

# Future-ready strategies for business growth

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**In today's rapidly evolving digital landscape, the integration of digital technology into all areas of business has become imperative for success.**

... As we navigate this digital era, it's crucial to understand how digitalization can be leveraged not just as a trend, but as a strategic tool to drive growth, efficiency, and innovation. This paper delves into the core aspects of digitalization and digital transformation, offering eight key take-aways that highlight the importance, impact, and intricacies of embracing digital solutions in the business world.

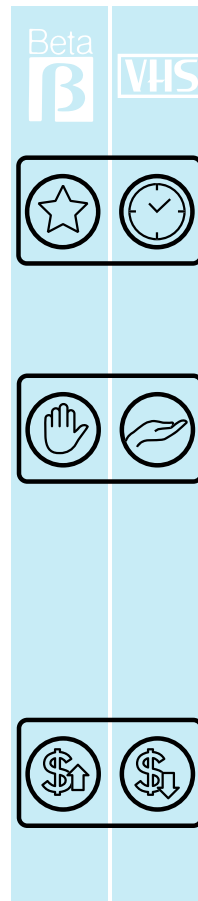
# Leveraging digital transformation for business opportunity

Digital transformation is a means to an end, not the goal itself. Over the last two decades, many companies have echoed the need for digitalization, but the journey has been challenging. The key lies in shifting focus from mere digitalization to leveraging it for unlocking business potential. The question isn't "where can we digitalize?", but rather where digitalization can open new opportunities. Technical superiority in products doesn't guarantee success; often, products with greater commercial accessibility, even if technically less optimal, are preferred. This highlights the importance of integrating digital solutions in a way that enhances both technical and commercial aspects.





This is not a new issue. When Sony introduced Betamax videotapes around the same time JVC introduced their VHS system, it was JVC's 'little brother' that conquered the global market—even though Betamax's video quality was noticeably superior. There were several reasons for this:



Betamax offered better video quality, but VHS tapes had a longer playtime, making them more convenient for users.

Sony was strict with their Betamax rights, while JVC adopted a more lenient strategy. Consequently, a wider array of movies was available on VHS, and more equipment producers supported it, boosting its business.

Price was, of course, also a decisive factor. VHS was cheaper than Betamax, and without a stronger value proposition, Betamax couldn't compete.

While this example is of an analog nature, the dynamics of this nearly 50-year-old case are still worth considering in the digitalization of products and services. A modern equivalent might be Sonos' success with their streaming speakers. Sonos delivers sound but isn't the best in audio quality. They excel, however, with their user interface and partnerships that align with consumer expectations.



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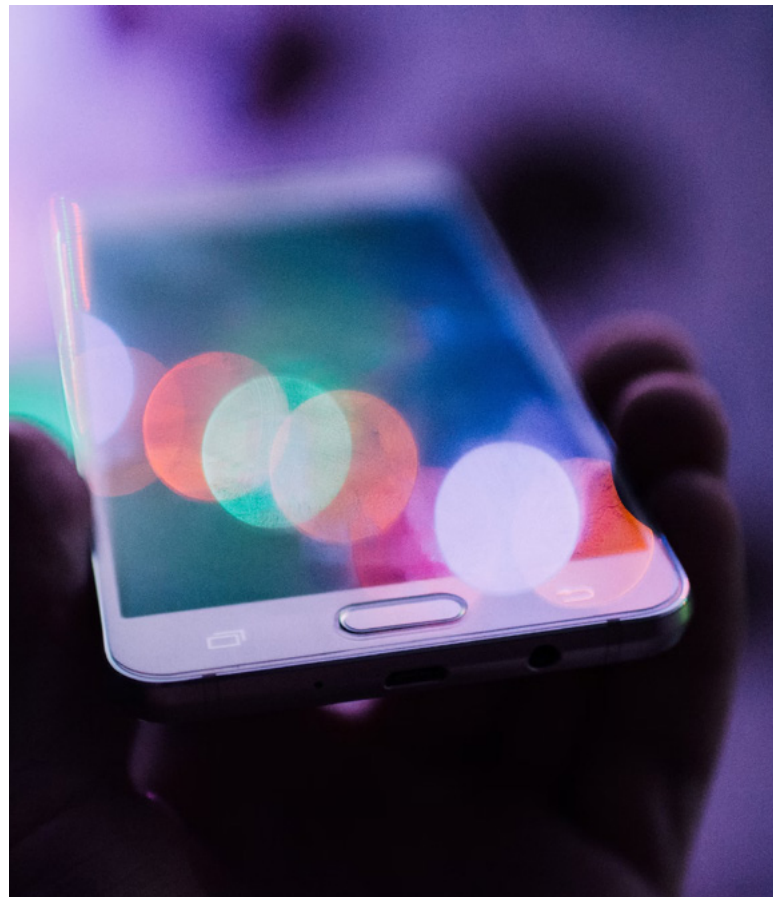


