

The State Of Digital Business, 2015 To 2020

By 2020, Execs Expect To See The Majority Of Their Revenues Driven By Digital – Are You Ready?

by Nigel Fenwick
November 2, 2015

Why Read This Report

This is the first of three reports that analyze the results of our latest executive research on digital business. This report examines the readiness of companies to succeed in the age of the customer. CIOs should read this report to understand how executives believe digital disruption will affect their business and how prepared their companies are to transform toward digital business.

Key Takeaways

Revenue Will Quickly Move To Digital

Digital is approaching a tipping point. Over the next five years, companies will begin to see digital affect the majority of their revenues. Most of today's companies are unprepared for this change.

Firms Need A Better Digital Talent Acquisition And Retention Strategy

As the risk to existing revenue streams becomes apparent, companies will begin a panicked effort to attract digital talent. Companies with a strategy to attract and retain top digital talent will have an advantage in the face of a massive shortage of talent.

Companies Need Strong C-Suite Partnerships

Digital transformation is so pervasive that enterprises cannot leave it solely to a single executive. Transformation is the responsibility of the CEO and the entire executive team. A strong CMO/CIO partnership is needed to create value throughout the customer life cycle.

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In partnership with global executive search and organizational leadership firm Odgers Berndtson, Forrester surveyed 947 executives. This report's analysis also draws upon research interviews with CIOs, CMOs, and digital leaders.

Related Research Documents

- [Digital Predator Or Digital Prey?](#)
- [Winning The Customer Experience Game II](#)
- [Your Company Needs A Digital Business Acceleration Team](#)

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By 2020, Business Will Be Digital

Executives are hugely optimistic about how digital will change their business. Forty-six percent of executives surveyed in our latest executive research on digital business believe that in less than five years digital will have an impact on more than half their sales.¹ This suggests not only huge awareness of the potential for digital to change today's business but also an expectation that their company will be successful in making the transformation needed to bring this expectation to fruition. And it's in the biggest companies, where change is hardest, that executives expect the greatest change.

There Will Be No Escape, As Big Changes Are Looming

When asked what percentage of total sales will come through online sales or through digital products/services, executives expect a big leap from where they are today (see Figure 1). In B2B industries like consumer packaged goods (CPG), wholesale sales, and professional services, the shift is expected to be dramatic — Forrester estimates that the US B2B eCommerce market will be \$1.13 trillion by 2020.²

- › **CPG execs expect digital to have an impact on almost half their sales.** Even though the percentage predicted by 2020 is still less than 50%, if CPG companies were to generate anything close to 45% of their sales through digitally enhanced products and services or through online sales by 2020, it signals a dramatic shift in the CPG landscape.³ The ripple effects of the digitization of more and more CPG will be felt through wholesale and retail channels. As large chunks of sales of commodity items move to direct-to-consumer channels, supermarkets will need to replace that lost revenue from somewhere. On the plus side, this would result in better pricing for consumers and increased profits for the CPG companies as they reap higher margins from direct sales. Kimberly-Clark has already seen a dramatic shift in online revenues of products like diapers — in some markets, such as South Korea, more than 80% of diapers are sold online.
- › **Retail execs are bullish for online growth.** While Forrester's own research suggests that total US online sales will account for 13% of all retail sales by 2019, retail executives in our digital business survey are confident in their firm's ability to use digital to boost revenue — predicting that digital will drive 58% of their sales by 2020.⁴ These numbers signal the rapid shift in perception among executives in what's possible through digital. By 2018, Forrester expects "web-impacted retail" to account for 59% of all retail sales; we forecast cross-channel sales of \$1.8 trillion and online sales of \$414 billion.⁵ A full 12% of retailers in this survey expect to be 100% digital by 2020. Retailers not expecting the kind of shift that's suggested in these latest numbers are likely to become digital prey to more nimble digital predators.⁶
- › **Professional and business services face dramatic changes.** Execs in professional services expect 49% of revenue to come through digital channels or products by 2020 — a big difference from the 20% in 2014. While some of this shift will likely come through selling professional services online, Forrester predicts that an increasing number of professional firms will develop revenue-generating digital products — such as Forrester's interactive dashboards — alongside their traditional services.⁷

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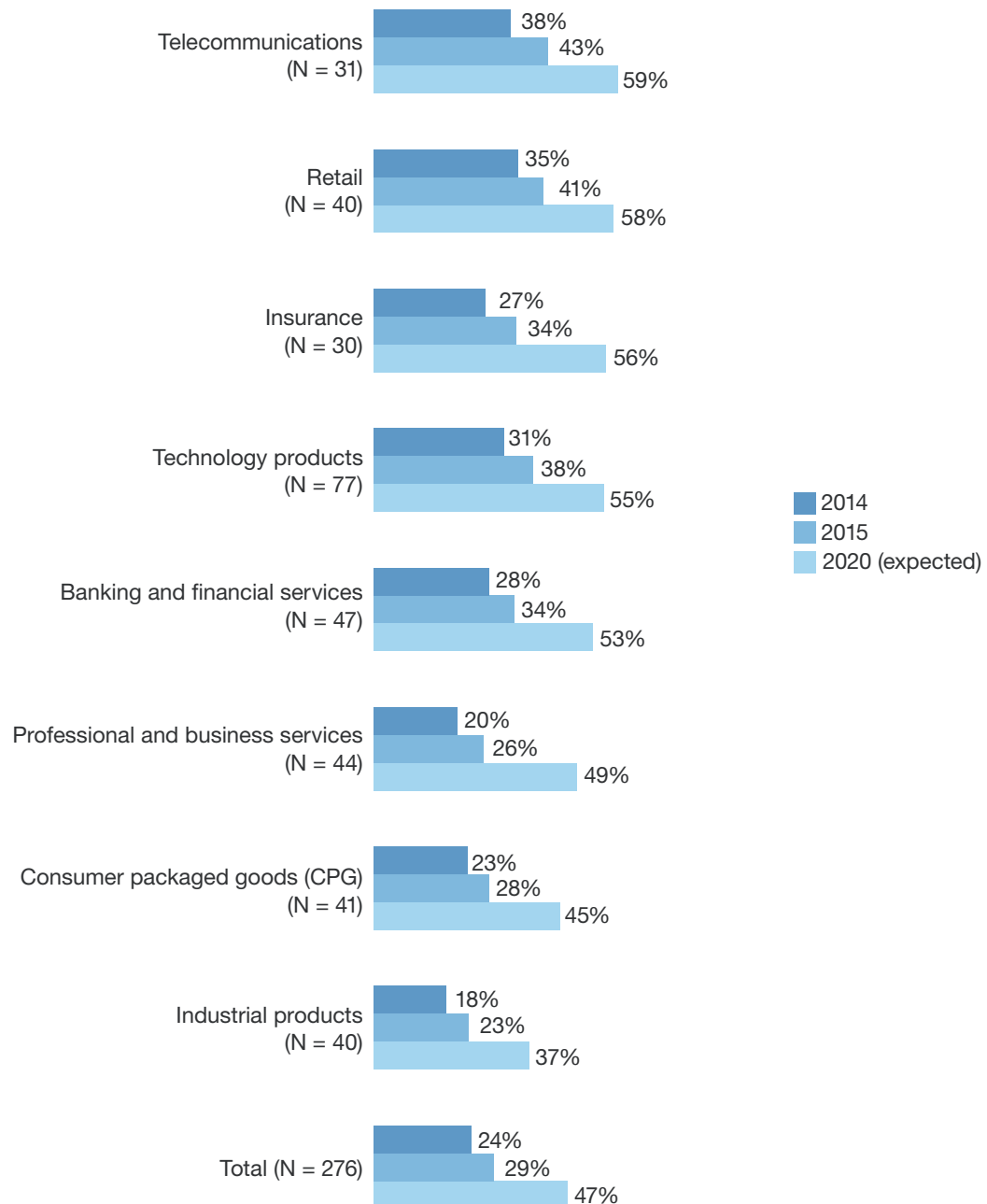
- › **Industrial products are catching up.** Up to now, the industrial sector has seen less disruption from digital, but executives expect this to change. Even coming close to the 37% of revenues predicted by 2020 would require a major change in how companies develop and distribute industrial products — but this is exactly the kind of disruption General Electric (GE) predicted, which it describes as the industrial Internet. As industrial components and machines become digitized, sending streams of data to manufacturers and suppliers, we'll see a new range of digital services emerge that help businesses optimize their assets. The agricultural sector is an example of the kinds of change that are possible — instead of just selling seeds and fertilizer, companies like Pioneer already successfully augment sales with new data-enabled digital services.⁸

