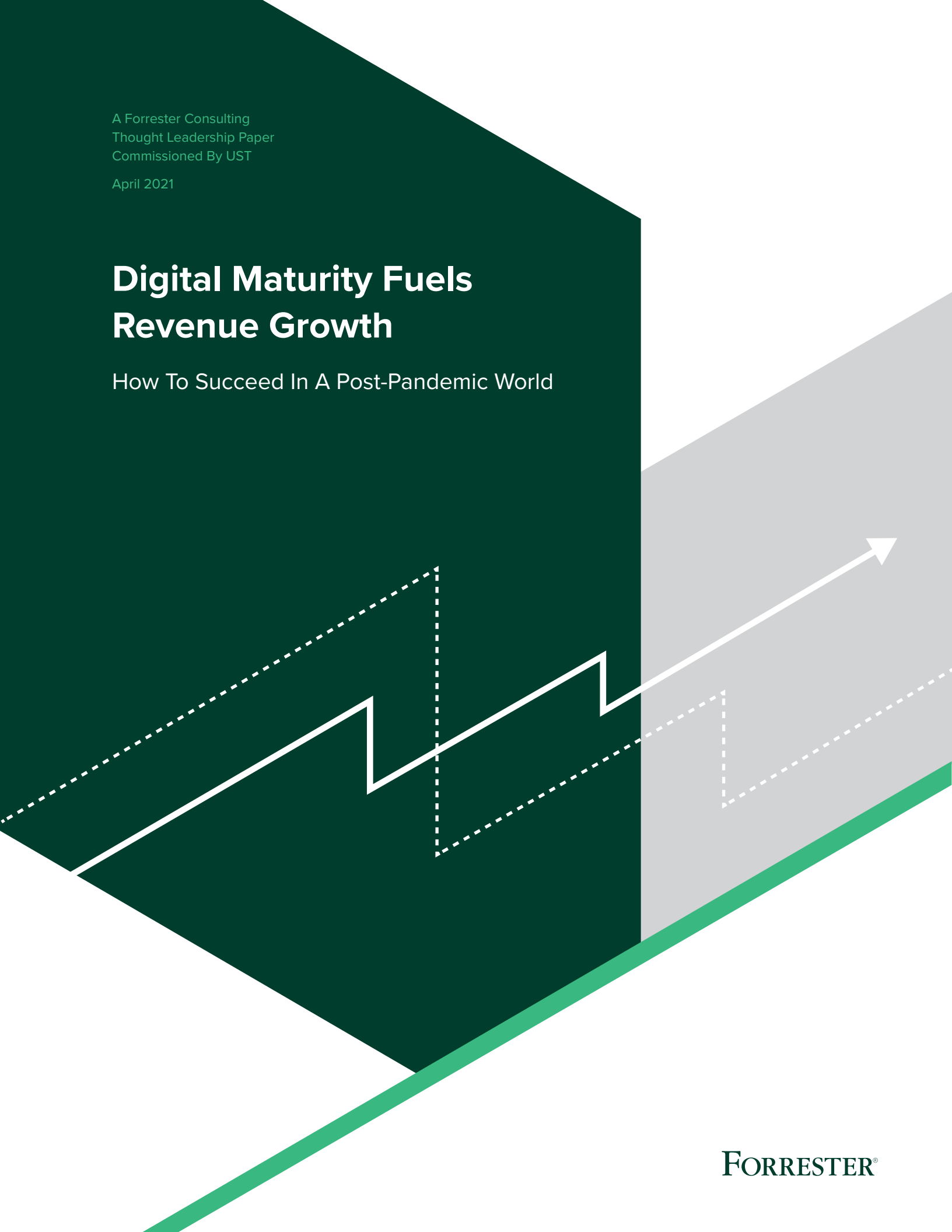


A Forrester Consulting  
Thought Leadership Paper  
Commissioned By UST

April 2021

# Digital Maturity Fuels Revenue Growth

How To Succeed In A Post-Pandemic World



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**Project Director:**

Rachel Linthwaite,  
Senior Market Impact Consultant

**Contributing Research:**

Forrester's Digital Business  
Professionals research group

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A company's value will always depend on how resilient, creative, and adaptive it is — and on how quickly it can harness technology to differentiate.