# What sets apart a superior digital solution?

Success in digital solutions is not just about technology, but also about fulfilling a clear purpose: completing tasks more efficiently, swiftly, or securely than possible without digital tools. Reliability is key; solutions must perform under pressure to avoid frustration and build trust. A good digital solution may have minor flaws, but it must be dynamic and backed by an organization committed to ongoing development and improvement. It should be future-proof, built on platforms that remain relevant and adapt to emerging technologies and user needs. Effective scalability with the growth of data and user numbers is crucial. Moreover, integration is essential—a solution should be part of a larger ecosystem and enhance other systems, delivering real utility.

When the Danish bank “Danske Bank” launched their mobile payment application MobilePay, it became a revolutionary product in the financial world, changing how we handle money transactions. The service’s robustness and security were paramount

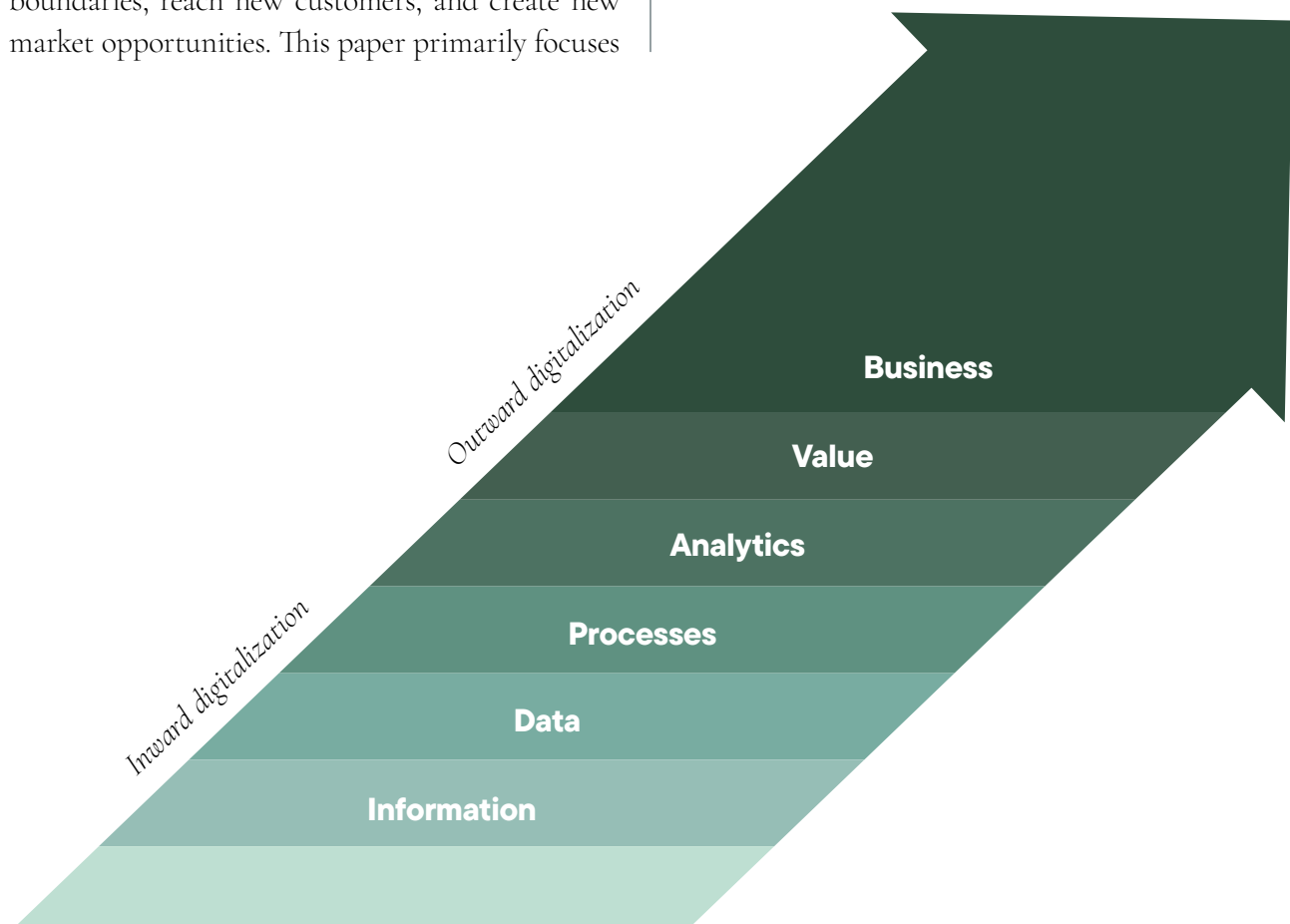
from the start, offering a user-friendly alternative to cash. Initially, MobilePay was used for transfers between individuals, but it soon expanded to include payments in physical stores and online shops. By 2022, MobilePay had grown to over 4.5 million users, with 500 million transactions, exemplifying a successful digital transformation.



