

TRANSCRIPT

Aligning your digital investment to boost your global market expansion

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Hi, I'm Michael Madsen, International Liaison Partner for BDO Canada. Welcome to Bored at the Airport with Mike. This show is about doing business globally. Whether your business has international presence, is considering an international expansion, or if you're in the middle of revising your expansion plan, then this show is for you.

Narrator:

In this episode...

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Every company is now a technology company. Lots of people have been saying data's the new oil.

Narrator:

We'll discuss how your digital investment can further advance your international expansion.

Almost every aspect of our lives incorporates a digital element, from the alarm on our phone to wake us up, through to reading an eBook when we go to bed. But exploring and realizing the potential of a digital world involves embracing a new mindset that challenges us not only to apply digital technologies to existing activities, but to unlearn old reflexes and learn different ways of working. This is becoming key to maintaining efficiency, agility, and competitive advantage in a digital age.

Companies from Lego to Disney have invested heavily in digital technologies to support their expansion plans, increased market opportunities, more agility, productivity improvement, and increased efficiency are just surface-level drivers for digital transformation.

It's an understatement to say that the internet has changed our lives forever, and with that technology leap forward, we are still adapting to new possibilities to become ever more connected. This connection is also true for how the real world and the digital world are intertwining and fast becoming one, where our digital actions have effects on our real-world experiences and vice versa. While we still have a firm foot in the analog world, we are stepping into the digital one with conviction. But how do these companies deploy a successful digital transformation strategy in their businesses? Makeup Giant Sephora is an example of a successful digital transformation strategy implemented by a business.

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There really is a before and after Sephora when it comes to the makeup industry.

Until about 20 years ago, this is how most Americans shopped for luxury makeup. A sales representative of the brand would stand behind the makeup counter and help customers make a purchase.

That completely changed with Sephora; now it's a free for all. People walk in the stores; they test whatever they want. Nothing is behind the glass.

Today, the beauty retailer employs over 36,000 people in more than 2,700 stores in over 35 countries. Those stores carry over 250 beauty brands.

At this point, Sephora's like kind of my second home.

Narrator:

Building 360° customer profiles, Sephora's digital strategy is to provide the customers with tools to help them feel confident in making a purchase, whether it's in-store or online. This has helped Sephora merge the digital and in-store teams to realign themselves with the profile of today's multi-channel shopper.

By leveraging your audience insights to identify market opportunities, your global strategy approach needs to consider your goals, the landscape of the new market, maturity, familiarity, competition, and more; the scope and nature of the opportunity identified, consumer behavior and expectations, and tactical execution customized to each relevant market.

Amazon leverages its data through what they call its recommendation engine. Every time a user searches for a specific product, this data helps the platform to guess what else the user might have an interest in. This, in turn, allows Amazon to enhance their procedure of convincing the consumer into purchasing it. Based on this data, Amazon changes their prices up to two and a half million times a day.

Marriot Hotels use data to pivot pricing and offers based on a variety of factors, such as local and global economic situations, weather, availability and reservation behavior, cancellations and many others. This tactic resulted in a 5% revenue increase per room for Marriott.

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So the industry is really hitting a major reset here. We're rethinking about what it is that that person that sleeps in your hotel every night, what do they really want? Do they need nightly turn down service? Do they need their beds made every night if they're there for three or four nights?

Like its rivals, Marriott uses an asset-light business model, meaning they typically manage their franchises, hotels rather than owning them. In 2019, 58% of Marriott's rooms were under franchise agreements, 41% of rooms were under management agreements, and less than 1% of rooms were owned or leased by the company.

Narrator:

Starbucks, Apple and McDonald's all use data to their advantage to win over customers and challenge competition. International growth requires a robust data pipeline. Without it, companies have little to no visibility into on-the-ground truth.

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Data linked to more than 500 million Facebook users has been posted in an online hacking forum. The published data includes the personal contact details of Facebook founder Mark Zuckerberg as well. Some of the data appears to be current, and according to a business insider report, it says that some of the leaked phone numbers still belong to the users. Close to 32 million American users and 20 million French users were affected by this hack.

Narrator:

There remains, however, significant concerns about cyber-attacks, security breaches, and data leaks for companies big and small. McDonald's, Peloton, Volkswagen, and hundreds of other companies have all suffered cyber-attacks and data breaches. One of the biggest and most notorious was the data breach affecting users of Equifax.

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A scathing new report finds one of the largest data breaches in the US history was entirely preventable. A 14-month congressional investigation slammed credit monitoring agency Equifax for lacking preventative measures.

Narrator:

According to a study conducted by Cloud Wars, in 37% of all businesses and organizations that were hit by ransomware, 32% paid the ransom but recovered only 65% of their data. Despite the risks, companies are doubling down on tech investments but struggling to clearly define their digital strategy. Companies need leaders that understand how to navigate the opportunity presented by artificial intelligence and human analytics. Future focused leaders need a digital investment strategy that is carefully planned and implemented. And the most effective investments and digital strategy are closely aligned with your business' broader objectives and long-term performance goals.

Michael Madsen:

Joining me on this episode is Matt Ambrose, partner and digital strategies lead at BDO. Matt has over 23 years of professional experience providing management and technology consulting services. He has worked globally with public and private companies, and has successfully assisted clients in identifying the people, process, technology opportunities to compete locally and globally. Matt, welcome to the program and thank you for joining us today.

Matt Ambrose:

Thanks, Michael. Great to be here and looking forward to our conversation.

Michael Madsen:

We know a lot of companies are making it a high priority to invest in their digital infrastructure. And since you regularly advise these clients on their digital transformation strategies, can you share some thoughts as to the importance of data when looking at international growth strategies?