## Executive Summary

Digital transformation is not a new concept. For years, organizations have worked to enhance their business to meet the needs of rapidly digitizing customers. What began as a series of individual improvements focused on customer-facing processes and experiences has grown into a larger need to fundamentally evolve core business models and the infrastructure, processes, and systems that support that work. This is no small task, leaving many business leaders to continue with their incremental improvements, treating *true* transformation as a nice-to-have rather than an imperative. Then came 2020.

With the onset of a global pandemic and the ensuing recession, 2020 proved to be a crucible for businesses, forcing them to quickly adapt in order to survive. A company's value will always depend on how resilient, creative, and adaptive it is — and on how quickly it can harness technology to differentiate.<sup>1</sup> In the wake of the COVID-19 pandemic, business must now reckon with the digital transformation imperative if they want not just to survive, but to thrive.

UST commissioned Forrester Consulting to evaluate organizations' digital transformation maturity. Forrester conducted an online survey with 406 global enterprise decision-makers to explore this topic. We found that though many are still at the beginning of their journey to digital business, there are important lessons to be learned from the leaders.

### KEY FINDINGS

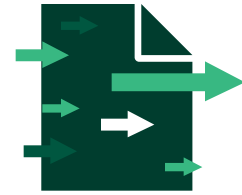
- › **Digital transformation initiatives fail due to issues of strategy and resources.** Despite the necessity of these changes, most organizations still struggle. Half of all firms fail to craft strategies that aim to truly transform in service of creating business agility and customer value, focusing instead on a piecemeal approach that doesn't fundamentally change the business model. Organizations also grapple with a lack of resources — both financial and human — and overly complex technology environments built of a patchwork of legacy systems.
- › **Successful digital transformation fuels revenue growth.** Digital leaders have the advantage when it comes to revenue and customer outcomes. Not only do firms with advanced digital practices see larger gains to critical KPIs, like net value creation and cost savings, but they were also some of the few organizations to grow both their revenue and customer bases in 2020.
- › **Follow digital leaders to reap benefits.** There is no one thing that advanced digital business leaders do differently. Rather, their laser focus on creating customer value allows them to effectively leverage advanced technology, partner services, and data to transform their business. The fundamental difference between leaders and beginners is that leaders understand that to maximize customer outcomes and revenue growth, these solutions — whether they be cloud infrastructure, automation technology, or consulting services — must be coordinated across the business and not one-off tactical improvements.

# Digital Business Is No Longer Optional

Digital transformation has been on business leaders' radar for some time now. But what was once considered optional is now, in the wake of the COVID-19 pandemic, an imperative.<sup>2</sup> While every business must undoubtedly become a digital one, business leaders lack clarity on how to accelerate the shift to a digital future. Over 400 global digital business professionals helped us identify what's working and what isn't.

Respondents in our study of 406 digital transformation decision-makers clearly understand the power of these transformation efforts, as evidenced by their own goals: Respondents' top digital transformation goals affect every part of the business from customer experience (CX) and revenue growth to business resiliency and innovation (see Figure 1). These goals, in addition to other top priorities like improving employee experience (EX) and increasing data-driven decision-making, speak to the all-encompassing nature of digital transformation.


The good news is that not only does digital transformation promise big benefits, but it *delivers*. To date, the digital leaders in our study have seen cost savings, improved employee satisfaction, increased revenue, and better brand reputation from their transformation efforts, in addition to a slew of other benefits that align to some business leaders' key goals (see Figure 1).








A digital business is a more resilient business.

