

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**?** How do you expect the role of personal relationships between sales' teams and the customer to evolve?



**Correctly segmenting customers will become more important than ever.**

Source: Global Pricing & Sales Survey 2017 (n = 1,925); Q10: How do you expect the role of personal relationships between sales teams and the A-customer to evolve? Q10: How do you expect the role of personal relationships between sales teams and the B-customer to evolve? Q10: How do you expect the role of personal relationships between sales teams and the C/D-customer to evolve?

Simon-Kucher & Partners, Global Pricing and Sales Study 2017

# 18% of all companies are "Digitalization Heroes"\* who outperform other companies on four levels

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## 1 Strategy

They focus on revenue improvements and are 84% more likely to have a roadmap in place to implement their digitalization strategy.



## 2 Marketing

They cover the marketing basics and are 1.8x times more likely to use Big Data for customer segmentation.



## 3 Sales

They have a better understanding of their ideal salesforce size and are able to adjust 1.75x faster. They also digitalize the sales process itself.



## 4 Pricing

They employ 3.75x more people working full-time in pricing and are 2x as likely to use Big Data for price decisions.



### Digitalization Heroes Success Factors

**Digitalization Heroes have an EBITDA that is 37% higher (4.7%-pts.) on average than that of other companies!**

Source: Simon-Kucher & Partners; Global Pricing & Sales Survey 2017 (n = 1,925). \* Companies that invest in and see the topline impact from digitalization; they also don't start price wars.

Simon-Kucher & Partners, Global Pricing and Sales Study 2017



## Our recommendations: How to avoid the Big Digital Fail

- 1 Focus digital transformation on delivering topline growth** – not only on reducing costs – and develop a clear digitalization strategy & roadmap.
- 2 Invest in data-driven price optimization and monetization of digital offers** as these have the highest topline impact.
- 3 Invest in professional pricing resources**, who use Big Data to make smart price decisions and execute value-adding pricing strategies. Do not start price wars.
- 4 Improve your customer segmentation and sales processes** along your digital journey. This avoids automating ineffective processes. Use digitalization to free up your salesforce and help them engage with the right customers.
- 5 Make digitalization a C-level responsibility**, and do not leave it only to your IT team. You cannot automate (or digitalize) your way into a strategy. Work with all areas, from marketing, sales, and pricing to operations.

# Set-up & methodology of the Global Pricing & Sales Study

## Methodology

- Online survey conducted by Simon-Kucher & Partners in collaboration with the Center for Pricing at Simon Business School, University of Rochester, and Z. John Zhang, Professor of Marketing at The Wharton School
- 30 questions on business environment, digitalization, pricing, and sales practices

## Timing

- July to August 2017

## Respondents

- Over 40 countries, mainly from the US, Europe, and Asia
- From all major industries
- 45% C-level executives, 45% middle management
- Panelists from SSI, an independent market research institute, as well as Simon-Kucher & Partners clients and prospects

## Sample size

- 1,925 valid responses (3,296 responses originally\*)

Source: Global Pricing & Sales Survey 2017 (n = 1,925); \*replies were cut from the valid response sample due to incomplete answers, or answers that did not meet timing threshold, inconsistent responses

Simon-Kucher & Partners, Global Pricing and Sales Study 2017

# Simon-Kucher at a glance: World leader in pricing, marketing, & sales advisory

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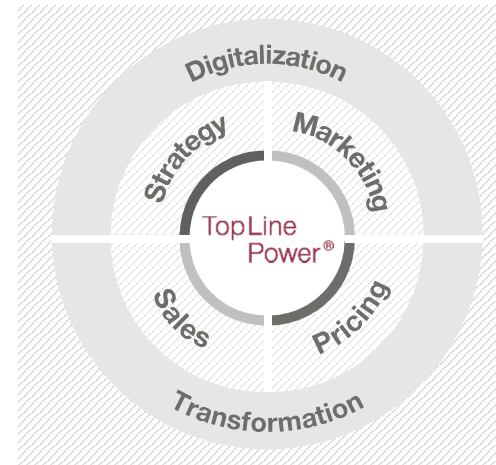
Strategy & Marketing Consultants

## Over 30 years of global presence

34 offices worldwide, > 1,000 employees, €240m revenue in 2016



## > 3,000 projects in the last 3 years



- Growth and competitive strategies
- Product portfolio (re-)design
- Pricing excellence
- Sales strategies and sales channel optimization
- Customer-centric digital approaches
- End-to-end transformation towards customer excellence
- ...

## Best consultancy in marketing and sales

brand eins Thema

Marketing, sales, pricing

**1** Simon-Kucher & Partners

**2** Boston Consulting Group

**3** McKinsey & Company

Capital

Marketing, sales, pricing

**1** Simon-Kucher & Partners

on a par with

Boston Consulting Group

McKinsey & Company

Forbes

Marketing, brand, pricing

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Source: brand eins Thema special edition: Consulting - Industry report from brand eins Wissen and Statista, online survey, May 2014, 2015, 2016, 2017

Source: Capital, survey of the best consultancies in France, October 2016

Source: Forbes, Survey of best management consulting firms in the US, October 2016

## Recognized pricing expert

**World leader in giving advice to companies on how to price their products**  
BusinessWeek

**The world's leading pricing consultancy**  
The Economist

**Pricing strategy specialists**  
The Wall Street Journal

**In pricing you offer something nobody else does**  
Professor Peter Drucker

## Want to know more?

For a complete version of the GPSS or to learn more about Digitalization and ToplinePower™ please reach out to your local Simon-Kucher office:

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