

2019 Digital Transformation Market Trends Report

Digital Transformation is the culmination of more than fifty years of technical advancement in IT. Beginning in earnest in the 1960s and 1970s, computing and telecommunications technology started a wild ride, with capabilities growing exponentially. And these capabilities provided extreme benefits to perform business tasks better, faster, and cheaper. Technology was used to streamline and augment existing business models, but, for the most part, the business models did not change.

With the advent of advanced computing and communications infrastructure such as the cloud and software-defined networks, businesses now have the opportunity for a radical shift. Rather than looking to new technology to support existing processes, it's time to rethink fundamental business models from the ground up with the assumption that technology is available and ready to be implemented to support whatever revolutionary modes are imagined. That's Digital Transformation - enabling Business Transformation.

While Digital Transformation has become one of the hottest topics in the IT industry, it is also somewhat nebulous and thus runs the risk of being marketed as all things to all people. The purpose of this study is to find out what the story is behind the hype. What are companies actually doing to implement Digital Transformation strategies and how important are these initiatives?

We found that:

- Digital Transformation is indeed extremely important, as most companies see Digital Transformation as being key to the very survival of their business.
- As such, it also ranks very high as an absolute priority among the traditional priorities of the business; it's not just another important issue.
- And since Digital Transformation is key to the survival of the business, the Return on Investment (RoI) for Digital Transformation is being measured from a strategic perspective that pays off in the long run even though the immediate RoI might be more difficult to quantify.

Some recurring themes are seen in the results of this study:

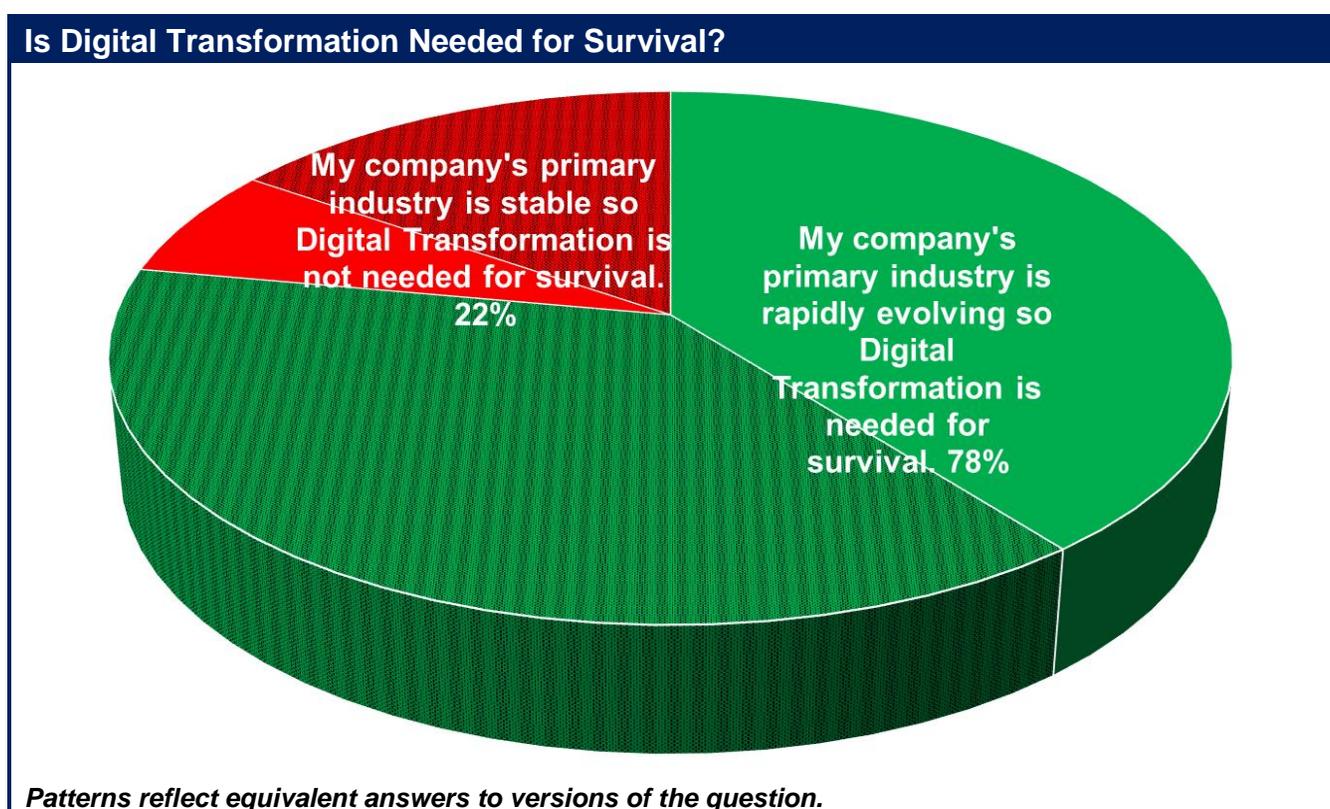
- While Digital Transformation delivers the expected long-term benefits of survival of the business, the short-term benefits are primarily focused around improving customer service and customer interactions.
- Most respondents indicated that they need significant outside help with their Digital Transformation implementations and preferred smaller, agile service providers over large traditional carriers.
- The top technology investments in supporting Digital Transformation include cloud migration, improved security and data analytics.