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FIGURE 1 Many Executives Expect Most Sales To Be Digital By 2020

“Using your best estimate, what percentage of your total sales does your business generate through digital products/services or products sold online?”



Base: executives in companies with 250 or more employees
(respondents may be counted in multiple industry groups)

Source: Forrester/Odgers Berndtson Q3 2015 Global Digital Business Online Survey

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Digital Will Continue To Disrupt Your Business

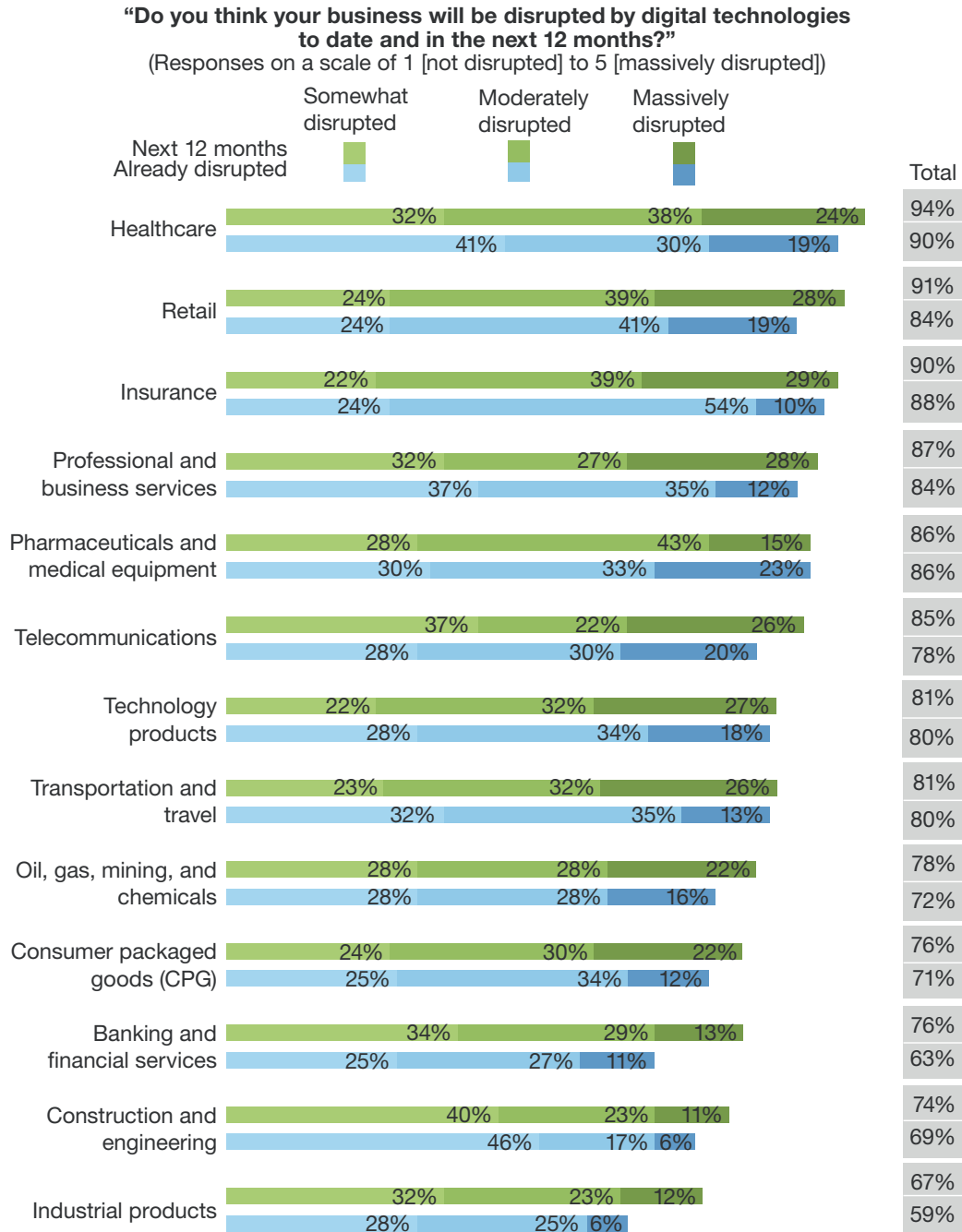
As we found in 2014, executives across the board have high expectations that digital will disrupt their business — but only a quarter of execs in most industries expect disruption on a massive scale (see Figure 2).