Matt Ambrose:

Every company's now a technology company, and if you think about it, lots of people have been saying data's the new oil. If you go back to the 200s, a lot of organizations were focused on collection of data, and concepts such as data warehousing come to mind. Then the 2010s, we've focused more on reporting and analytics. And now we've focus more on insights and predictive, leveraging advanced technologies such as artificial intelligence and machine learning. Many organizations don't realize the value of their data and how they can leverage it to make informed and timely decisions. And frankly, for many years, VCs have been investing in data collection companies, and it's kind of funny because a lot of them don't even know what the value is or they're really just focused on collecting huge amounts of data and they're going to determine who the target audience is and what it's worth at a later point. When you think about your growth strategy and the importance data, it's really about making timely and informed decisions, taking some of the guesswork out of the process, Michael.

Michael Madsen:

As a past natural resources guy, I am familiar with the data being the new oil analogy that's been used for some time but fascinating the way the role of data has evolved over time. Matt, tell me what role does technology play and what's your approach to creating a digital strategy focused on enabling data?

Matt Ambrose:

Well, technology plays a critical role and begins with defining your digital strategy. We use a structured approach to assess that and define digital and data maturity. We'll look at things such as what's the organization's strategy, the structure, and the culture, what's the willingness to embrace digital and change management? Digital transformation takes many forms and depends on your organization, noting their... it isn't a one-size-fits-all approach, improving efficiencies while reducing risks. And for those that already have the basics, they can look at more advanced technology, like I mentioned earlier, artificial intelligence and machine learning.

Michael Madsen:

Some of our past conversations in previous podcasts we've done, we've focused to a great degree on growth strategies around international markets and expansion, and we've touched on things like culture and markets, investing and financing and the like. Matt, looking at your space, what are some of the digital considerations with growth strategies and especially when expanding into international markets?

Matt Ambrose:

This really depends on the expansion plans and the associated infrastructure and supply chain integration. Will there be physical presence such as offices, warehouses, et cetera, or is it just a ship to from another geography, or are you just expanding providing services, so there's no physical presence required? Some of the considerations that revolve around cyber security, that needs to be first and foremost in everything you do nowadays. Privacy is another huge topic, and regulatory requirements are often overlooked, knowing some jurisdictions prevent certain data from crossing borders. And others, such as if you look at the EU and GDPR in particular, it focuses on data protection and privacy. Without the proper considerations, organizations can face significant financial penalties that you weren't prepared for.

Not all data needs to be internal. There are numerous external data sources that you can leverage and combine with your own data to drive decisions. I mentioned earlier about VCs, some of the initiatives that they've invested in. There's many services available which can provide you with a wealth of information to augment what you already have or bridge potential gaps. A simple example that many people are unaware of is The Weather Network. An app that I'm going to suggest most of our listeners have installed on their phone. They think of it as just an app to tell the weather, and years ago they changed their business model to focus on being a data company. And this is all public information, but they advertise that they've got 30 million logins a day. They're tracking data anonymously, certain actions on mobile phones or mobile devices, what sites people are visiting, where they go when you've got location services enabled, and things of that nature, all anonymized data.

But then what they do is they can actually let you know that a user has looked up a coupon, for example, for Metro, and then they went down the street to the beer store, and then they went to Metro, and so that's very valuable information. This data exists everywhere and everything we do is capturing it; locations, actions, timing, websites visited, associations with various organizations or people, et cetera, and then a lot of the collection is non-monetized of course. But think of the number of free applications installed on your phone; Candy Crush, Pokemon Go, et cetera, and those are just some of the freebie ones. There's numerous ones out there. All of these applications are monetizing data. When it comes to digital and data, you don't always need to focus on perfection. In today's constantly changing environment, growth requires taking calculated risks. Perhaps the 80/20 rule is good enough. Many organizations have embraced a fail fast approach where they're continuously iterating.

Michael Madsen:

I guess the recent Tim Horton's example has probably opened a lot of eyes to how data is ultimately being used in the background, and The Weather Network story is.. I'm sure goes beyond what many of our listeners might have expected. But from the perspective of a leader, how would one measure the success of their digital investment?

Matt Ambrose:

The roadmap should have a number of quick wins to develop momentum. How do you measure success? You have to develop your KPIs and they will range. Again, it depends on the organization, but are you looking for customer satisfaction, user adoption? Are there time and delays or perhaps errors and quality control, drop off rates, et cetera, average order size? So there's lots of KPIs out there and you really need to develop those, what's important to you and focus on ROI, looking at each initiative and defining the intended outcomes and impact. And then recognizing that not everything can be financially quantified right away.

Michael Madsen:

The topic of data is all encompassing and covers a lot of ground Matt. Are there any success stories that you can share on how your clients have applied an effective digital strategy to their business?

Matt Ambrose:

A mining company comes to mind. They had a single mine and they were looking to grow to four to five mines over the next three years. The roadmap focused on enabling and improving current operations and automating processes, while building out a data structure that would enable all mines to leverage key insights across the organization. And as the organization continued to grow, frankly their cost per ton would continue to decrease, adding value and shareholder value.

Michael Madsen:

Thanks so much for coming on to program today to share your business insights and perspective. I think you've been able to dig a little deeper in terms of how our listeners may approach data and digital, and understand it a little better, and ask the right questions, and hopefully to allow for more success and ability moving forward. Thank you again. Look forward to talking to you soon.

Matt Ambrose:

All right, thanks Michael. Likewise.

Michael Madsen:

Matt Ambrose, Partner and Digital Strategies Lead at BDO.

Thanks for being part of board of the airport with Mike. I'm Mike Madsen. If you like this episode, subscribe to our podcast and connect with us on our LinkedIn group page, Bored at the Airport.

Narrator:

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