This survey is focused on the first wave of Digital Transformation. Respondents were instructed to answer questions based on a definition that **"Digital Transformation" uses information technology to enhance business processes for increased efficiencies and improved customer interaction.**

In the coming decade, "Digital Transformation" will encompass not only this definition but the reimagination of entire businesses. It's the difference between digitally transforming your infrastructure and redefining the business to take advantage of emerging technologies disrupting every industry.

So stay tuned. We've only just begun.

Digital Transformation and Survival of the Company



This first and most important fact is that Digital Transformation is necessary for companies to survive. When asked this question, 78% of the survey respondents said that their primary industry is evolving, so failing to undertake Digital Transformation is critical.

Note also that this question leaves open the possibility that Digital Transformation is desirable without being deemed “necessary for survival.” That is, there could be lots of economic and operational advantages to undertaking Digital Transformation without it making a difference as to whether the company stays in business.

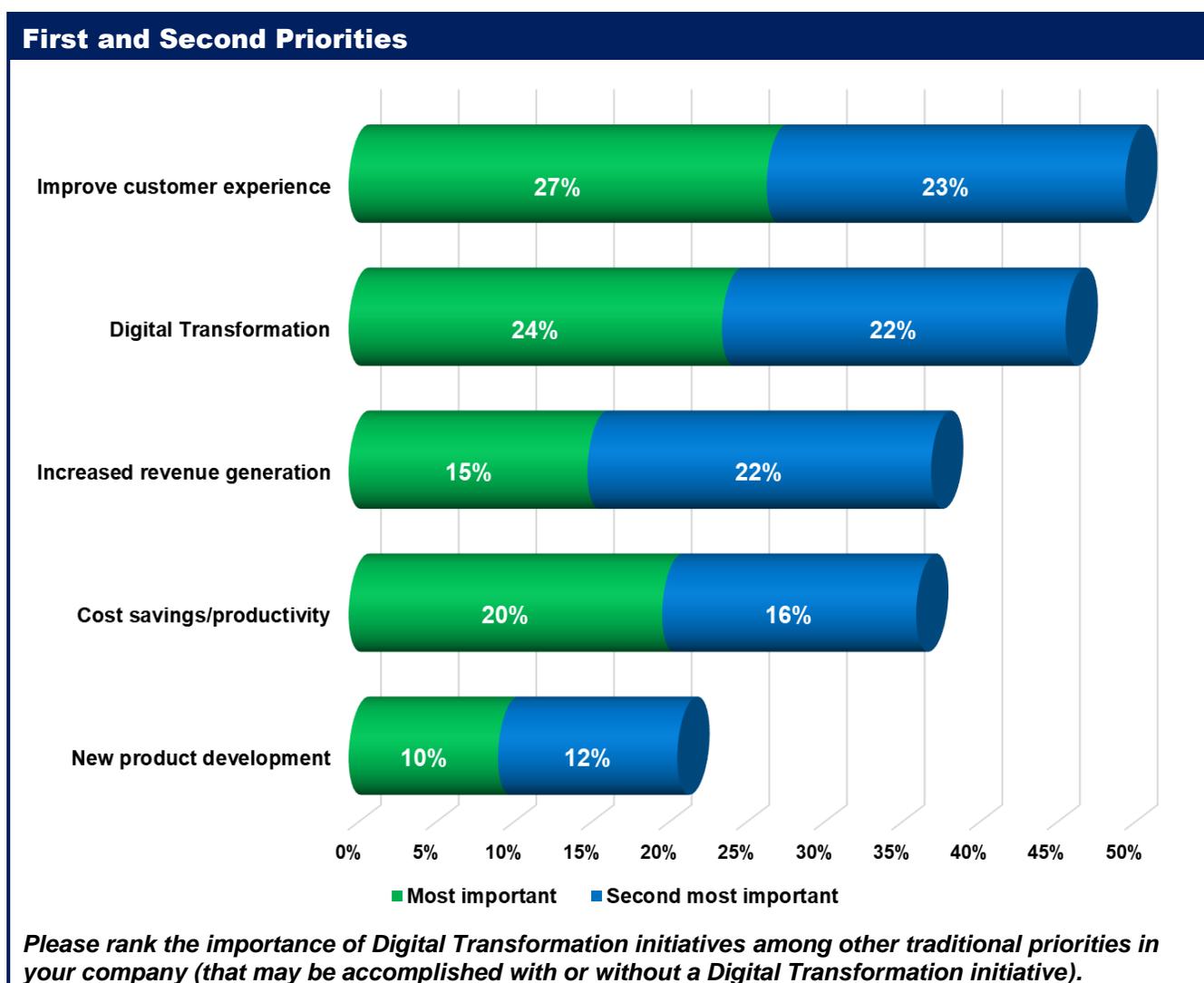
Question	Overall percent	Question percent	Answer
My company's primary industry is rapidly evolving so Digital Transformation is needed for survival.	39%	85%	Agree
My company's primary industry is rapidly evolving so Digital Transformation is needed for survival.	7%	15%	Disagree
My company's primary industry is stable so Digital Transformation, while providing some advantages, is not needed for survival.	15%	29%	Agree
My company's primary industry is stable so Digital Transformation, while providing some advantages, is not needed for survival.	38%	71%	Disagree

The bottom line...