- › **Healthcare jumps to the top of the disruption list.** Big changes are coming to the healthcare industry. Combine the high cost of healthcare across the globe, a rapidly aging population, the miniaturization of digital sensors that can be ingested or placed subcutaneously, and the emergence of non-healthcare companies like Apple, Google, and Nike in the healthcare ecosystem, and we have a recipe for massive disruption in the healthcare market. To succeed, companies will need to grapple with consumer concerns over data privacy and an increasingly complicated multinational regulatory environment.
- › **Retail disruption will come from both ends.** As CPG companies push more revenue through direct online channels, retailer margins will come under pressure. At the same time, the physical store will undergo a massive change as shoppers come to expect new in-store and at-home digital shopping experiences.⁹ But retailers with thinner margins will struggle to deliver the investments needed to compete on price with big online channels like Alibaba, Amazon, and Wal-Mart. Ninety-one percent of retailers expect disruption to continue in the next 12 months, with 28% anticipating disruption on a massive scale.
- › **Insurance will move online, but the winners will deliver outcomes.** The disruption insurance executives see coming has been ongoing for a number of years. More premiums are originating in online channels while at the same time advanced analytics and machine learning help insurers tune their product portfolio to minimize risk and maximize net revenues. But the outcome that consumers and businesses really want from insurance is never to need to make a claim on that policy. The winners will be the insurers that use digital to help their customers achieve the outcome they most desire — and in so doing, they will lower the risk profile of their customer portfolio and maximize their profits.¹⁰ Companies like Aviva in the UK and Mapfre in Spain already offer usage-based insurance with rates based on how well customers drive.¹¹

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FIGURE 2 Digital Disruption To Date And In The Next 12 Months



Base: 415 executives in companies with 250 or more employees (respondents may be counted in multiple industry groups; N < 30 not included)

Source: Forrester/Odgers Berndtson Q3 2015 Global Digital Business Online Survey 119838

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Big Companies Will See The Most Disruption

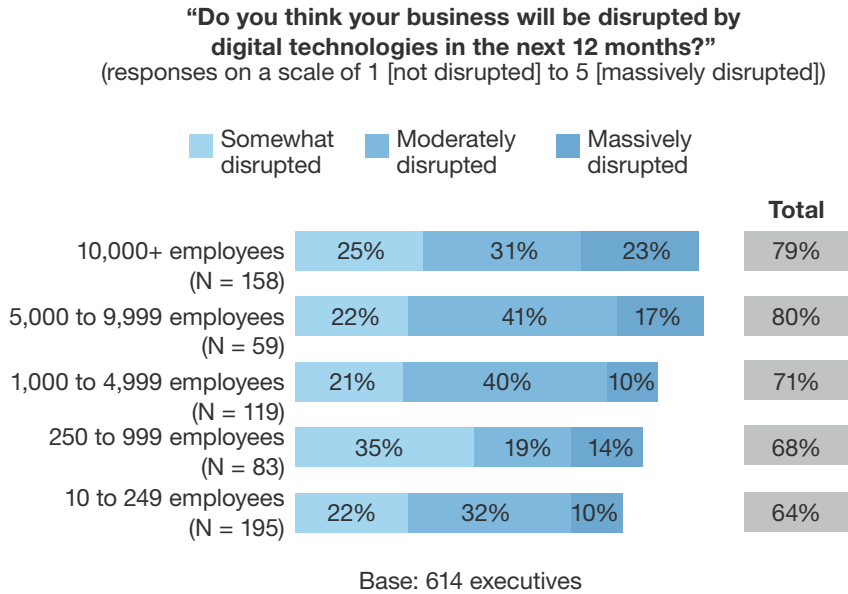
Executives in large companies expect significant disruption in the next 12 months, with 23% of leaders in companies with 10,000 or more employees expecting massive disruption from digital. The good news for large companies facing disruption is that they have the resources to benefit from the disruption, if they can just focus them in the right direction (see Figure 3).

- › **Simplification will help large companies manage disruption.** The opportunity to benefit from digital depends upon the firm's ability to simplify the complexity of the business, remove silos, and focus on customer outcomes. As Jeroen Tas, CEO of Informatics IT Solutions and Services (and former CIO) at Philips Healthcare puts it, "To succeed in being the most innovative provider, Philips needs to leverage its entire scale and research capabilities as one entity."¹² That's a big change — one that will take years for most companies to undertake. Companies like Philips are blazing a trail for other large companies to follow — but the early-mover advantage that companies like GE and Philips already have may be hard for digital laggards to overcome.
- › **Small and large companies will squeeze midtier companies.** Executives in companies with 10,000 or more employees and those with fewer than 250 employees both expect to see a big shift in revenue resulting from digital by 2020. While midtier companies (1,000 to 5,000 employees) also expect a shift, it's not as big. With a greater awareness of the opportunities for digital business in large and small firms, executives in many midsize companies can find themselves lagging behind because they're less prepared to shift with changing customer expectations.¹³

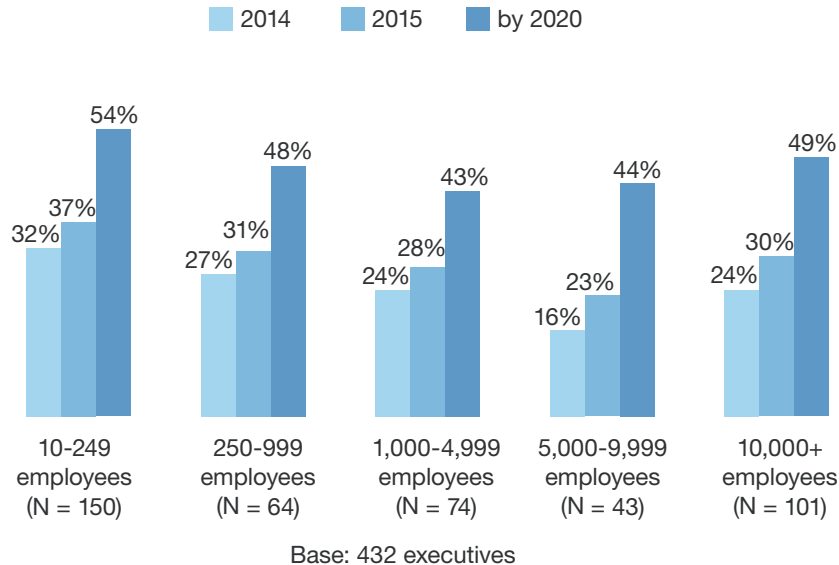
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FIGURE 3 The Bigger The Company, The Greater The Expectation Of Disruption



“Using your best estimate, what percentage of your total sales does your business generate through digital products/services or products sold online?”
(e.g., eCommerce, digital advertising, digital media, digital subscriptions, digital services, app sales, data sales)



Source: Forrester/Odgers Berndtson Q3 2015 Global Digital Business Online Survey

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Digital Transformation Requires A CEO Mandate To Drive Change

Although more optimistic than in 2014, the results of our survey show that executives still lack confidence in their organization's readiness for digital transformation. This is a huge problem for companies as they try to evolve their business to become customer-obsessed. Our research into digital business reveals the challenges executives face in changing the culture of the organization — without a strong mandate for change from the CEO, it's impossible to put all the right capabilities in place.