Figure 1

## Top Digital Transformation Goals

-  Improve customer experiences
-  Grow revenue
-  Increase business speed and flexibility
-  Improve security posture
-  Increase innovation

## Top Digital Transformation Benefits To Date

-  Cost savings
-  Improved employee satisfaction and retention
-  Increased revenue
-  Improved brand perception/loyalty
-  Better overall security posture

Base: 406 director + global respondents responsible for/with influence to their organizations' digital transformation strategies  
Source: A commissioned study conducted by Forrester Consulting on behalf of UST, January 2021

Despite having lofty transformation goals, some organizations find themselves falling behind because:

- › **Transformation focuses on tactical bolt-on improvements.** Given the power of digital transformation, one would assume that setting and executing a transformation strategy that focuses on customer value creation and business agility would be the top priority for many organizations. Yet only half of respondents in our study reported having a full strategy in place that seeks to evolve the business in that way. Unfortunately, 30% of decision-makers reported having a more limited strategy in place that tacks digital elements on to an existing business model, without fundamentally changing anything about the way the business operates or creates customer value. And the remaining respondents simply have no strategy at all.

In this study, we define digital transformation strategy as strategy that coordinates the use of emerging technologies to unlock new sources of value for customers and employees, drive revenue growth, and create operational agility/efficiency in service of business outcomes.

- › **Their challenges are difficult to overcome.** It's not just the wrong strategy that holds firms back. Organizations also struggle with issues like overly complex and difficult-to-maintain legacy technology, a lack of necessary skills on internal teams, and budgetary constraints (see Figure 2). Legacy systems create additional technical challenges and security gaps, reducing the speed at which necessary changes can take place.
- › **They lack the resources to execute well.** Not all teams have the requisite skill sets or necessary staff to accomplish the transformation goals at hand. That's why many firms rely on outside vendors and other third-party partners to assist in areas like technology security, cloud migration, digital experience design, and innovation. And not surprisingly, given how many organizations are behind on setting strategy, 37% of respondents reported employing a vendor partner to help them design their digital strategy in the previous year.

Given the struggles many firms face, truly successful digital transformation is difficult to find. But not impossible. Digital leaders do exist, and there is plenty to learn from how they plan, execute, and optimize.

Figure 2

#### Top Organizational Challenges To Digital Transformation

1. Legacy technology
2. Lack of necessary skills on internal teams
3. Lack of budget

#### Top Technical Challenges To Digital Transformation

1. Security issues
2. Complexity of our technology environment
3. Speed of changes

Base: 406 director + global respondents responsible for/with influence to their organizations' digital transformation strategies

Source: A commissioned study conducted by Forrester Consulting on behalf of UST, January 2021

# Digital Leaders Show The Way Forward

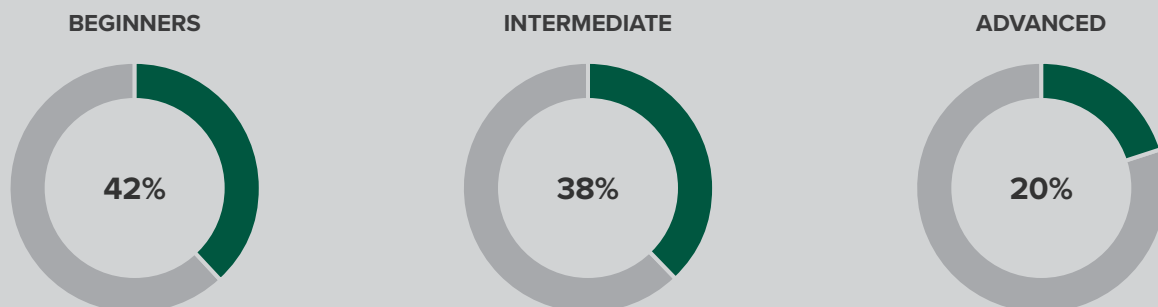
Transformation is difficult precisely because it involves so many moving parts. To better understand the attributes of digital leaders and laggards, we measured digital maturity based on an evaluation of four capabilities:

1. **How well they improve customer and employee experience.** Forrester believes that although the fields of EX and CX have many differences, they're fundamentally similar: Both relate to improving experiences to produce better people and business outcomes.<sup>3</sup> Advanced decision-makers in this study place employee and customers at the center of all decisions in service of better experiences.
2. **How effectively they optimize business processes for agility.** Advanced firms improve and automate business processes to achieve business agility at scale.
3. **How adaptable their technology strategy is to future changes.** Maturity in this category requires that organizations orchestrate a dynamic ecosystem of technology and business capabilities while simultaneously creating adaptable technology capabilities to deliver on future customer needs.
4. **How the firm creates value through a partner ecosystem.** Advanced leaders learn to utilize an ecosystem of business partners to create greater business agility and increase the value they deliver to customers.

Respondents were prompted to place themselves on a 5-point scale for each maturity measure across these four categories. The overall maturity score was based on an aggregate score across all maturity measures. Respondents were then placed within one of three maturity groups depending on where their score fell along the distribution curve. In this paper, we will focus on the difference between high-maturity organizations — called advanced firms here — and low maturity organizations — referred to here as beginners. Most organizations are beginners while only 20% of all organizations can call themselves advanced. All others, those in the intermediate group, tend to find themselves somewhere in the middle, straddling the line between beginners and their more mature counterparts (see Figure 3).

Figure 3

## Digital Transformation Maturity Groups



Base: 406 director + global respondents responsible for/with influence to their organizations' digital transformation strategies  
Source: A commissioned study conducted by Forrester Consulting on behalf of UST, January 2021

# Accelerate Business Outcomes By Following Digital Leaders

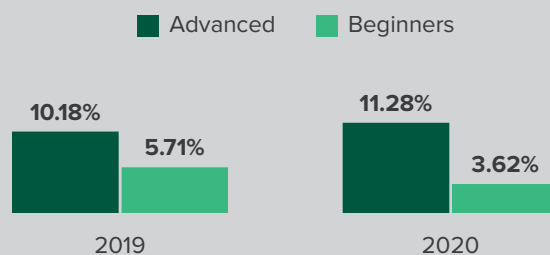
Why aim to be a digital leader? These advanced firms see overwhelmingly positive impact to KPIs, even in areas that are of more importance to beginners. Furthermore, not only do they see higher rates of both revenue and customer growth, but they were able to continue to grow in 2020, a year in which many struggled. Our study shows advanced firms:

- › **Experience more positive gains to KPIs.** Thanks to their approach to digital business, advanced firms are more likely to see positive gains to KPIs — like net value creation, security and compliance metrics, and business agility — than beginners. This is true even in areas where beginners put outsized focus: All *advanced* respondents in our study reported positive improvements to cost savings metrics compared with only 73% of beginners who, as a group, tend to prioritize cost-cutting measures to a greater extent.
- › **Grow their customer base as beginners hemorrhage customers.** Advanced firms see larger volumes of customer account growth, with an average rate of 11.28% in 2020 (see Figure 4). Not surprisingly, this gives advanced firms an edge in market share: 73% of decision-makers at such firms said they are either the fastest growing or among the industry leaders. And this advantage served advanced firms well. In a year when an economic slowdown grasped much of the world's businesses, advanced firms grew. Beginners, on the other hand, suffered during the pandemic-fueled recession, seeing their customer growth rate drop by more than 2% in 2020.



Figure 4

“In 2019 and 2020, by how much did the volume of active customer accounts change?” (Average % growth shown)



Base: 83 high-maturity director+ global respondents responsible for/with influence to their organizations' digital transformation strategies; 172 low-maturity director+ global respondents responsible for/with influence to their organizations' digital transformation strategies

Source: A commissioned study conducted by Forrester Consulting on behalf of UST, January 2021

The COVID-19 pandemic widened the divide between advanced firms — which continued to gain customers — and beginners — whose customer base shrunk significantly.