Almost four out of five respondents felt that Digital Transformation was not only quite important, but also that it was imperative for survival of the company.



Exactly How Important is Digital Transformation?



Every topic that anybody studies is “important.” Otherwise one would not be reporting on it. For a deeper understanding, it is necessary to consider what the importance is relative to other issues.

Survey respondents were asked to rank Digital Transformation in comparison to four other typically top-of-mind issues for companies, and the chart above shows the percentage ranking each priority as either most important or second most important.

These responses show Digital Transformation to be essentially tied with “Improve Customer Experience” as a top overall priority. And both of these priorities rank significantly above “Increased Revenue Generation” and “Cost savings/productivity.” New product development is very low in relative priority.

Of course, the priorities do not exist in a vacuum and each feeds on the other. But it’s clear that one of the major benefits – as will be shown below – is the Digital Transformation initiatives and a better customer experience go hand in glove.

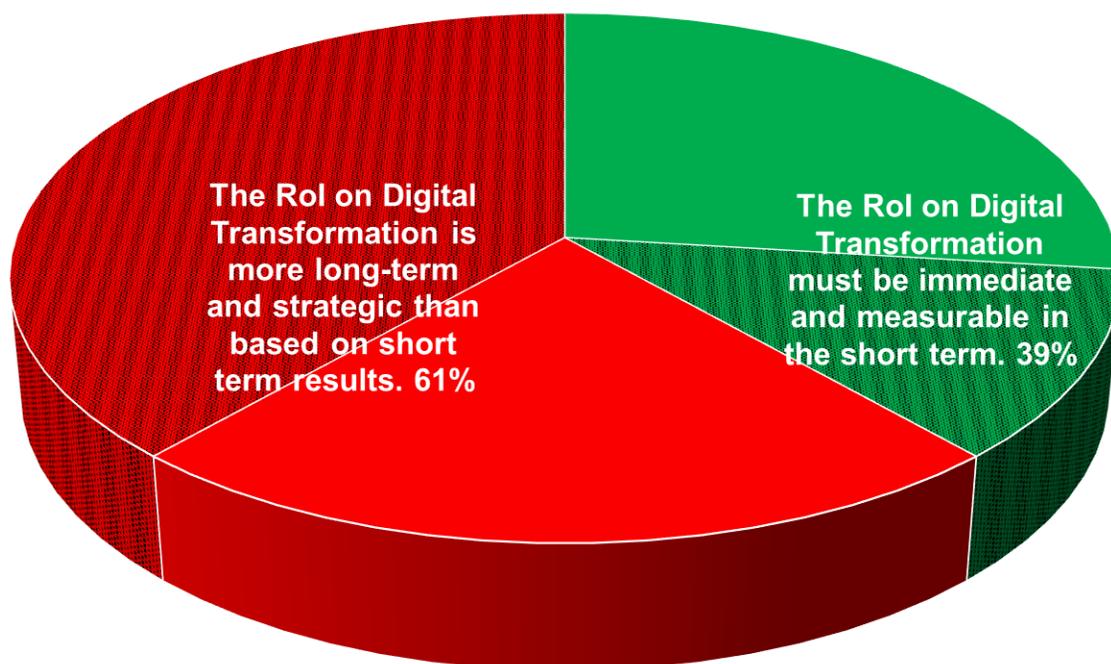
The bottom line...

Digital Transformation is not only an important initiative in itself, but it is also very important relative to everything else the organization is working on.



Strategic vs. Tactical Return on Investment

A Long-Term Rol is More Important than Short-Term Gains



Patterns reflect equivalent answers to versions of the question.

Return on Investment (Rol) is critical regardless of the project. However, there are two ways that Rol can be measured. The first method is simple. If there is an expense, such as the cost of communications facilities, and the implementation of a new technology can reduce that cost, then it's easy to show the economic benefits. This is the type of Rol that companies faced for the past forty or fifty years as telecommunications networks evolved.

However, there are other investments that are more subtle in their return – or at least more difficult to quantify. For instance, dollars spent on technology that improves customer experience do not show an immediate monetary/revenue impact. The payoff comes from increased customer loyalty and subsequent increased sales in the future. The payoff may also come in the form of a happier workforce, thus reducing the expense of retraining and rehiring employees. This is a much more strategic than tactical Rol.

