Canadians are talking digital, but the real transformation is still to come

- Canadian executives are moving from being aware of the digital economy to planning and rolling out digital transformation (DX) strategies.
- The proportion of companies in the planning stage has grown, only 38% are transforming today.
- Too many Canadian business leaders are overly optimistic about their current capabilities.
- Global firms are further ahead than Canadian organizations when it comes to digital innovation sponsorship at the executive level.

38% are executing against their DX strategy
50% are planning and building their DX strategy
12% are still trying to determine their DX plan

Canadian business leaders must look beyond their organization to global industry leaders in order to assess their digital progress and establish truly transformational goals.
Executives feel engaged in digital transformation, but not all employees are aligned

- Leaders are more likely to feel the need to transform than stakeholders in other roles
- IT and finance stakeholders are generally positive about their progress in the digital economy
- Worrying disconnect between front-line teams and management due to employees lack of awareness of DX initiatives
- Less than half of operations and customer-facing teams said digital was on the management agenda

Agreement that “CEO and board have digital innovation on management agenda.”

- 62% Executives
- 49% Customer-facing employees
- 43% Operational employees

Executives need to engage with all stakeholders in the organization. Buy-in should extend to all functional areas, particularly those in customer-facing roles. IT plays a key role in sharing the transformation vision and practical implementation of technology.
Mid-sized organizations need to catch up

- Mid-sized businesses with $250 million to $1B in revenues are less likely to have developed a digital mindset strategy; very few are aggressive and disruptive in the use of digital.
- Mid-sized organizations are less likely to say digital innovation is on the management agenda.
- Larger organizations are further along their digital transformation journey, likely reflecting a response to international competition and a recognition they have more at stake.
- Mid-sized firms have greater adoption of cloud computing as a lever for innovation.

Mid-sized companies are lagging when it comes to developing strategy with aggressive and disruptive use of digital.

<table>
<thead>
<tr>
<th>Size of Organization</th>
<th>Mid-sized companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>$250M - $500M</td>
<td>31%</td>
</tr>
<tr>
<td>$500M - $1B</td>
<td>38%</td>
</tr>
<tr>
<td>$1B+</td>
<td>54%</td>
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</tbody>
</table>

Companies that indicated they are in top 2 most progressive of 6 stages of DX initiatives.

Mid-sized organizations need to prioritize digital transformation, establish a clear agenda, and execute swiftly to avoid falling behind players with greater scale and resources.
About the IDC study

SAP commissioned a study to examine Canadian LOB and IT viewpoints on the Digital Economy. This study follows a similar one completed in 2016. The focus of this study was to replicate a portion of the SAP Digital Business Online Assessment tool.

- 300 senior management respondents were surveyed by phone and online
  - 150 senior non-IT LOB roles
  - 150 CIO / senior IT roles
- In-field November and December 2016
- 179 large enterprise ($500M+) and 121 mid-market ($250-500M) interviews were completed
- Captured 30 respondents across 10 different industries
- The survey results were supplemented by 5 executive interviews with large Canadian organizations arranged by SAP Canada and conducted by telephone by the IDC team

An IDC Canada Study Sponsored by SAP
The digital economy transforms businesses through the implementation of new technologies and processes, reducing the boundaries between customers and suppliers.

Organizations are employing digital technologies along with organizational and operational change to optimize business processes, create new growth avenues, and/or adopt new business models.

Source: SAP Digital Business Framework

An IDC Canada Study Sponsored by SAP
We surveyed companies about Digital Transformation across 10 key industries to learn how they are progressing and the benefits they’ll achieve, including potential new business models that digital transformation will enable for them and key capabilities required to enable the transformation.

**Capabilities required to drive DX**

Companies pursuing DX tend to develop core competencies around real-time access, integration, and ability to drive business value from data. That being said, such capabilities are industry-specific, and unique competencies have been defined for each industry. Surveyed organizations have been assessed vis-à-vis the capabilities relevant to their industry.

**Top Benefits of DX (not mutually exclusive)**
1. Improved customer experience and engagement
2. Reduced costs
3. Greater productivity
4. Revenue growth
5. Better innovation
6. Improved agility - much quicker ability to change
7. Improved decision making
8. Simpler processes

**New Business Models Enabled by DX**
1. Digital Channel and Business Platform
2. Digitization of Products and Services
3. Expansion into New Industries and Markets
4. Outcome-based Models
5. Competing as an Ecosystem
6. Shared Economy

The following industry-specific slides reflect the results across these dimensions.

The future of the Consumer Packaged Goods (CPG) sector is smart, connected, personalized and real-time. CPG companies are facing a tsunami of change in the next two years. Innovation will come from extracting value from existing enterprise and customer data, built on a secure cloud platform.