# Inward or outward focus

Inward digitalization focuses on optimizing and improving existing internal processes, and often quickly shows its value through more efficient workflows, higher quality, and improved oversight. These benefits are like low-hanging fruits, easily and quickly harvested, but not necessarily transformative or scalable. On the other hand, outward digitalization, such as offering a digital platform to customers, demands more patience. The investments are heftier, and market adoption takes time to reach a level of profitability. However, these solutions offer much greater long-term potential due to their ability to continuously expand a business's boundaries, reach new customers, and create new market opportunities. This paper primarily focuses

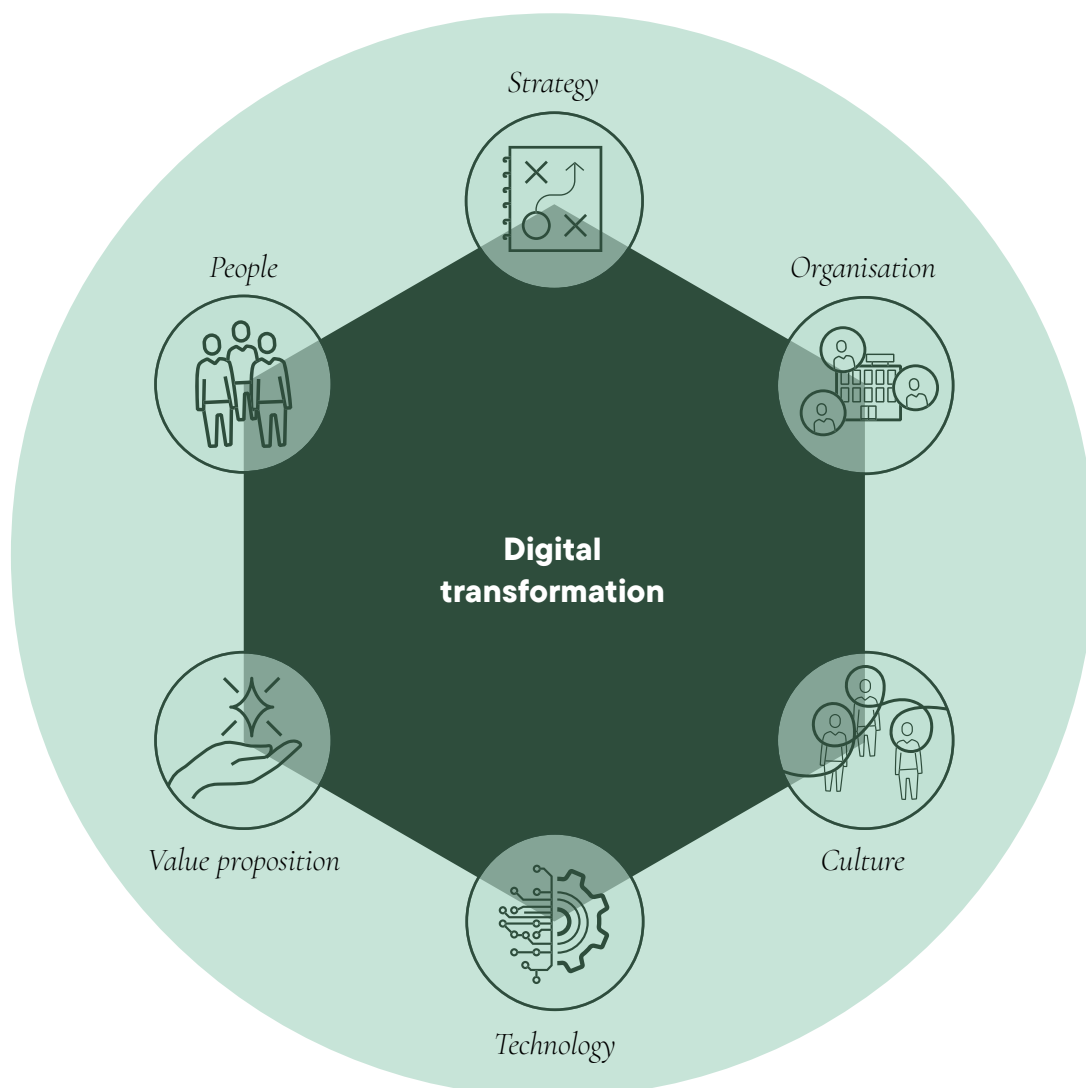
on outward digitalization, but it's essential to recognize that both inward and outward digitalization strategies are not mutually exclusive but complementary. A balanced approach, leveraging both inward efficiencies and outward expansions, often yields the most sustainable and impactful digital transformation outcomes.