The Rol on Digital Transformation is clearly viewed as more strategic (thus ultimately more important) than tactical. Digital Transformation is an investment that will pay off in the long run, even though an immediate “tactical” Rol may be a bit more difficult to demonstrate. After all, it's hard to assign an immediate monetary value to adopting an infrastructure – and possibly even a new business model – that allows the business to continue to survive and thrive.

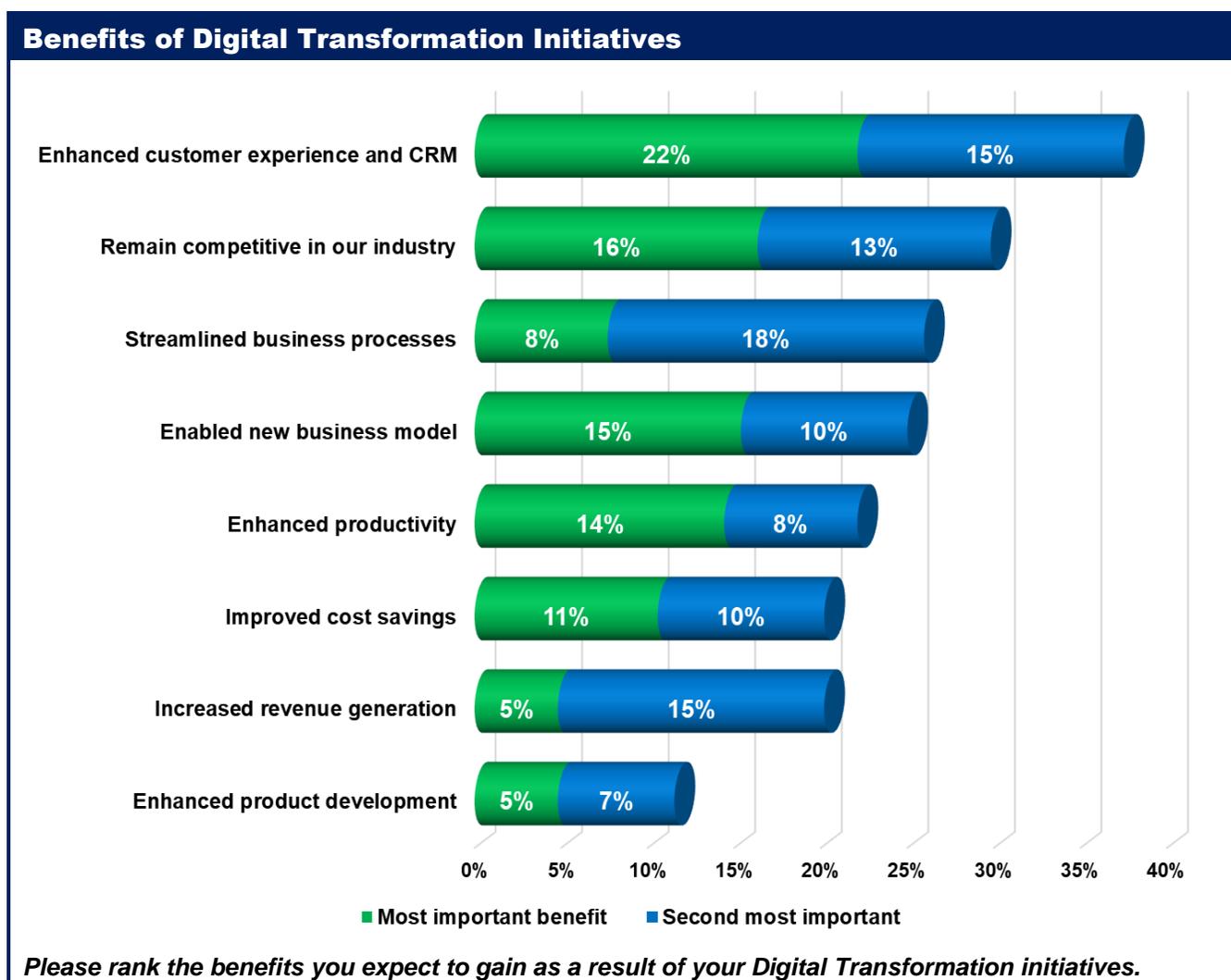
Question	Overall percent	Question percent	Answer
The Rol on Digital Transformation must be immediate and measurable in the short term.	27%	54%	Agree
The Rol on Digital Transformation must be immediate and measurable in the short term.	23%	46%	Disagree
The Rol on Digital Transformation is more long-term and strategic than based on short term results.	38%	77%	Agree
The Rol on Digital Transformation is more long-term and strategic than based on short term results.	12%	23%	Disagree

The bottom line...

The Return on Investment for Digital Transformation must be viewed primarily from a long-term strategic perspective.



Digital Transformation Benefits



In order to drill down on specific benefits of Digital Transformation, survey respondents were asked to rank the eight choices shown above. The results clearly mirror the overall importance in a broad scope.