### Key Benefits of DX in CPG
- **Customer experience**
- **Quicker ability to change**

### % of Companies Initiating New Business Models
- **53%** Digital channel and business platform
- **40%** Digitization of products and services

### Top Three Capabilities Driving Digital Transformation in CPG
- Agile Global Supplier Network
- Real-time Supply Analysis
- Customer Service Omni-Experience

CPG companies that are most advanced in DX have optimized forecasting and initiated direct-to-consumer fulfillment.
**Maple Leaf Foods**

**Embracing a digital-first appetite**

As Canada’s leading consumer packaged meats company, Maple Leaf Foods has nourished millions of Canadians for more than 100 years.

**DX Initiatives.** Maple Leafs Foods CEO Michael McCain is energized by the technological revolution and obsessed with pursuing the opportunities that come with it. His team is looking at the “longshots”—the digital innovations that will one day transform their business profoundly. The employee experience is a priority area for Maple Leaf. They are leveraging cloud based and mobile technologies to improve efficiency and workflow that enable sales reps to work entirely on their mobile devices and supervisors to remain on the shop floor while entering data.

**Outcomes.** “New Ways of Working” is one of Maple Leaf Food’s core digital transformation initiatives. The team is looking to cloud, mobile, and data analytics technology as the drivers of this transformation. Designed for both flexibility and productivity, the technologies free teams from doing mundane tasks in favor of a more strategic focus. Employee engagement figures will be used to monitor success.

“We are eliminating many of the non-value and repetitive tasks people are doing today. By increasing digital savviness across the organization, we will be a lot more productive as individuals, as teams, and as an organization.”

- Marie-Claude Vézina, VP, IS Maple Leaf Foods

An IDC Canada Study Sponsored by SAP
Engineering, Construction and Operations (EC&O) companies recognize that Canadian businesses lag in productivity and innovation vs. global peers. Cultural change will be imperative for competing, as talent and knowledge are core to the business. EC&O firms need to take advantage of APIs and agile development to enable innovation and add new services.

Key Benefits of DX in EC&O
- Greater productivity
- Revenue growth

% of Companies Initiating New Business Models
- Digital channel and business platform: 57%
- Digitization of products and services: 43%

Top Three Capabilities Driving Digital Transformation in EC&O
- Advanced Project Forecasting
- Talent Forecasting
- Real-time Project Tracking

EC&O companies that are most advanced in DX have enabled advanced real-time forecasting and project tracking.
DX Initiatives. Graham Group is focused on making crumpled, outdated building plans pulled out of the pocket of a site superintendent a thing of the past. Real-time, holistic project views and documents shared by trades, suppliers and owners will be the new modus operandi, and this single source of truth brings the benefits of visibility and cohesion all the way up to the boardroom.

Outcomes. The impact digital innovation will have across project planning, inventory management, productivity and mobility is profound. Recognizing this, Graham has set up an ‘innovation fund’ to ensure the company keeps moving in the right direction; namely making operations more connected, improving relationships between everyone on and off site, and introducing technology that is as effective as it is easy to use.

“We are focusing on bringing all of our data together, including building models, purchasing, and scheduling information, so we will be able to provide our project teams with visualizations of this combined data to assist in keeping our projects on track.”

- Lisa Kissick, VP IT/Enterprise Applications, Graham Group

Graham has been shaping commercial spaces for decades, earning a reputation across North America for projects ranging from schools and hospitals to retail complexes and hotels.
Government
Servicing citizens through big data and digital security

Canadian governments are striving for citizen-centricity, public safety and connectedness - but haven’t realized their plans. Big data analytics are critical in driving efficiency in two key areas: citizen service and asset management. A holistic security strategy will be a necessary underpinning of all government digital initiatives.

Top Three Capabilities Driving Digital Transformation in Government
- Transforming asset maintenance with M2M and IoT
- Efficient mobile asset repair in the field
- Public safety risk identification using big data

Key Benefits of DX in Government
- Customer Experience and Engagement
- Revenue Growth

Government organizations that are most advanced in DX have real-time access to data for decision-making and have deployed IoT solutions.
DX Initiatives. Canada’s largest city is harbouring ambitions to become ‘smart’, taking advantage of technologies and data that will make the city safer, more efficient, more connected, and a more enjoyable place to live. Unifying the City of Toronto as an organization is central to this, which is being achieved by the introduction of a single dashboard view of city-collected data, more open and accessible data practices, and citizen portals and internal tools focused on improving service delivery.