# Digitalization or digital transformation

As we delve into the intricacies of digitalization, it's important to understand its broader implications in the context of business models and customer interaction. This leads us to a critical distinction: the difference between digitalization and digital transformation. While digitalization refers to enhancing existing products with digital capabilities, digital transformation is about fundamentally rethink-

ing the business model. For example, transitioning from selling a physical product, like a thermostat, to offering a service, like heating comfort, under a subscription-based model. This shift represents a move from adding digital aspects to existing products to a more radical transformation of business operations and strategies.

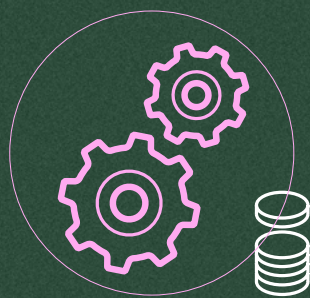




# Why digital initiatives are the best investment

Building on the concept of digital transformation and its impact on business models, it's crucial to explore why digital initiatives are often considered the best investment. Traditional industries are reaching the limits of what can be achieved with physical products and production methods, with marginal gains becoming the primary focus. As the scope for easily attainable improvements narrows, the need for a strategic shift becomes apparent. The solution? Alter the competitive rules. Innovate and establish new competitive parameters in which your unique strengths allow you to gain a distinct advantage. Digital strategies open up a new realm of possibilities, allowing businesses to innovate and create unique competitive advantages that are difficult

for others to replicate. This shift from traditional enhancements to digital innovation can redefine competitive landscapes, leading to significant value creation and increased earning potential. Consider a scenario where an Asian competitor in the Danish thermostat market is reluctant to develop a solution compatible with local district heating systems. In such cases, digital innovation, tailored to specific market needs, can be a more cost-effective strategy than incremental improvements in traditional areas. These digital solutions not only align more closely with local requirements but also offer significant potential for enhanced value creation and profitability, illustrating the benefits of targeted, market-specific innovation.



