



The digital economy is your pathway to profitable growth

How companies are leveraging commerce-powered business models to compete

Produced by  BrandConnect, a commercial division of The Economist Group

When computer engineer Ray Tomlinson sent the first email (to himself) in 1971, he, knowingly or not, set off the digital age, and global change and disruption have been accelerating ever since. Technology now saturates human interactions to a dizzying degree, impacting our relationships not only with one another but also with the brands and companies with which we do business. Still, not all companies have fully acknowledged that the digital age has given rise to an entirely new business ecosystem: the digital economy.

Jason Mowery, a managing director in KPMG LLP's Connected Commerce practice, puts it this way, "The digital economy really signifies what it takes to be successful in the digital age. Without a plan for the digital economy, many companies operating today won't be successful and won't be around long."

"Just putting in a commerce platform will not solve the challenges presented by the digital economy, because tying your solutions to a platform alone means you're not thinking about all the business impacts."

Lynn Wu, assistant professor of Operations, Information and Decisions at the University of Pennsylvania's Wharton School of Business, agrees with Mr. Mowery's assessment. Professor Wu researches how technology affects business innovation and strategy and has a sober warning for companies: "With the advent of electricity, once-powerful companies that did not intelligently

electrify their manufacturing processes disappeared. The digital revolution is an equally powerful disruption. Companies that fail to engage the digital economy, that fail to adapt to the power of tools like data analytics and AI, will go obsolete. It may not happen right away, but it will happen."

As to how to go about truly engaging with the digital economy, Mr. Mowery says, "You have to think holistically. Just putting in a commerce platform will not solve the challenges presented by the digital economy, because tying your solutions to a platform alone means you're not thinking about all the business impacts. It is in the connecting of the front, middle, and back offices where forward-thinking individuals are starting to win."

Crafting such a connected approach to commerce is a multistep process, says Mr. Mowery. It starts with defining a company's "ambition": Who do they want to be in the marketplace? What will success look like? The C-suite then needs to commit, through the allocation of resources and their prioritization of the effort, to pursuing a commerce strategy that

will move the company from its present-day state to that new vision. High-level commitment is essential because significant internal alignment is required: The reinvention often calls for existing employees to develop new skill sets and for the company to hire people with talents that differ from those it needed in the past. The end state, ideally, is a new business model that delivers revenue using a digitally enabled customer experience across all channels, touchpoints, and fulfillment capabilities—even returns and refunds.

Mr. Mowery gives the example of a national pet food manufacturer that wanted to increase its relationship with “pet parents” through subscription services while also improving pet health. The company’s executives wanted to expand its distribution chain of veterinarians and online retailers to include a direct-to-consumer option that would allow the firm to extend its already strong brand and increase revenue. As is the case with many of the clients he works with, Mr. Mowery says this company’s ambition didn’t start with a plan to create a new channel—the firm started by tackling a supply chain challenge.

“We demonstrated that this wasn’t just a supply chain issue. With the implementation of a robust new direct-to-consumer commerce platform, they were able to connect directly with consumers via a home-delivery-based subscription service, increasing market penetration,” says Mr. Mowery.

With the new subscription service, the company’s customers no longer had to visit their vet to purchase the product. “When you’re able to build these platforms out, you create a more direct relationship with customers. You also can add emerging technologies to facilitate that relationship in ways that you couldn’t before,” Mr. Mowery says. “Brands can start a conversation with a customer in a clinic or in a store and then customers can seamlessly pick up that conversation with a live customer service agent or through a chatbot on the brand’s website.”

Customer relationships like these create feedback into companies’ supply chains. The resulting fulfillment practice can include better coordination and communication for customers with third-party delivery

and service providers. The experience that customers have with the product’s delivery on their doorstep, or even in unboxing the product, becomes another relationship touchpoint.

And the impact doesn’t end with better customer relationships. “A robust connected commerce platform manifests in a company’s data and analytics organization, unlocking the ability to have much more robust financial reporting. This, in turn, provides efficient use downstream of the company’s finance team in terms of tax calculations and quality of tax payment to the government. Because connected commerce connects the front, middle, and back offices, companies can better manage all aspects of commerce and revenue,” Mr. Mowery says.

This kind of transformation requires leaders who are prepared to fundamentally reassess how they operate—from front office to back and across the business functions of their organizations. It can also require looking to outside experts and technology providers and even empowering functions, such as IT, within the organization that play a crucial leadership role in evaluating, selecting, and implementing the technology that will underpin the strategy.

Professor Wu concurs that the technology piece of the puzzle is important: “The powerful data collection enabled by connected commerce platforms allows companies to see what is happening with all their stakeholders: customers, suppliers, and employees.” But, at the end of the day, Professor Wu emphasizes, flourishing in a digital economy still comes down to people and how they use that data. “The power of this level of data is that it allows for better, more informed strategy and decisions,” she says. Setting that strategy and making those decisions will always require human involvement.

To learn more about how KPMG is helping leading companies reimagine commerce, [CLICK HERE](#).

Some or all of the services described herein may not be permissible for KPMG audit clients and their affiliates or related entities.

kpmg.com/socialmedia



Produced for KPMG by (E) BrandConnect, a commercial division of The Economist Group, which operates separately from the editorial staffs of The Economist and The Economist Intelligence Unit. Neither (E) BrandConnect nor its affiliates accept any responsibility or liability for reliance by any party on this content.

© 2019 KPMG LLP, a Delaware limited liability partnership and the U.S. member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity. All rights reserved. Printed in the U.S.A. The KPMG name and logo are registered trademarks or trademarks of KPMG International. NDP035127-1A