Outcomes. Data centralization and improved data access are helping the city’s teams prepare for and execute projects much more efficiently. The initiatives have led to improvements in ticket resolution efficiency for workers responding to service requests. Plus, travel costs have gone down and inventory management is more accurate. Buoyed by this early success, the City of Toronto is now exploring the potential of the Internet of Things, increased mobility and real-time infrastructure.

“Making information available with the fewest possible barriers is the biggest challenge we have, both internally and to our citizens. Digital technology is changing that.”
- Fazal Husain, Director, Enterprise Solutions Services, City of Toronto
Retail
Customer experience up front and logistics excellence in the back

Canadian retailers have made giant strides in logistics and supply chain, but are now faced with increasingly demanding customer expectations across all channels. Clear policies and technology investments in security and customer data privacy will be critical to solidifying customer trust.

% of Companies Initiating New Business Models

- **57%** Digitization of products and services
- **40%** Digital channel and business platform

Key Benefits of DX in Retail
- Customer Experience & Engagement
- Productivity

Top Three Capabilities Driving Digital Transformation in Retail
- Real-time inventory information for store associates
- Seamless end-to-end procurement process
- Global vendor sourcing in a single network

Retailers that are most advanced in DX have visibility into their global inventory pool and can change assortments and adapt pricing quickly based on customer insights.
Aldo Group
A truly omnichannel experience that fuels growth

The Aldo Group is a Canadian retailer that owns and operates a worldwide chain of footwear and accessory brands, catering to style and price-conscious shoppers.

**DX Initiatives.** Aldo Group’s vision is based on creating a customer experience in which interactions across all channels complement each other. Whether it’s self-service that just works, an in-store experience that makes the customer smile, or an online shopping session that delights them, Aldo is harnessing the power of brand consistency and omnichannel ubiquity in a traditionally brick-and-mortar space.

**Outcomes.** While Canadian retail has generally lagged in terms of customer experience, fixating instead on logistics, pricing, and basic ecommerce, Aldo has pressed forward. This persistence has garnered them a notable increase in website traffic, a significant increase in conversion rate, and steady year-on-year online sales growth.

“Customers see your brand, and only your brand. Not your ecommerce site, your physical stores, or your marketing silos. Although each aspect helps to define their overall experience, consumers expect consistency and the same level of service everywhere.”

- Jennifer Maks, VP eCommerce, Aldo Group
Manufacturing
Riding the wave of automation, driving talent toward digital efficiency

Canadian manufacturers have survived a generation of global competition through changing business models, a focus on efficiency and improving productivity. Their continued transformation will include even greater automation through factory floor connectivity and improved agility through people, processes and technology.

Manufacturers that are most advanced in DX are able to balance HR and workforce management with production and quality management.

% of Companies Initiating New Business Models

63%
Digital channel and business platform

47%
Expand to new industries

Key Benefits of DX in Manufacturing
- Innovation
- Quicker Ability to Change

An IDC Canada Study Sponsored by SAP
**DX Initiatives.** The Canadian dairy producer is used to its products sharing shelves with aggressive multi-national competitors, so the urgency with which the company is transforming its culture to adapt to the digital economy perhaps comes as no surprise. Data analytics is being used to optimize product placement and promotional strategies, while real-time visualization tools are helping employees across finance, manufacturing, and logistics do away with manual processes to become more efficient.

**Outcomes.** Market responsiveness is a cornerstone of success in the fast-moving consumer packaged goods market, and digital innovation has been a secret weapon for Ultima in reducing the time taken to produce reports by up to 200%. This provides a level of market visibility and agility that many of Ultima’s competitors can at this stage only dream of.

"Just by turning on our digital strategy, our transaction time on reporting decreased by well over 50%. In some cases, it was 200%.”

- Dan Jewell, VP Operations, Ultima Foods
Financial services have the dual challenge of competing with emerging fintech players and managing regulatory compliance across global markets, while meeting the increasing demands of fickle consumers. Canadian financial services firms will need to exploit predictive analytics, machine learning and blockchain to drive innovation.

Financial services companies that are most advanced in DX have real-time visibility of working capital and have embedded compliance processes to reduce risk.

Financial Services
Exploring fintech to meet soaring consumer demands

Key Benefits of DX in Financial Services
- Innovation
- Quicker Ability to Change

Top Three Capabilities Driving Digital Transformation in Financial Services
- Real-time what if scenarios and impact analysis
- Perform flexible modeling of structures
- Ability to conduct daily soft closes

% of Companies Initiating New Business Models
- Digital channel and business platform: 50%
- Digitization of products and services: 37%
Oil and Gas
Reinventing processes with digital for real-time management

Canadian oil and gas companies are experiencing rapid industry change, and recognize the need to innovate to compete in a global marketplace. Modern IT architectures that allow for large-scale data analytics enable quicker decision-making across more business functions, improving operational efficiencies.