**Value of improvements  
on physical product**



**Value of digital platforms  
supporting physical products**





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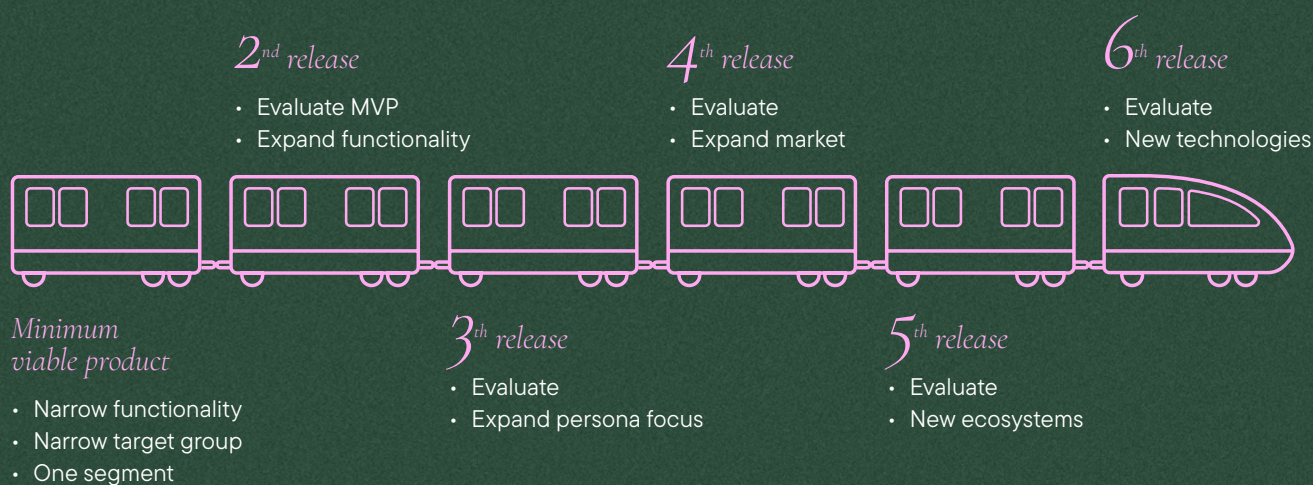
# Digitalization as a continuous process

As we consider the strategic shift from traditional enhancements to digital innovation, it becomes clear that the approach to digital projects needs rethinking. Traditional product development projects in industries often follow a linear, project-based model. However, the nature of digital initiatives, being more fluid and continuous, calls for a different strategy. This leads us to the concept of 'digital programs' as opposed to 'digital projects.' Digital programs embrace the ongoing nature of digital transformation, focusing on continuous improvement and adaptation, much like a 'release train' in software development. This shift in approach aligns with the dynamic and evolving demands of the digital marketplace. It enhances the likelihood of successful outcomes, accelerates the launch of minimum viable products, and aligns with the inherent

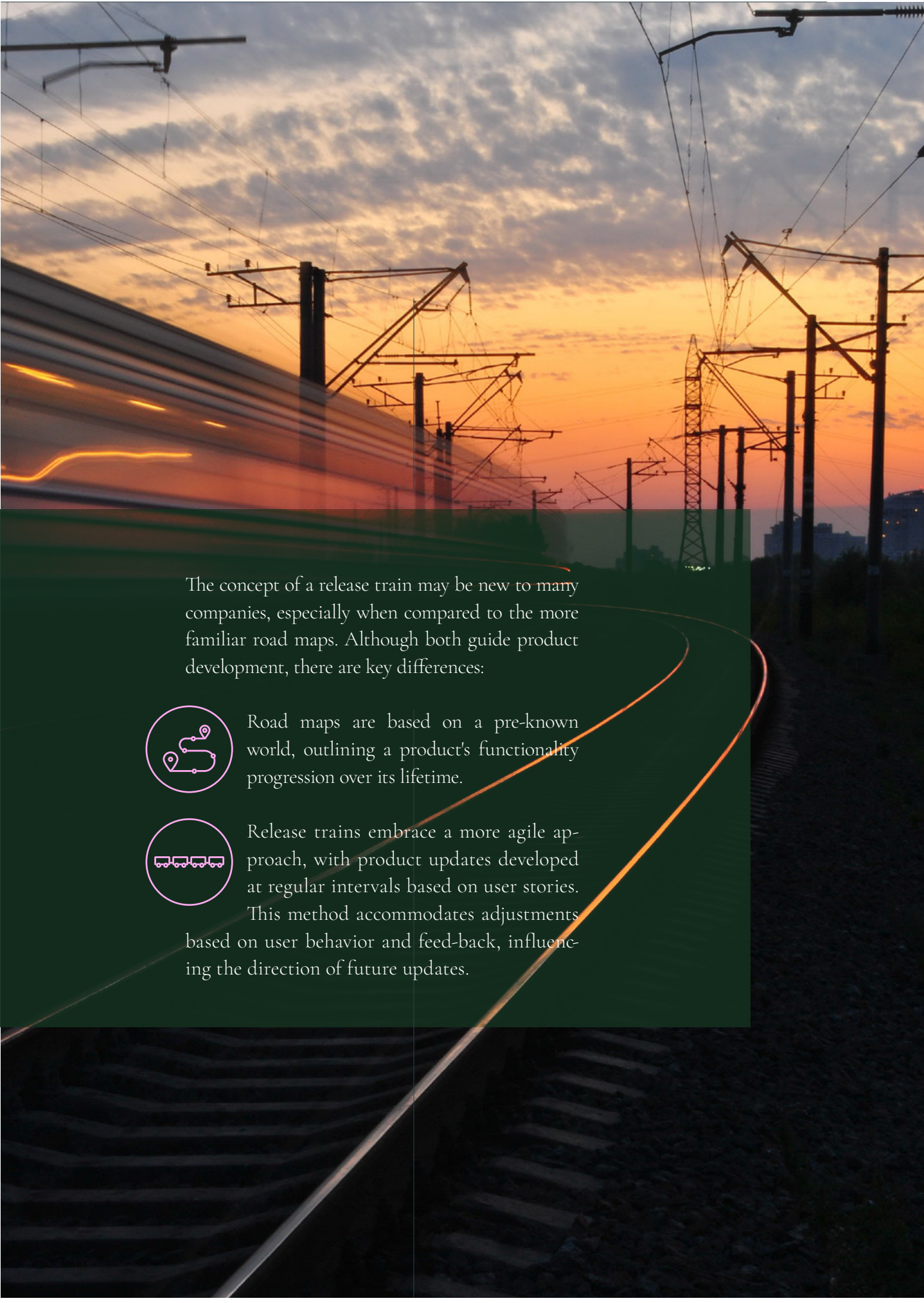
expectations for continuous product updates and progressive improvements.