Importantly, this transformation is not just about technology; it's fundamentally about people, something Jeff Immelt admitted he got wrong at first: "This is something I got wrong. I thought it was all about technology. I thought if we hired a couple thousand technology people, if we upgraded our software, things like that, that was

it. I was wrong. Product managers have to be different; salespeople have to be different; onsite support has to be different. We've had to drill and change a lot about the company. And I just think it's infecting everything we do. It's infecting our own IT. It's infecting our own manufacturing plants. It's infected everything we're doing, I think in a positive way."¹⁴

"We have probably hired, since we started this, a couple thousand data scientists."
Jeff Immelt, Chairman and CEO, GE

To prepare your firm for digital transformation in 2016, you'll need to help your executive peers shift people, process, and technology across the enterprise (see Figure 4).

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FIGURE 4 Most Companies Remain Unprepared For Digital Transformation

Base: 387 executives in companies with 250 or more employees

*Note: CEOs did not answer this question.

Source: Forrester/Odgers Berndtson Q3 2015 Global Digital Business Online Survey

Attract The Right People To Lead Digital Transformation

As our results show, very few execs are confident in the digital skills already inside their organization. This means you need to both nurture the digital talent you already have and attract new talent in a highly competitive market.¹⁵ As Jeff Immelt said of the digital transformation taking place inside GE, “We have probably hired, since we started this, a couple thousand data scientists and people like that. That’s going to continue to grow and multiply. What we’ve found is we’ve got to hire new product managers, different kinds of commercial people. It’s going to be in the thousands.”

- › **Company culture remains out of line with digital expectations.** Digital transformation requires a change in culture, and just 21% of executives say they already have a culture in which their digital strategy will thrive. A more open, innovative, and collaborative environment is common in more digitally mature companies and digital natives like Google and Netflix. The culture in traditional firms tends to be risk-averse, but working at the speed of customers requires a more risk-tolerant culture.¹⁶ Mature firms use customers to help reduce risk in their progress by involving them in the design stages of new products and experiences and continuously using customer feedback

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to modify their course. At online retailer QVC, app developers are constantly reading customer feedback about their mobile apps and looking at data failures to understand how to improve the next iteration. The goal needs to be constant improvement, not first-time perfection.¹⁷

- › **A shortage of digital leadership stifles transformation.** Only 21% of executives believe they have the right people in place to define their digital strategy, and only 16% believe they have the right people to execute the strategy. Digital transformation is a team sport; no one individual has the talent and capacity to do everything. You need visionary leaders who can inspire people to chase possibilities, and you need tacticians with the skills to bring that vision into reality. Executive search firms like Odgers Berndtson help plug leadership talent gaps while strong vendor partners help nurture your existing talent with skills transfer.¹⁸ But the search for top talent is highly competitive, so expect to modify your hiring practices, salaries, and benefits to attract and retain the people you need and compete with digital predators.¹⁹

Modify Your Processes And Technology To Focus On The Evolving Customer

Your company's processes were not built for flexibility; they were designed to deliver consistent, profitable, high-quality outputs at scale. A top-down, command-and-control organization structure, originally designed for low-skilled workers, was great in the early days of the industrial revolution, but it will strangle your business as you try to survive in the age of the customer. Your company needs to respond to the ever-rising expectations of customers — fail to do so, and your customers will flee to your competitors. The only way to keep up with the digital expectations of your customers is to deploy high-value digital experiences using software that enables the rapid evolution of the experience. And because agility is critical, well-architected cloud platforms are the most effective way to do this.²⁰

- › **Executives lack confidence in today's processes when it comes to executing digital.** Just 14% of executives are confident their company has the right processes in place to execute the digital strategy. Without the right processes, potential gains from digital initiatives will fall short of their potential, representing a major challenge for pilot projects intended to show the return on investment (ROI) of digital. Redesign your business processes to maximize agility. Design governance of investment streams to support continuous improvement toward measurable customer outcomes instead of ROI for a predefined project.²¹ By focusing on the outcomes from your investments — the change in your customer metrics to expect month after month, year over year — you can better define and build the agile processes needed to evolve with rapidly changing customer expectations.²²
- › **Inadequate technology increases customer attrition.** World-class digital experiences depend upon seamless technology integration, advanced analytics, and the ability to constantly evolve in line with customer expectations. Technology architectures built around legacy platforms will continue to hinder digital progress in 2016. Just 19% of leaders believe they have the right technology in place to execute their digital strategy. CIOs need to help their executive peers understand the need to invest in cloud platforms, APIs, and service-oriented architecture (SOA) as the critical foundation for modern business applications that support digital business.²³

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Digital Transformation Demands Teamwork