Top Three Capabilities Driving Digital Transformation in Oil and Gas

- Real-time view of product inventories
- Predictive asset management capabilities
- Complete contract compliance management

Oil and Gas companies that are most advanced in DX have timely supplier qualification processes and are able to manage product inventories in real-time.

Key Benefits of DX in Oil & Gas
- Innovation
- Revenue Growth

% of Companies Initiating New Business Models

- Outcome-based business models: 47%
- Digitization of products and services: 47%
Canadian professional services firms, such as law offices or accounting companies, are faced with growing price pressures and human capital strains. Better management of their engagements will happen through technology, while the workforce needs to be armed for a mobile future.

**Professional Services**

Arming the workforce with mobile and analytics tools

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**Top Three Capabilities Driving Digital Transformation in Professional Services**

- Engagement and change request tracking
- Automatic tracing and mapping of performance
- Real-time alignment of internal and external resources

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**Key Benefits of DX in Professional Services**

- Reduced Costs
- Productivity

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**% of Companies Initiating New Business Models**

- Digital channel and business platform: 53%
- Digitization of products and services: 47%

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Professional services firms that are most advanced in DX are able to productize their intellectual property and use analytics for workforce planning and forecasting.

*An IDC Canada Study Sponsored by SAP*
Utilities

Predicting energy demands of today, expanding to new industries tomorrow

Canadian utilities are dealing with constrained sources of growth and increasingly volatile future for new energy sources. Technology is enabling them to better balance supply and demand as they evolve from monolithic monopolies to agile energy providers.

Top Three Capabilities Driving Digital Transformation in Utilities

- Predictive time-of-use consumption
- Predictive asset failure and optimized response
- Remote monitoring of customer connection to grid

Key Benefits of DX in Utilities

- Reduced Costs
- Productivity

% of Companies Initiating New Business Models

- Expand to new industries: 53%
- Digital channel and business platform: 47%

Utility companies that are most advanced in DX are able to balance demand and supply from predictive models and forecast energy demand in near real time.

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Canadian telecom and tech companies are at the forefront of change, with innovation being central to their long term competitiveness. Ongoing investments in digital platforms and cloud computing are table-stakes. The biggest differentiator will be the speed at which companies can transform ideas and talent into commercial products and recurring revenue streams.

**Key Benefits of DX in Telecom and Tech**
- Reduced Costs
- Productivity

**Top Three Capabilities Driving Digital Transformation in Telecom and Tech**
- Web and mobile learning for service teams
- Automatic tracking of usage and renewals
- Personalized offers at moment of engagement

**% of Companies Initiating New Business Models**
- 57% Digital channel and business platform
- 40% Expand to new industries

**Telecom and tech companies that are most advanced in DX have invested in talent management and skills development programs to spur innovation.**

An IDC Canada Study Sponsored by SAP
IDC compared the advancement of organizations in various digital capabilities across industries in Canada with those around the world. Below is a summary of the notable differences in industries where comparative data was available.

<table>
<thead>
<tr>
<th>Canada is relatively further ahead</th>
<th>Supply chain agility</th>
<th>Conduct daily soft closes</th>
<th>Automated asset-related data exchange</th>
<th>IoT for asset maintenance</th>
<th>Analytics for merchandizing decisions</th>
<th>Real-time alerting when customers disconnected</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry:</td>
<td>CPG</td>
<td>Finance</td>
<td>Oil and Gas</td>
<td>Government</td>
<td>Retail</td>
<td>Utilities</td>
</tr>
<tr>
<td>International is relatively further ahead</td>
<td>Optimizing customer fulfillment</td>
<td>Real-time profitability info</td>
<td>Supplier risk reduction</td>
<td>Instant insight into performance</td>
<td>Consistent omnichannel brand experience</td>
<td>Forecasting residual energy requirements</td>
</tr>
</tbody>
</table>

An IDC Canada Study Sponsored by SAP
Foster a culture that rewards experimentation and innovation across every process and function, from the customer inward to the enterprise.

Establish a cross-functional team that focuses on digital transformation, linking strategy and technology to business outcomes; technology is no longer the domain of IT.

Identify and plan for key technology requirements and set budgets for near term and long term funding to ensure digital strategy is tied to action.

Get serious about data: unlock the data assets buried in systems, invest in analytic apps, skills and supporting technologies.

Nurture strategic partnerships to gain knowledge and experience from outside the organization in two arenas: more closely working with (a) vendors and (b) peer organizations.

Set goals that are realistic and drive organizational change across the pillars of digital transformation.
To learn more about Digital Transformation in Canada

CLICK HERE

www.sap.com/canada/dx

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