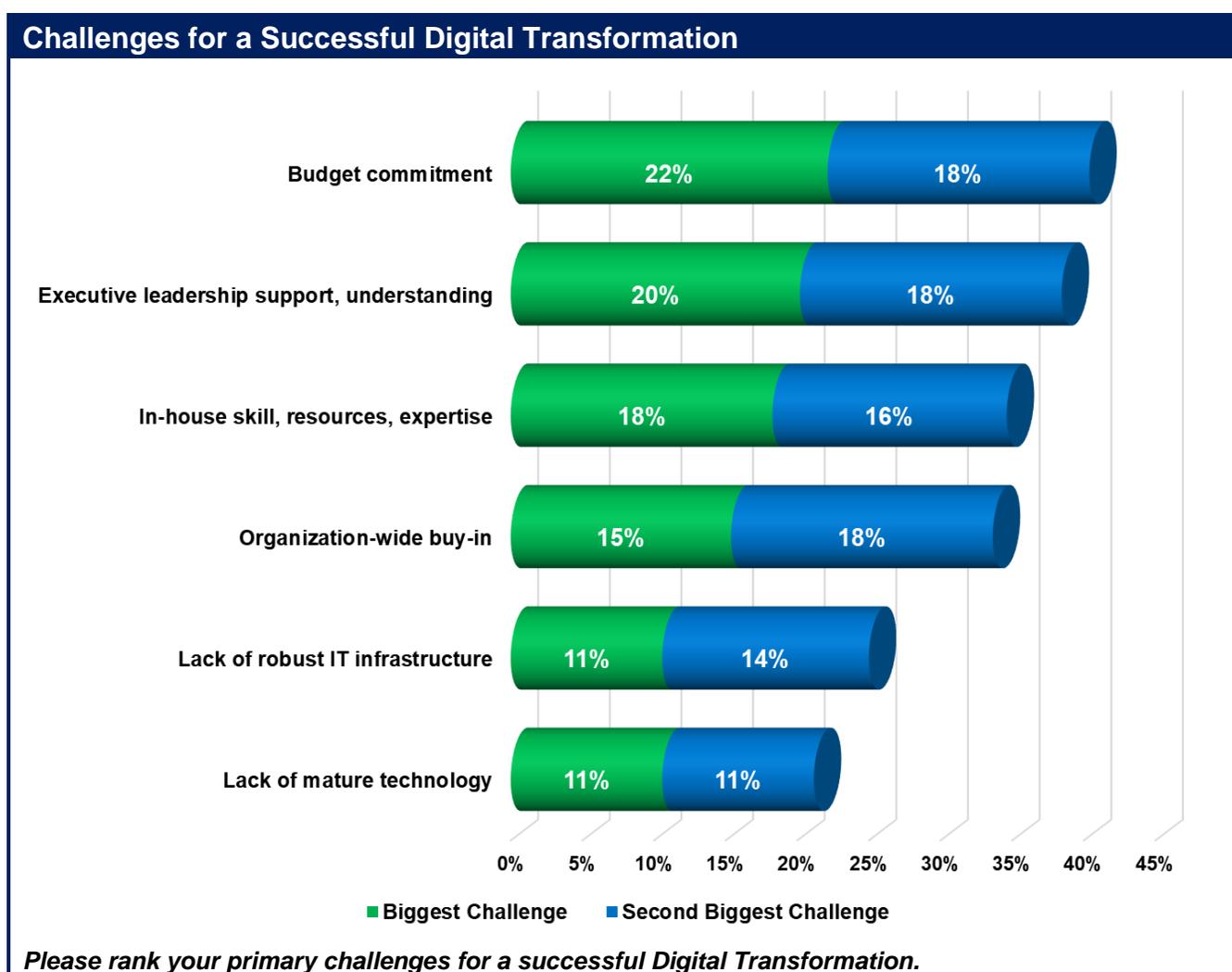
In this case, “Enhanced customer experience and CRM” was the clear leader; even stronger than remaining competitive in the industry. It is notable, though, that both of the more strategic options – to remain competitive and to enable new business models ranked significantly higher than short-term cost saving and revenue generation. That said, the emphasis on streamlining business processes is a significant (and strategic) factor that showed up as the top secondary factor while being somewhat lower as the primary factor.

The bottom line...

The primary benefits expected from Digital Transformation initiatives are led by enhancing customer experience, remaining competitive in the industry, and streamlining business processes.



Digital Transformation Challenges



As with all technologies and initiatives, Digital Transformation has no lack of challenges regardless of its importance to the business. Survey respondents were asked to rank the challenges they are facing and the percentage choosing each of the above as with the primary or second largest challenge is shown in the graph.

It's not at all surprising that having enough budget is the largest challenge, especially since the benefits are more strategic than immediate. It's a bit surprising, though, that "executive leaders support and understanding" is ranking so high, especially considering the "big picture" nature of Digital Transformation. Clearly, while the IT professionals "get it," there still needs to be more awareness at the C-level.