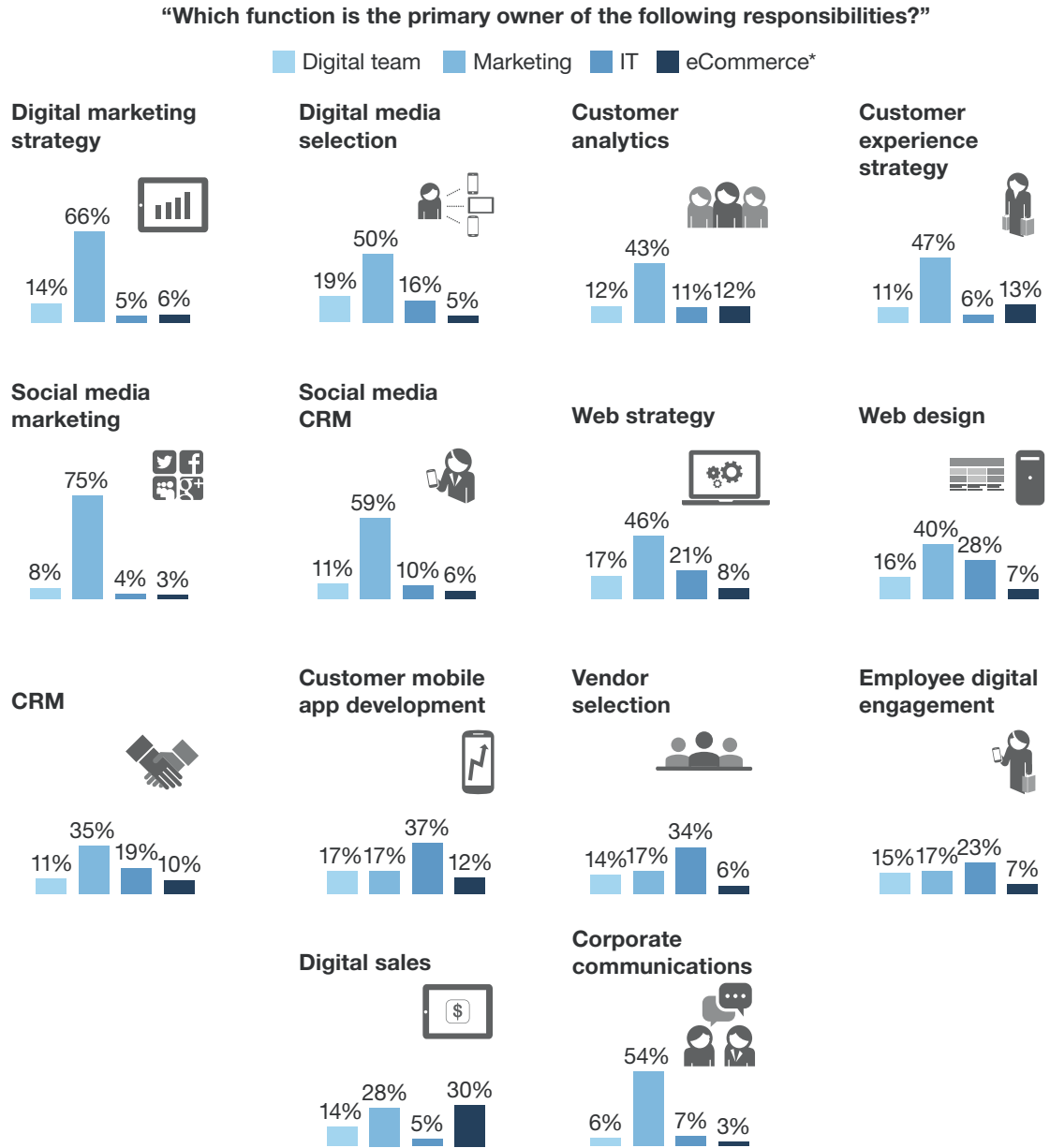
Digital transformation shouldn't be the responsibility of a caped superhero digital executive; instead, it needs to become the responsibility of the CEO and the entire executive team. But within this team, two players stand out as already being critical in shaping success: the CIO and CMO. Both the CIO and CMO already shoulder much of the responsibility for digital business execution. Marketing teams manage the majority of customer-facing digital initiatives, while the CIO's team partners with marketing to source and build the technology that delivers world-class digital experiences (see Figure 5). But to achieve digital transformation and create value for customers throughout the customer life cycle, CIOs must extend their partnership beyond the CMO and bring the rest of the executive team onboard.

- › **Digital transformation is only possible when everyone plays on the same team.** Our research into CMO and CIO partnerships around customer experience highlights the incredible progress companies make when these two executives come together with a unified purpose. Such progress is maximized when the CIO and CMO form staff into joint teams focused on delivering targeted customer outcomes.²⁴ Fully transforming the business demands changes in both the customer-facing and operational aspects of the business, requiring CIOs to partner across the executive team and making the CIO a natural leader of broader digital transformations.
- › **Digital acceleration teams will speed up your transformation.** Some companies, like Nestlé, have successfully formed digital acceleration teams to champion digital execution across the enterprise. But these teams too often sit inside marketing and focus on digital marketing execution — missing out on the broader potential for transformation across the enterprise. A digital acceleration team that reports to both the CIO and CMO helps strengthen collaboration and create awareness of broader opportunities for digital transformation. The acceleration team should be empowered to lead the enterprisewide digital transformation, with success measured by customer-outcome metrics.²⁵
- › **As the percentage of online sales rises, eCommerce skills become mainstream.** If the expectations of executives for online sales as a percentage of business in 2020 are to come true, eCommerce skills will need to be embedded into lines of business.²⁶ Otherwise, it will be difficult for business units to create the seamless online/offline experience customers expect. And these expectations extend to post-sale digital experiences surrounding the product. Today's cars are digital products on wheels — and customer expectations don't recognize traditional business boundaries such as between the manufacturer and the dealer.

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FIGURE 5 The CMO And CIO Already Manage Most Aspects Of Digital Execution



Base: 325 executives in companies with 250 or more employees (“other” responses omitted)

*Note: eCommerce and/or other “digital revenue” teams responsible for revenue directly from digital products and services

Source: Forrester/Ogders Berndtson Q3 2015 Global Digital Business Online Survey

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What It Means

The Race For Digital Leadership Is On

Your company may be like GE or Philips and already well underway on your journey to digital transformation — GE is five years into its own transformation. If your company is on its way, then you may have a competitive advantage that you should press to the max for the next few years. As you continue your digital transformation, your ability to create high-value digital experiences will set your company apart.

If, however, your company is not yet making the progress it needs, you have very little time left to begin your journey. As a senior executive in your firm, you need to help lead this transformation or get out of the way.

Recommendations

Six Tactics To Accelerate Your Company's Digital Business Journey

As CIO, you have a responsibility to help accelerate your company's journey toward digital business. Use these six tactics to help ensure your own success and your company's survival.

1. **Get your CEO to his “aha” moment.** Like Jeff Immelt at GE, your CEO has to have his “aha” moment — the defining moment in time when he understands that business in the future must be different from how it has been up to this point. How do you do this? One way is to connect him to CEOs of digitally mature companies in other industries — company executives go on a kind of digital safari, visiting multiple companies in one trip — and other techniques such as reverse mentoring can work just as well.²⁷
2. **Launch a digital acceleration team.** You're already behind, so you need to accelerate digital thinking and change the culture of the business. That's not easy, but an empowered digital acceleration team can help. Don't try to do it on your own — enlist the help of other digital champions like your CMO, head of corporate communications, chief people officer, or business-unit leaders who already see the possibilities. Your new team will need funding and executive backing in order to succeed, and having a partner at the leadership table will help.
3. **Develop a digital talent strategy.** As you begin your digital transformation journey, you need to both train existing staff in new skills and develop a strategy to attract and retain top talent. Partnering with local universities can be a great way to bring young talent in, but without strong employee development and growth plans, you will struggle to retain the talent you nurture.
4. **Change your technology governance process.** You can't get to digital transformation without rebuilding technology governance. The way you invest in business technology (BT) projects — those that help the firm win, serve, and retain customers — must change from 100% project-by-

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project ROI to much more investment in a portfolio of ongoing development initiatives that drive customer experiences. You need to plan and execute BT differently from IT.²⁸

- 5. Fix your technology architecture.** Your legacy application architecture will hold your business back. You need to find ways to increase the agility of the technology management team to integrate customer-facing applications into back-end operational platforms. APIs and a multi-tiered application architecture are the answer.²⁹
- 6. Embrace your CMO and the other executives responsible for customers.** You, your CMO, your head of sales, your head of customer service, and your head of operations have much more in common today than has been true in the past. In the age of the customer, you all must be maniacally focused on using digital to create customer value. Partner with these executives, agree on common goals and metrics, and build joint teams to begin transforming your customers' experiences.