To effectively enter the digital market, begin with a targeted approach, focusing on specific customer groups and offering them valuable functionalities. This strategy lays a solid groundwork for your digital services. The next step is to enhance value and integration for these targeted customers, or to gradually extend your offerings to new user demographics. Trying to meet the needs of all market segments with a broad range of functionalities is often less effective, as it may not adequately address the specific needs of any one group. Adopting an agile release train approach ensures your services can adapt to new technologies and market trends, maintaining their relevance and value.

## The release train



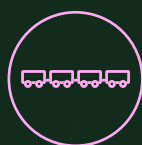




The concept of a release train may be new to many companies, especially when compared to the more familiar road maps. Although both guide product development, there are key differences:



Road maps are based on a pre-known world, outlining a product's functionality progression over its lifetime.



Release trains embrace a more agile approach, with product updates developed at regular intervals based on user stories. This method accommodates adjustments based on user behavior and feed-back, influencing the direction of future updates.

# A 5 step-model for successful digital strategy execution

Transitioning from our discussion on agile release trains and digital transformation strategies, it becomes clear that a well-structured approach is crucial for a successful digital strategy. This leads us to consider specific steps for implementing such a strategy effectively:

## Minimum viable product

Start by pinpointing your initial service target and the value it offers. The goal is to develop a minimum viable product (MVP) that effectively engages your target group with just the right amount of functionality.



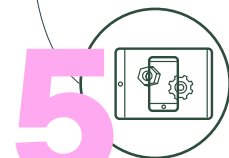
## Evaluate MVP

It's vital to ensure that your MVP is both robust and secure, as this helps in maintaining user trust.



## Release train

Develop a release train plan that allows your product to evolve while staying adaptable based on new insights.