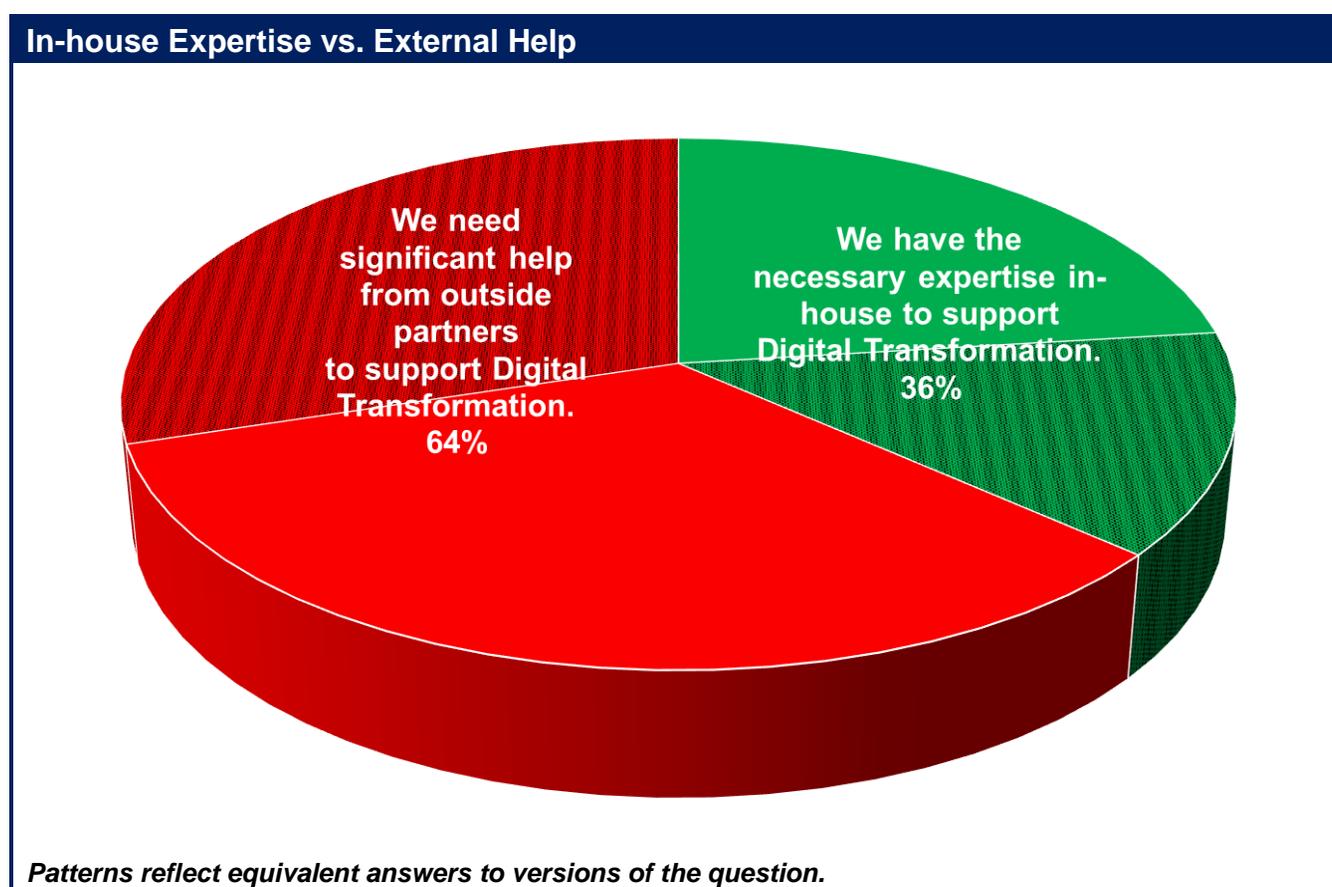
The good news is that the lack of an IT infrastructure and the lack of mature technology are not huge hurdles. The tools for Digital Transformation are here – they just need to be implemented.

The bottom line...

The biggest hurdles to Digital Transformation initiatives are seen as commitment of budget and top-down support. This indicates a continued need for internal promotion as a strategic initiative.



Is External Help Needed?



The lack of skills, resources, and expertise was identified as a major challenge in successfully undertaking a Digital Transformation initiative. To further explore this, the question was presented in another form, asking whether significant outside help from partners is needed.

In this case, we found that only one-third of the respondents felt that they could accomplish this task without a lot of help from the outside.

This serves as a reinforcement of the trend that we have seen in all phases of telecommunications over the decades as we moved from everything being provided by the carrier/service provider to an age of private “Be Your Own Bell/BYOB” networks back to service-provider-centric networking.