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Gain greater confidence in your decisions by working with Forrester thought leaders to apply our research to your specific business and technology initiatives.

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Supplemental Material

Acknowledgement

Forrester's research partner for this study, Odgers Berndtson, is a global executive search and organizational leadership firm with more than 210 partners managing client engagement from offices in 51 cities across 29 countries. Its team of consultants provides executive search, leadership consulting, and candidate assessment services to organizations across a broad range of industries, sectors, and countries. Areas of focus include: financial services, including asset management, investment banking, and venture capital; technology, information, and communications; healthcare and life sciences; consumer products and services; media and entertainment; and sports. For more information, please go to www.odgersberndtson.com.

Survey Methodology

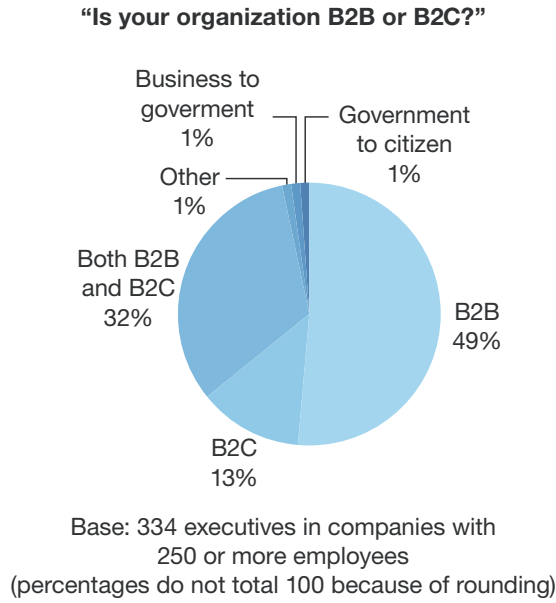
The Forrester/Odgers Berndtson Q3 2015 Global Digital Business Online Survey was fielded to 947 Odgers Berndtson clients. Only a portion of survey results are illustrated in this document. For quality assurance, we screened respondents to ensure that they met certain standards in terms of job responsibilities and the size of their organization. For the purposes of this study, respondents were asked to consider "digital business" to include: electronic touchpoints between customers, brand, products, employees, and business operations (including digital marketing); use of web, mobile, kiosks, and/or other Internet-connected technologies (e.g., social media); and use of emerging digital technologies and sensors within business operations to benefit customers (e.g., RFID tags, 3D printers).

Forrester fielded the survey from July 2015 to September 2015. Respondents were offered no incentive to complete the survey other than a summary of the survey results. Exact sample sizes are provided in this report on a question-by-question basis. This survey used a self-selected group of respondents (executives who have interacted with Odgers Berndtson) and is therefore not random. The survey was fielded only in English. Among the respondents, 68% work in North America, 22% work in Asia Pacific, and 8% work in Europe. Fifteen percent are CEOs, 26% are C-level executives, 43% serve in other executive roles, and 16% are in general management. This data is not guaranteed to be representative of the business population, and, unless otherwise noted, statistical data is intended to be used for descriptive and not inferential purposes. While nonrandom, the survey is still a valuable tool for understanding where business executives are today and where the market is headed. The following figures show the distribution of respondents by type of company, region, and job title (see Figure 6, see Figure 7, and see Figure 8).

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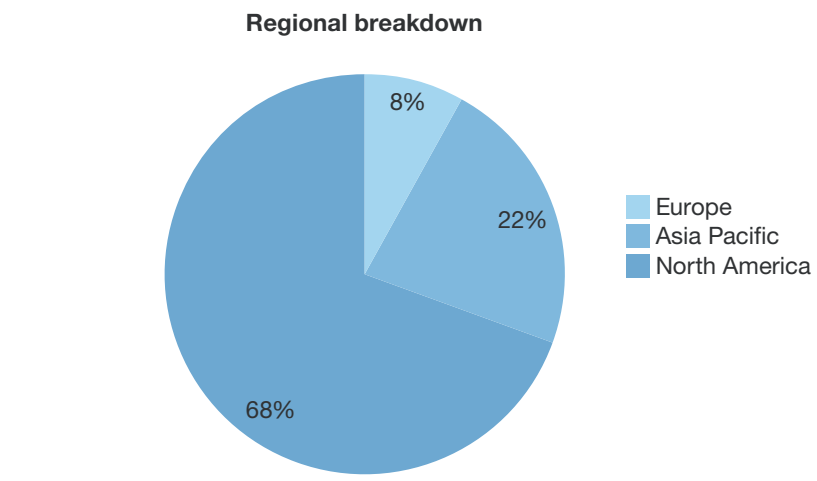
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FIGURE 6 B2B Companies Represented 49% Of Respondents In The Survey



Source: Forrester/Odgers Berndtson Q3 2015 Global Digital Business Online Survey

FIGURE 7 Digital Business Survey Responses By Region



Base: 478 respondents in companies with 250 or more employees
(percentages do not total 100 because of rounding)

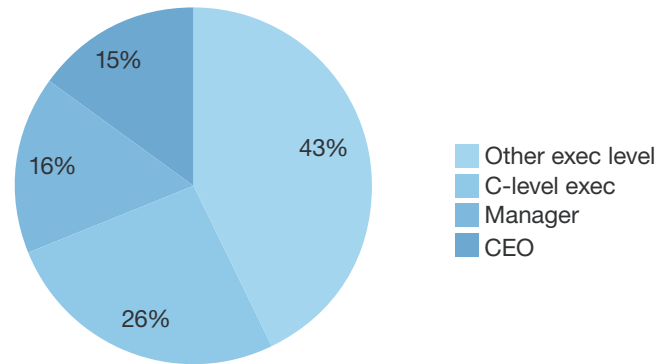
Source: Forrester/Odgers Berndtson Q3 2015 Global Digital Business Online Survey

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FIGURE 8 Digital Business Survey Responses By Job Title

“Which of the following most closely describes your current job title?”