## Integrate other platforms

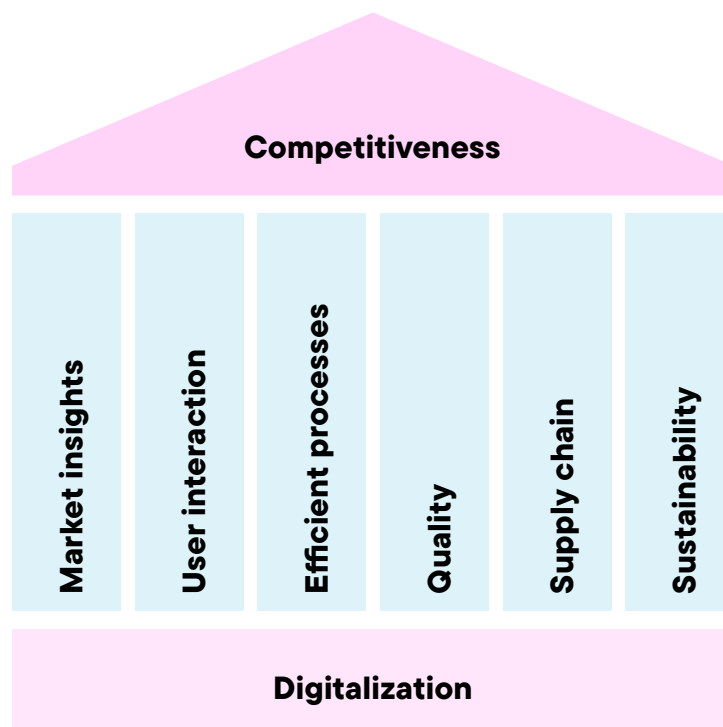
Remember, increased value can often be achieved by integrating with other platforms, extending beyond the confines of your product's functionality.

Each of these steps builds upon the previous discussions, emphasizing the importance of agility and adaptability in digital strategy execution.

# Navigating survival and growth in competitive markets

Moving from the specific strategies and steps for effective digital strategy implementation, we now face the broader question of the impact of these digital solutions on revenue and profitability. While adopting the right digital approach is critical, it's important to temper expectations. Rapid growth post-implementation isn't always a given. More often, digital transformation becomes a matter of

survival, particularly in markets with strong competition from low-cost, aggressive players. In such scenarios, maintaining a market position becomes a realistic goal, and digital initiatives are vital in achieving this. The focus, therefore, shifts from explosive growth to sustainability and competitiveness in a challenging market.





# Gaining insight into user interactions

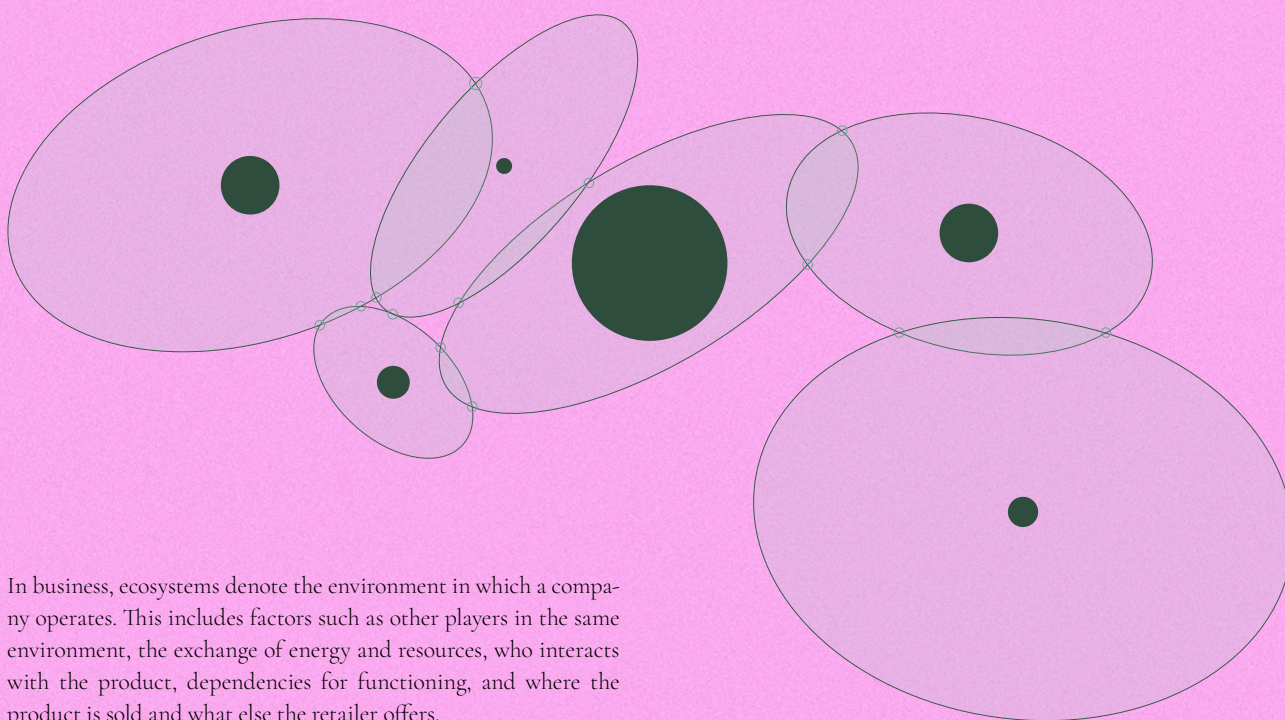
Shifting our focus from the broader impact of digital initiatives in competitive landscapes to the more specific aspect of product usability, it's essential to closely understand customer behavior and product usage. To truly create value for customers, it's crucial to understand their unique usage of products. Often, there's a gap between a company's perception of how its products are used and the reality of customer behavior. For instance, unconventional uses of a product like a hairdryer can inform more effective design choices, optimizing features like motor power or heat efficiency for these diverse applications. Gaining insights into actual product use through data collection is not only beneficial for users but also instrumental in shaping a company's product strategy and future development. Refining future product specifications and features with insights from historical usage can significantly enhance their relevance and utility. Engaging with customers through data analysis not only leads to improved practices and advice on maximizing product benefits but also informs the development of innovative, value-adding features that could spur additional sales. An example of this is a smart radiator thermostat that uses user data for tailored advice on ventilation and energy optimization, offering benchmarks and feedback for performance improvement, all driven by comprehensive data analysis.