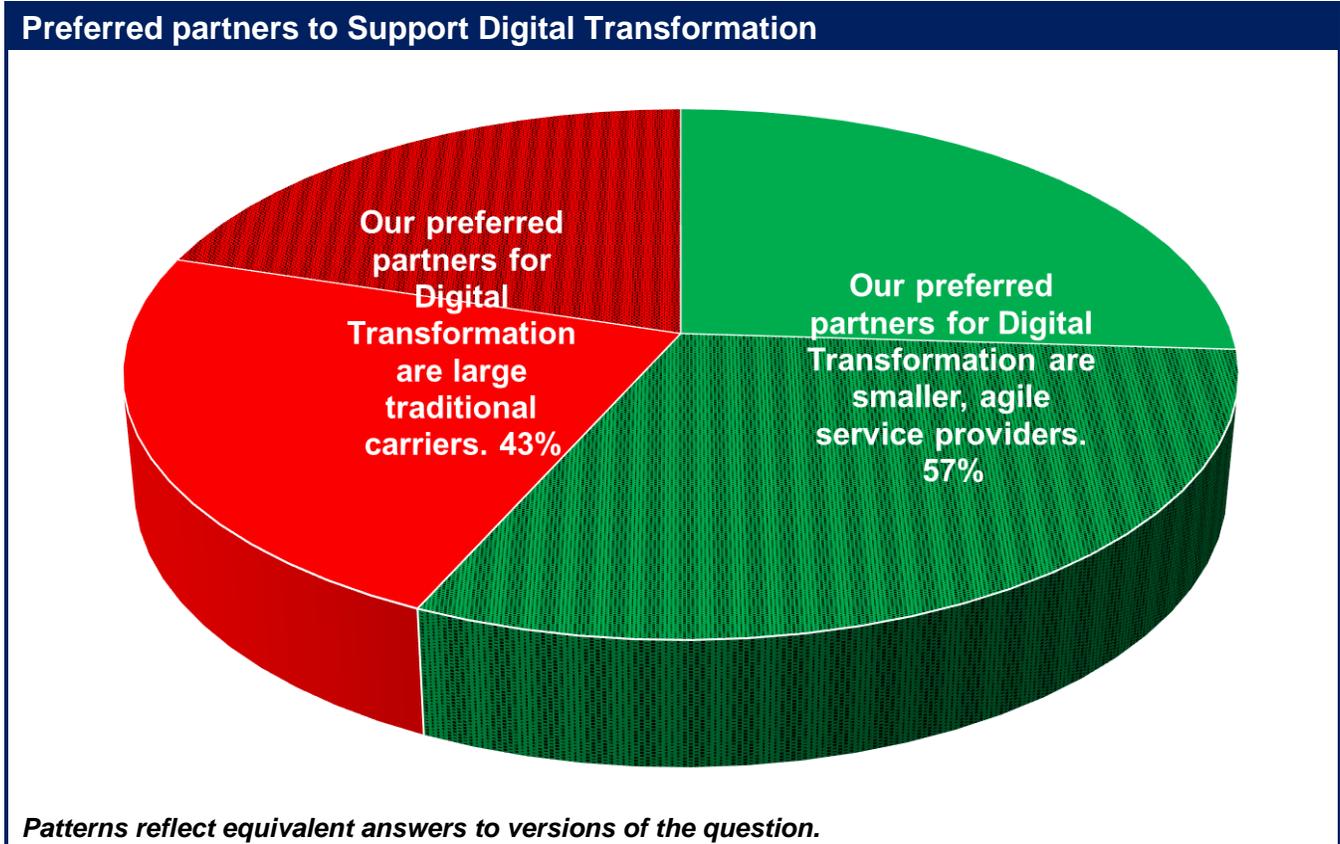
Question	Overall percent	Question percent	Answer
We have the necessary expertise in-house to support Digital Transformation.	23%	41%	Agree
We have the necessary expertise in-house to support Digital Transformation.	34%	59%	Disagree
We need significant help from outside partners to support Digital Transformation.	30%	69%	Agree
We need significant help from outside partners to support Digital Transformation.	13%	31%	Disagree

The bottom line...

Most respondents indicated that they need significant outside help with their Digital Transformation implementations.



Preferred Digital Transformation Partners



Drilling down even further on the question of external partners, the respondents expressed a slight preference for working with smaller, agile service providers as compared to large traditional carriers. The implication here, which could be argued, is that the larger service providers are seen as being rather inflexible while the smaller service providers are able to provide more customized services.

Note that the questions were asked as an agree/disagree question that was somewhat different for the two groups. The question as formatted assumed that this was a binary choice, but there could be additional types of choices for partners, such as professional services companies. Thus, those disagreeing with one of the choices are not necessarily preferring the other.

Interestingly, the number who do not prefer large traditional carriers (60%) is larger than the number who do not prefer smaller service providers (47%). So this is possibly more of an indictment of the larger providers than an endorsement of the smaller providers.