Base: 478 respondents in companies with 250 or more employees

Source: Forrester/Ogden Berndtson Q3 2015 Global Digital Business Online Survey

Endnotes

- ¹ While respondents were asked to use their best estimates for the percentages of sales resulting from digital products/ services or sales online, the definition of what constitutes a digital product/service was left up to each respondent. Respondents were given the examples of eCommerce, digital advertising, digital media, digital subscriptions, digital services, app sales, data sales, etc. The data shows a directional perception of executives that suggests the extent that they believe their business will become digital.
- ² Business-to-business (B2B) eCommerce today is no longer merely a “bolt-on” to most B2B businesses. It is now deeply woven into the very fabric of many companies, and B2B eCommerce organizations are investing heavily in replatforming and rebuilding B2B eCommerce sites, as well as hiring experienced leaders. To capture a piece of the \$1.13 trillion US B2B eCommerce market, B2B eBusiness and channel strategy professionals must recalibrate their customer experience standards as well as address fundamental people and process issues. See the “[B2B eCommerce: A Trillion Dollars For The Taking](#)” Forrester report.
- ³ Forrester is not predicting that 50% of CPG sales will be online; the survey reveals a perception of business leaders that half of their future business will be online or arising from digital products such as diapers with sensors that help track the health of a baby, as seen in the following example. Source: “Pixie Scientific Smart Diapers,” iReviews, November 24, 2014 (<http://smart-apparel.ireviews.com/pixie-scientific-smart-diapers-review>).
- ⁴ This result suggests that survey respondents represent a greater share of digitally mature retailers than the overall population. For example, 7% of the respondents expect their business to be 100% digital by 2020, up from 4% in 2014. It’s also important to note that this result excludes responses from companies with fewer than 250 employees. For a detailed breakdown of Forrester online retail forecast, see the “[Forrester Research eCommerce Forecast, 2014 To 2019 \(US\)](#)” Forrester report.
- ⁵ We forecast that US cross-channel retail sales, which we define as transactions that touch a digital medium but are not completed on the Internet, will reach \$1.4 trillion in 2014 and grow to \$1.8 trillion by 2018. Consumers are “preshopping” across more categories on digital devices, including phones and tablets, while the availability of

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more information at shoppers' fingertips even when they are on the go is a significant driver of the growth in cross-channel shopping. In fact, cross-channel retail sales are now more than four times larger than online sales. This report summarizes the key drivers of our US cross-channel retail sales forecast for 2014 to 2018. See the "[US Cross-Channel Retail Sales Forecast: 2014 To 2018](#)" Forrester report.

- ⁶ Predators will be the companies able to achieve digital mastery, harnessing digital to create new sources of value for customers. The prey will remain digital dinosaurs, unable to evolve their proven business model until it's too late. See the "[Digital Predator Or Digital Prey?](#)" Forrester report.
- ⁷ To win, serve, and retain customers empowered by technology, you need tools that deepen your understanding of their unique needs. Forrester's interactive dashboards deliver powerful insights to guide your business decisions. Drawn from our Technographics® and ForecastView data services, dashboards can be customized by demographics, regions, segments, and attitudes. Source: "Interactive Dashboards," Forrester (<https://www.forrester.com/dashboards/dataDashboards.xhtml>).
- ⁸ Source: "Pioneer Field360 Advanced Variable Rate Seeding (VRS) service," Pioneer (<https://www.pioneer.com/home/site/us/programs-services/advanced-vrs/>).
- ⁹ Retail CIOs have always had a tough job, but digital makes it tougher. Emerging digital technologies threaten to transform retail experiences both in stores and at home. Without a good business case, CIOs at large retailers will find it hard to prepare their business to compete with small, nimble startups. This report highlights the potential of today's digital technologies to radically disrupt the retail industry once more. It serves as a call to CIOs to begin shaping their strategy to digitize the end-to-end customer experience and start proving the business case in time to make the investments needed. See the "[The Future Of The Retail Experience](#)" Forrester report.
- ¹⁰ Insurers cannot stop bad things from happening — but they can help customers minimize the downside of bad things happening and even help them reduce the probability that they will need a claim against their policy. For example, the insurer that helps clients prepare their home against hurricanes will pay out less in claims than the insurer who does not — thereby they "de-risk" their customers.
- ¹¹ Telematics looks set to transform car insurance as smart wireless devices, smartphones, and smart cars converge to create what should be a smart insurance choice for safe drivers and their insurers: usage-based car insurance. The policy option is a win-win for the insured and the insurer: Customers pay lower premiums and, potentially, improve their driving while insurers price risk more accurately and attract safer and lower-risk drivers. See the "[Europeans Are Ready For Usage-Based Car Insurance](#)" Forrester report.
- ¹² The connected business is central to the age of the customer. To succeed in the age of the customer and thrive in times of digital disruption, businesses need to transform into highly collaborative and customer-driven organizations. The dynamics of doing connected business are outlined in this related report. See the "[Connected Business: A New Style Of Doing Business](#)" Forrester report.
- This report presents the case study of Royal Philips. It highlights the strategic decisions that Philips has made to transform itself into a connected business under the auspices of Jeroen Tas, one of the most renowned technology visionaries in Europe, and who until recently was the CIO of Philips (he is now CEO, Informatics Solutions and Services at Philips Healthcare). Forrester believes that Philips offers CIOs valuable lessons in planning the transition to a connected business. CIOs should familiarize themselves with the strategic, operational, and cultural transformation that Philips is going through and learn from it. See the "[Case Study: Philips' Journey Toward Becoming A Connected Business](#)" Forrester report.
- ¹³ This will vary significantly by industry and geography. In Germany, for example, you see many midsize firms that for years have been global market leaders in particular domains and continue to innovate based on a very lean governance structure and strong client orientation. More often than not, these are companies that are family-owned (e.g., Kaeser, Phoenix) and where the CEOs are submitting clear mandates for change.

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¹⁴ Source: Jeffrey R. Immelt, “GE’s Jeff Immelt on digitizing in the industrial space,” McKinsey & Company, October 2015 (http://www.mckinsey.com/insights/organization/ges_jeff_immelt_on_digitizing_in_the_industrial_space).

¹⁵ Digital skills are in massive demand. eBusiness professionals in end user firms like retailers and banks are struggling to recruit and retain the brightest digital talent. The lure of startups, agencies, and vendor firms draws many eBusiness professionals to digital hubs like New York, London, or San Francisco. It’s easy to feel that without an office in a digitally trendy location, recruitment efforts are doomed. What’s more, recruitment itself is in the throes of digital disruption. Websites like Glassdoor and LinkedIn enable candidates to connect directly with recruiting managers, and a range of data-driven tools are emerging to empower hiring managers. If they hope to fill their teams with the best people, eBusiness leaders must rethink how they find, recruit, and retain talent. See the “[Recruit And Retain Top Digital Talent](#)” Forrester report.

¹⁶ The mismatch between innovation’s goals and standard governance processes is a roadblock for innovation — especially when it comes to technology-enabled innovation. As organizations shift from optimizing the old to exploring and exploiting the new, they need to customize their funding models and processes to help the business innovate — quickly and safely. See the “[Innovation Requires The Right Processes To Flourish](#)” Forrester report.