# Open to the ecosystem

As we delve into the nuances of user interaction and product ecosystem engagement, it becomes evident how the best digital solutions often engage the ecosystem around a product in new and surprising ways. Identifying and addressing a problem within the ecosystem is a classic business innovation strategy. For instance, Amazon, initially an online bookstore, expanded its distribution network to other products, eventually developing cloud solutions to handle large transactions. These solutions, designed for Amazon's needs, became marketable to other industries with similar challenges. Another Amazon example is their lending business, offering loans to businesses on their platform, profiting from the increased transactions and data traffic. Being aware of one's ecosystem means continually reassessing

the players within it – partners, competitors, users, suppliers, etc. Strong digital solutions often emerge from the courage to challenge traditional perspectives as seen with Danske Bank's MobilePay strategy. When launching MobilePay they made it accessible to customers of other banks, as they recognized that its value depended on universal accessibility. Limiting the service to only Danske Bank's customers would hinder its success. The strategy was to initially offer a free platform with a large user base, which could later evolve into monetizable elements. This inclusive approach effectively expanded their market reach beyond their own clientele to include users from other banks, demonstrating a strategic shift in digital services.



In business, ecosystems denote the environment in which a company operates. This includes factors such as other players in the same environment, the exchange of energy and resources, who interacts with the product, dependencies for functioning, and where the product is sold and what else the retailer offers.





## 8 key take-aways

In this paper we've explored the nuances of digital transformation, the optimization of processes through digitalization, and the dynamic changes in market competition brought about by digital services. This exploration aims to provide a clear understanding of how digital strategies can be effectively employed to not only enhance existing business models but also to innovate and create new value propositions in a constantly changing environment.

As you embark on this insightful journey, it will become evident that digitalization transcends the notion of being merely a one-time project. Rather, it is an evolving and continuous process of value creation, dynamically adapting to the shifting landscapes of technology and market demands. This journey involves more than just implementing new technologies; it calls for a reimagined approach to business models, a deep dive into understanding customer needs through data analytics, and a commitment to constant innovation.



	Key take-aways from the paper:
1	Digitalization is a key growth driver for businesses, but not an end goal. Use it to achieve business objectives.
2	A good digital solution solves a specific problem, is robust, future-proof, and thoughtfully integrates into the ecosystem.
3	Digitalization optimizes existing processes, while digital transformation rethinks business, both adding value.
4	Digital services can change market competition dynamics, creating new value propositions.
5	Digitalization is an ongoing process for continuous value creation.
6	Digital transformation can drive business growth or save it from becoming obsolete.
7	Knowing customers is easiest through data collection; connected products offer value to both users and providers.
8	Digital solutions often reach their greatest potential when opening up to the ecosystem and adapt alternative business models, such as collaborating with and welcoming participation from various stakeholders and industry players.



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**Morten Nørgaard Morthorst,**

Business Development Director

morten.morthorst@d-i-s.dk

+45 23 89 75 26