- › **Lead the industry in revenue growth.** The story is similar when it comes to revenue. Seventy percent of advanced firms are industry leaders in terms of revenue growth, as they enjoy an average growth rate of over 12% (versus 4.69% for beginners). And just as advanced firms were able to quell potential damage to customer accounts during a troubling year, they also saw revenue growth in 2020 (up just under a percentage point over 2019 figures). Beginners, on the other hand, saw revenue rates plummet in 2020, reflecting their loss of customers.

The business benefits that come along with digital transformation are clearly worth pursuing. So what exactly does distinguish a digital leader from the rest of the pack?

#### **ADVANCED FIRMS SEE TECHNOLOGY AS A STRATEGIC TOOL**

The power of digital transformation is not lost on advanced firms as they accelerate adoption of modern technologies like cloud, automation, analytics, and AI/machine learning (ML). These firms are also unique in their ability to effectively measure progress and deliver continuous improvements to business and customer impact. To get ahead, these firms:

- › **Focus on revenue growth and customer value.** A staggering 94% of advanced respondents have been connecting digital transformation investments to changes in lifetime customer value metrics for at least the last year. They also focus their transformation initiatives on improvements to profitability by tracking metrics like net value creation. Beginners, in stark contrast, are hyperfocused on just keeping costs low. Two of the top KPIs they track in connection with transformation initiatives are cost related. This difference in focus clearly shows itself in the benefits we saw earlier, as Forrester has long maintained that a focus on the customer will ultimately drive business growth.
- › **Recognize the importance of building an adaptive technology architecture.** Most (67%) advanced firms have a full digital transformation strategy in place. Such transformation strategies embrace the application of emerging technologies across the enterprise, building upon a flexible, cloud-based technology architecture. Beginners, in stark contrast, need help getting started. Two-thirds of them have only a limited digital transformation strategy focused on the piecemeal departmental improvements — or no strategy at all. That is why 40% are currently working with an outside partner to design a digital strategy and another third plan to work with a vendor on strategy development in the next year.
- › **Continuously measure success in terms of business and customer impact.** Successful transformation depends in part on the ability to effectively measure progress. These organizations understand how to integrate leading indicators of customer value and revenue growth with metrics for “soft” variables like experience, culture, and organizational impact. Advanced organizations also excel at establishing baseline metrics, measuring deltas over time, and focusing on delivering continuous improvements to customer and business impact (see Figure 5). This approach to metrics stands in sharp contrast with beginners who struggle to connect digital transformation progress to long-term customer and business value KPIs, choosing instead to focus on short-term benefits like cost savings.

70% of digital leaders are also industry leaders in terms of revenue growth. Nearly 50% of beginners consider themselves average at best and among the slowest in their industry for revenue growth at worst.



**Figure 5**

**“How well do each of the following statements describe your organization’s ability to measure digital transformation impact?”** (Showing percent who chose “We have been doing this for more than 12 months”)



Base: 83 high-maturity director+ global respondents responsible for/with influence to their organizations’ digital transformation strategies; 172 low-maturity director+ global respondents responsible for/with influence to their organizations’ digital transformation strategies  
Source: A commissioned study conducted by Forrester Consulting on behalf of UST, January 2021

The ability to focus their strategy on customer outcomes rather than tactical improvements allows leaders to see the value of technology differently. This laser focus on creating customer value is what allows them to stay on course and use technology to create customer value. Most notably, advanced firms:

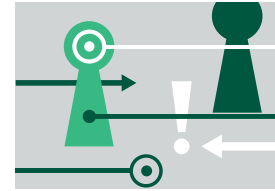
- › **Use cloud to support business agility and operational effectiveness.** More than 80% of advanced firms use cloud services to support continuous delivery through DevOps, for deploying customer-facing and employee-facing digital experiences, and for running core business applications. Working largely within a hybrid or multicloud architecture, advanced firms proactively use partners to help with cloud migration and orchestration. Significantly fewer beginners deploy cloud services in similar ways.
- › **Automate technology infrastructure and operations.** A digital business needs technology that adapts and scales quickly, reliably, and economically, and infrastructure automation is at the heart of this endeavor.<sup>4</sup> Decision-makers at advanced firms not only understand this, but they have also acted on it, with more than three-quarters having fully automated their infrastructure. Advanced firms are also more than twice as likely as beginners to have automated server updates, monitoring, configuration, and provisioning, as well as issue diagnosis and remediation. And 89% of business leaders at advanced firms said they have been able to combine the power of cloud and automation to reroute around internet bottlenecks.
- › **Create new products and services with the help of advanced data analytics.** Data is the lifeblood of any successful organization. Advanced firms are making the most of their data by making it readily accessible and increasing the use of data-driven decision-making across the enterprise. Professionals at these firms are keenly aware of the fact that effective data use can lead to business benefits: 87% of these respondents are offering new or improved products and services that heavily leverage data and analytics and are commercializing data or data science models directly. Beginners are less likely to be using their data so effectively.
- › **Apply AI and ML across the business.** Over three-quarters of advanced respondents are training for AI/ML, strategically identifying AI/ML use cases, and implementing AI solutions. Advanced firms successfully implement more AI use cases than their beginner counterparts, and these align to broader digital transformation goals like establishing threat detection, gaining business efficiencies, and improving customer interactions. Beginners are more likely to limit AI to customer-facing scenarios alone, missing out on additional operational benefits.

## CHALLENGES ALSO REFLECT MATURITY

No firm finds itself without any issues to tackle. But we found that both beginners and advanced firms have their own specific set of challenges:

- › **Beginners: legacy tools and conservative culture.** Several years ago, Forrester stated that the No. 1 barrier to digital transformation is culture.<sup>5</sup> Without the support and plans to change organizational capabilities, digital transformation initiatives will always struggle to get off the ground. Beginners in our study prove this, yet again, to be true: They struggle with a conservative culture, employee resistance to change, and a general lack of vision as top organizational challenges. This overall resistance to change dovetails with beginners' other major impediment to digital transformation success: legacy technology. If there is no organizational will to change and invest in new tech, old systems — with their security weaknesses, cumbersome complexity, and expensive maintenance issues — will continue to plague teams and hinder progress.
- › **Advanced: Security, compliance, and ecosystem management.** Advanced firms, by virtue of their greater dependency on digital capabilities, have more to lose from a lack of security and compliance. As a result, they must place more investment in maintaining regulatory compliance and protecting data and systems from security breaches. And as these firms come to depend more on a partner ecosystem to deliver customer value, they also face challenges in managing their ecosystem. One third of leaders noted poor services partners and consultants as an organizational struggle. As a result, ecosystem management will become an important capability for advanced firms.

Regardless of where your organization falls on the digital transformation journey, there are bound to be some bumps along the way. But you can use the data and recommendations from this study to identify key areas for improvement to start to build a path forward.



For beginners, a conservative and unimaginative culture leads to an overreliance on legacy tools, impeding progress and innovation.

# Key Recommendations

Successful digital transformation isn't the result of doing any one thing. Instead, it's the result of coordinated actions across many departments, using technology to change how the company creates and delivers value to customers, employees, and society. As this research shows, success has a positive business impact. So where should you start?



**Focus strategy on customer value creation.** To move beyond tactical bolt-on digital, focus your strategy on ways to continuously improve how customers derive value from the digital touchpoints you design and build.<sup>6</sup> This includes embracing continuous codesign and codevelopment with customers. Apply design thinking to your strategy development, beginning with your customer's most valued needs, wants, and desires.



**Adopt a digital-product mindset.** Digital products continuously evolve alongside evolving customer expectations. Digital-product teams are flat, not hierarchical. They are driven by customer-centric objectives and measured on key results (OKRs) like product adoption, engagement, and revenue. The team takes shared ownership of the results and is empowered to deliver. This is a big cultural shift for most traditional product organizations.<sup>7</sup>



**Design your digital business around experience journeys.** Customer and employee experience journeys provide a common framework for digital business design. Journey maps bring clarity to critical changes in your infrastructure to support customers and employees. Experience journeys also provide for clear metrics focused on the customer and business outcomes.