¹⁷ As customer expectations evolve, a company’s ability to modify the technologies that support customer journeys can make the difference between a happy customer and an ex-customer. CEOs increasingly task their CIOs with helping to shape winning customer experiences through digital technologies. But how can CIOs deliver? To provide the answers, we turned to CIOs in leading customer experience companies — those at the top of Forrester’s Customer Experience Index (CX Index™), US Consumers 2015 — and asked them the secret of their success. See the “[Winning The Customer Experience Game II](#)” Forrester report.

CIOs can also understand some of the risks and implications of quicker release cycles from Andrew Bartels’ 2013 report. See the “[Be Wary Of Licensed Software Geeks Bearing SaaS](#)” Forrester report.

¹⁸ Odgers Berndtson was Forrester’s research partner for this study. The survey was fielded to Odgers Berndtson executive search clients allowing deep penetration into the upper reaches of management for this study. Source: Odgers Berndtson (<http://www.odgersberndtson.com/>).

¹⁹ While the US has one of the lowest averages for annual paid leave among Western nations, companies such as Netflix, Virgin, Zynga, Groupon, Glassdoor, Evernote, VMware, HubSpot, Ask.com, Motley Fool, Eventbrite, ZocDoc, and SurveyMonkey all have unlimited vacation policies. These firms focus on measuring the employee’s ability to get the job done, regardless of how much time off they take. For high performers, this makes these firms more attractive. Source: Venessa Wong, “How Great Is Unlimited Vacation Time, Really?” Bloomberg Business, September 25, 2014 (<http://www.bloomberg.com/bw/articles/2014-09-25/why-a-tiny-number-of-companies-offer-unlimited-vacation-time>) and Richard Branson, “Why we’re letting Virgin staff take as much holiday as they want,” Virgin, September 23, 2014 (<http://www.virgin.com/richard-branson/why-were-letting-virgin-staff-take-as-much-holiday-as-they-want>).

²⁰ The digital experience (DX) platform market has been slow to move to the cloud. Fortunately, major digital experience platform vendors like Adobe and SAP hybrid are now embracing the cloud to deploy and operate their software, and service providers like Deloitte, Razorfish Global, and SapientNitro have repositioned their managed hosting options as more cloud-like DX platforms. See the “[Make The Cloud A Foundation Of Your Digital Experience Platform Strategy](#)” Forrester report.

²¹ Predefined investments don’t disappear. Your firm will still need large-scale investments planned over multiple years. But alongside these, you need to have a mechanism to constantly update your customer-facing business capabilities. Forrester differentiates the operational investments as IT and the customer-facing investments — those that help win, serve, and retain customers — as business technology (BT).

²² Business process management (BPM) is evolving toward a customer-centric value proposition, as businesses turn their attention toward how they acquire, serve, and retain customers. In the past, Forrester has categorized BPM’s focus in terms of whether processes were document-centric, human-centric, or integration-centric. However, now the

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value proposition has shifted to focus on whether business process improvement emphasizes operations-centric or customer-centric business challenges. In the operations-centric use case, which represents the core of the traditional BPM valuation proposition, process change teams primarily focus on improving business processes connected to internal systems and people. In emerging customer-centric scenarios, process change teams focus on redesigning processes that directly or indirectly touch customers and shape customer experience — making investments that Forrester refers to as their business technology (BT) agenda. See the [“Predictions 2015: The Age Of The Customer Is Set To Disrupt The BPM Market”](#) Forrester report.

- ²³ In these times of customer empowerment, digital business, and mobile mind shifts, APIs and service-oriented architecture (SOA) form a critical foundation for modern business and applications. The biggest mistake we see application development and delivery pros make is to think of APIs only as a technical strategy for application integration and mobile apps. Instead, think of them as integral to your strategies for rapid digital business change, broad ecosystem connectivity, and world-class customer engagement. Forrester’s research in this area helps clients establish and evolve a well-grounded software strategy. This report ties together Forrester’s body of research on APIs and SOA, making a cohesive whole out of 34 reports, clarifying how each adds value to the whole, and filling in gaps between reports. See the [“A Developer’s Guide To Forrester’s Strategies For API Success”](#) Forrester report.
- ²⁴ As customer expectations evolve, a company’s ability to modify the technologies that support customer journeys can make the difference between a happy customer and an ex-customer. CEOs increasingly task their CIOs with helping to shape winning customer experiences through digital technologies. But how can CIOs deliver? To provide the answers, we turned to CIOs in leading customer experience companies — those at the top of Forrester’s Customer Experience Index, US Consumers 2015 — and asked them the secret of their success. See the [“Winning The Customer Experience Game II”](#) Forrester report.
- ²⁵ The best practices for establishing a digital acceleration team read like a primer on federated IT, and CIOs have a big role to play in helping establish successful digital acceleration teams either inside their tech management organization or as a standalone but tightly coupled business group. Acceleration teams don’t own a digital P&L like an eBusiness team might — they help local digital and eBusiness teams maximize their use of digital technology to drive local revenue. See the [“Your Company Needs A Digital Business Acceleration Team”](#) Forrester report.
- ²⁶ Digital technologies empower customers like never before, transforming their relationship with brands and products. The speed with which consumers embrace these new touchpoints is only getting faster, blindsiding traditional firms that struggle to adapt. To compete in the face of digital disruption, your firm must transform, and as an eBusiness leader, you must help shape how. You must enhance your digital customer experience while also driving agility and efficiency through digital operational excellence. See the [“Digitize Your Business Strategy”](#) Forrester report.
- ²⁷ Ask Forrester to lead an executive briefing session or set up an analyst inquiry to get ideas on what you can do to help your CEO.
- ²⁸ Given the trends in technology, business models, and customer market power, all enterprises must undertake a business technology (BT) agenda that applies technology, systems, and processes to win, serve, and retain customers. See the [“Applying Technology, Systems, And Processes To Win, Serve, And Retain Customers”](#) Forrester report.
- ²⁹ Mobile is pushing aging web architectures to the brink. The three-tier architecture built for a browser-led PC world can’t flex, scale, or respond to the needs of a good mobile experience or the emerging requirements for connected products. Mobile’s volatility and velocity of change requires a distributed four-tier architecture that we call an “engagement platform.” The engagement platform separates technical capabilities into four parts: client, delivery, aggregation, and services. The new requirements of modern apps will force content distribution networks, application server vendors, mobile middleware vendors, platform-as-a-service suppliers, a myriad of startups, and their enterprise customers to coalesce around this four-tier architecture. App development teams need to start planning immediately for the migration from three tiers to four. See the [“Mobile Needs A Four-Tier Engagement Platform”](#) Forrester report and see the [“Brief: Four Ways APIs Are Changing Your Business”](#) Forrester report.

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