**Design your technology architecture for agility.** Successful transformation is rarely the result of applying a single technology ad hoc. Instead, successful firms develop their ability to orchestrate multiple technology components built on an adaptable and nimble technology architecture. Step back from tactical, departmental solutions and plan ahead to orchestrate emerging technologies into an adaptable architecture supporting continuous change in service of customers and employees.



**Build your digital business using a dynamic ecosystem.** Gone are the days of everything being built in-house. Today's advanced companies work to build a broad ecosystem of business and technology partners.<sup>8</sup> Operating inside a digital ecosystem requires the use of APIs to support the speedy and secure transfer of data across company and system boundaries. Design your technology solutions to leverage a broad digital ecosystem.



**Build Zero Trust into the heart of your digital business.** Forrester's Zero Trust (ZT) approach to security is now one of the most widely adopted strategies for digital business security. Your business relies on complex systems and digital assets to thrive in today's world — so your team should use virtualization and design modeling via cloud-enabled virtual studies to plan the digital build and future technology state.<sup>9</sup> Put a ZT approach to security at the heart of your future digital business strategy.

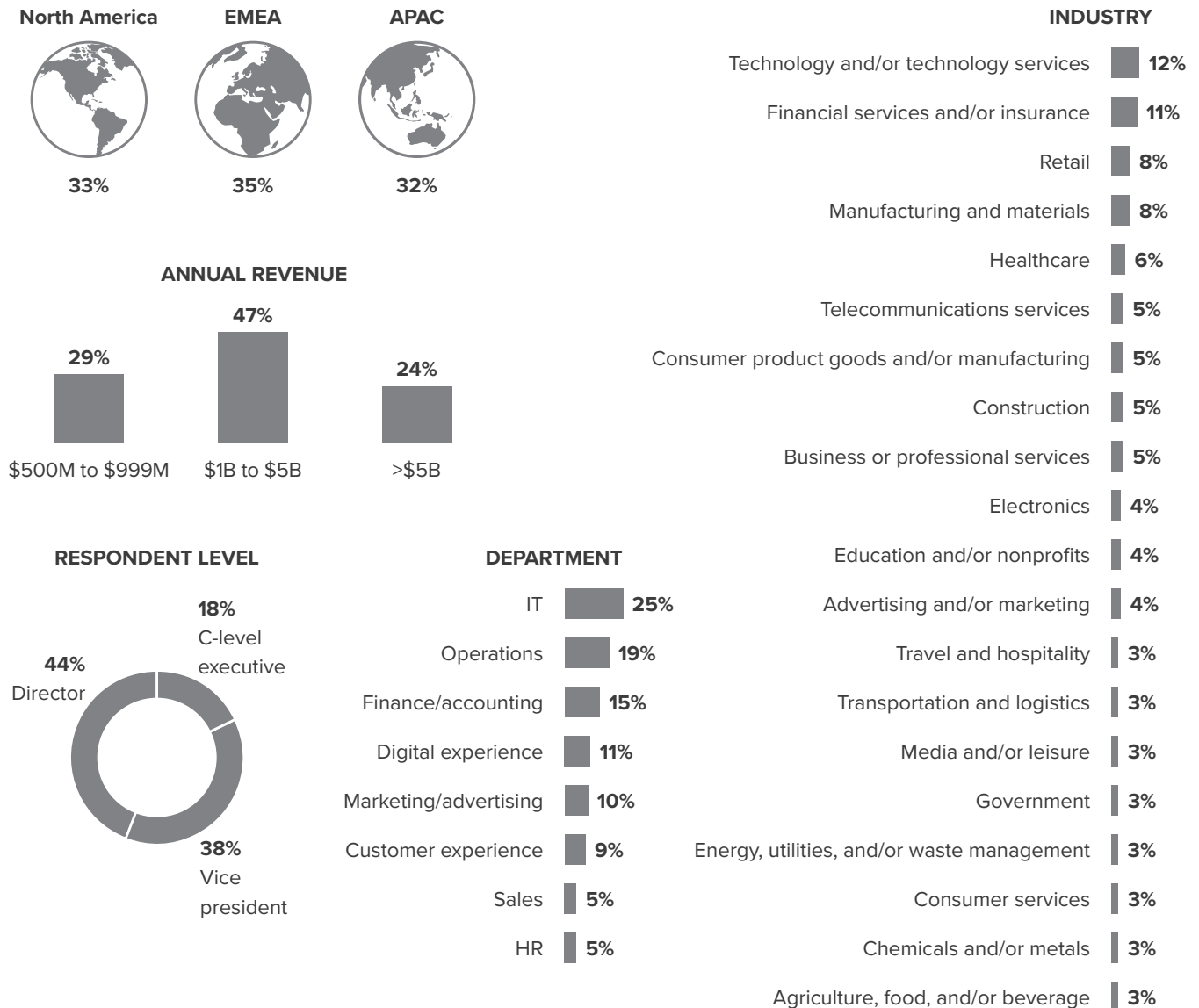


**Leverage digital accelerators to reduce time-to-value.** Time-to-value is one of today's most critical measures of transformation success. To reduce the time it takes for your digital team to deliver measurable business value, use digital accelerators.<sup>10</sup> These software and data assets supplied by services partners can dramatically reduce the effort and time needed to see measurable business impacts.<sup>11</sup> Seek out strategic partners able to bring unique digital IP to accelerate your time-to-value and tie their compensation to measurable outcomes.

## Appendix A: Methodology

In this study, Forrester conducted an online survey of 406 digital transformation decision-makers at enterprises in the US, Canada, the UK, Spain, Germany, Singapore, Hong Kong, Australia, India, and Japan. Survey participants came from a range of industries and included those in IT, operations, finance, digital experience, marketing, customer experience, sales, and HR roles. Respondents were offered an incentive as a thank you for time spent on the survey. The study began in December 2020 and was completed in January 2021.

## Appendix B: Demographics



Base: 406 director + global respondents responsible for/with influence to their organizations' digital transformation strategies

Note: Percentages may not total 100 because of rounding.

Source: A commissioned study conducted by Forrester Consulting on behalf of UST, January 2021

# Appendix C: Supplemental Material

## RELATED FORRESTER RESEARCH

“Digitize Your Business Strategy To Unlock New Opportunities,” Forrester Research, Inc., September 10, 2019.

“Digital Rewrites The Rules Of Business,” Forrester Research, Inc., December 24, 2020.

“How To Build Great Digital Products,” Forrester Research, Inc., March 9, 2021.

## Appendix D: Endnotes

<sup>1</sup> Source: “Predictions 2021: Digital Business,” Forrester Research, Inc., October 28, 2020.

<sup>2</sup> Ibid.

<sup>3</sup> Source: “Top Lessons For EX From The CX Playbook,” Forrester Research, Inc., January 29, 2021.

<sup>4</sup> Source: “Automation Drives The I&O Industrial Revolution,” Forrester Research, Inc., February 9, 2021.

<sup>5</sup> Source: “Top Capabilities To Accelerate Digital Transformation,” Forrester Research, Inc., April 20, 2018.

<sup>6</sup> Source: “Digitize Your Business Strategy To Unlock New Opportunities,” Forrester Research, Inc., September 10, 2019.

<sup>7</sup> Source: “How To Build Great Digital Products,” Forrester Research, Inc., March 9, 2021.

<sup>8</sup> Source: “Accelerating Business Transformation With Strategic Partners,” Forrester Research, Inc., November 19, 2020.

<sup>9</sup> Source: “Throw DARTS To Hit Your Zero Trust Target,” Forrester Research, Inc., June 15, 2020.

<sup>10</sup> Source: “From People To Products: Software-Powered Consulting,” Forrester Research, Inc., February 12, 2020.

<sup>11</sup> Ibid.