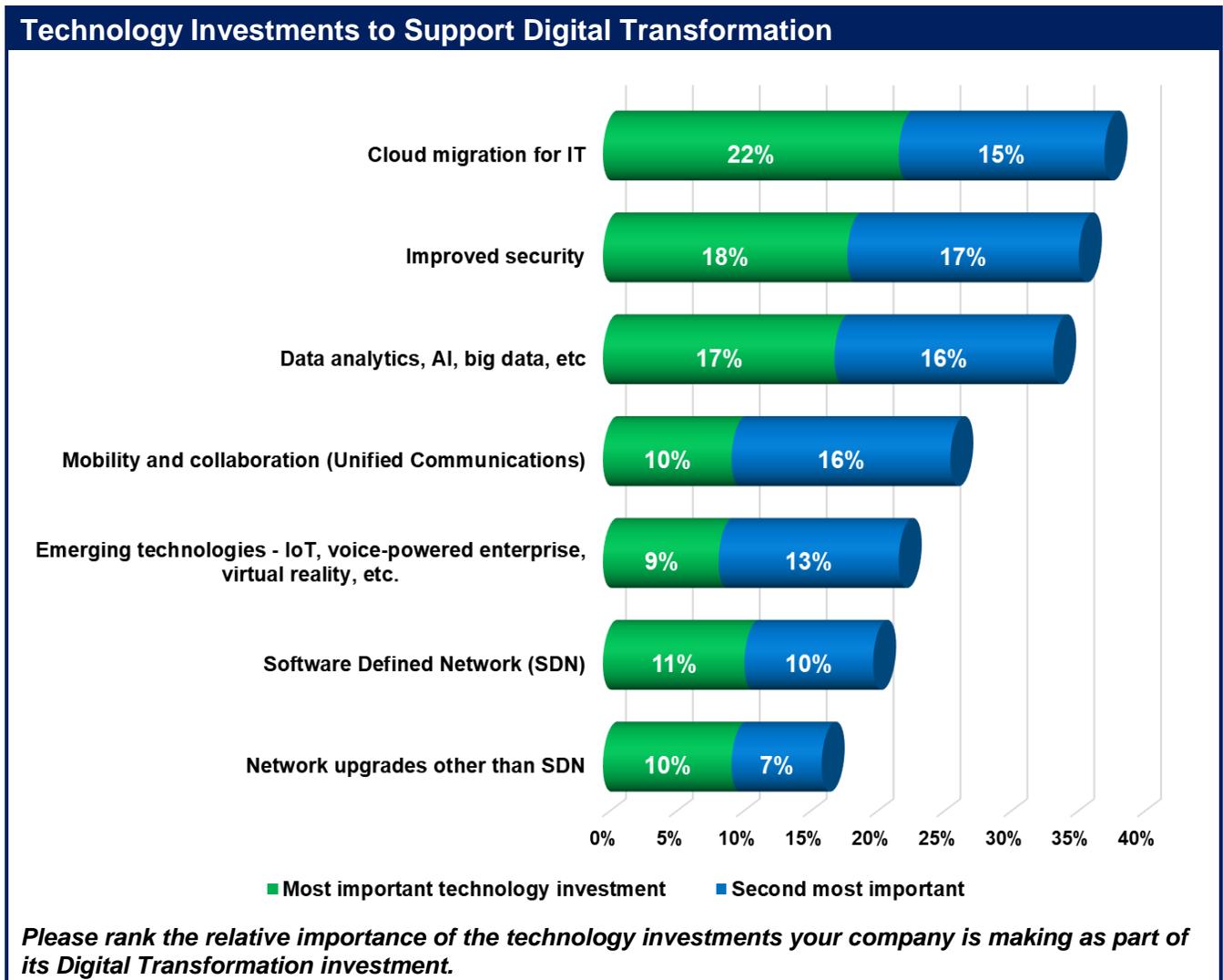
Question	Overall percent	Question percent	Answer
Our preferred partners for Digital Transformation are smaller, agile service providers. (Agree)	26%	53%	Agree
Our preferred partners for Digital Transformation are smaller, agile service providers. (Disagree)	23%	47%	Disagree
Our preferred partners for Digital Transformation are large traditional carriers. (Agree)	20%	40%	Agree
Our preferred partners for Digital Transformation are large traditional carriers. (Disagree)	31%	60%	Disagree

The bottom line...

In choosing a partner for Digital Transformation, more companies prefer working with smaller service providers than with larger traditional carriers.



Technology for Digital Transformation



As companies redefine their business processes and even their business models, a solid technology foundation is the key element for success. Once again, we looked for the most important areas in which technology investments were being made by the respondents.

Migration to the cloud for IT functions, with commensurate improvements in security topped the list. And while Unified Communications is high on the list, it's interesting to note that AI and Big Data along with other pioneering areas like IoT and virtual reality are seen as quite important.

The relatively low ranking of Software Defined Networking (SDN) and network upgrades other than SDN does not mean that they are unimportant or irrelevant. Rather, this is likely a reflection of the fact that they are an underlying fundamental enabler of Digital Transformation.

The bottom line...

The investments in technology to support Digital Transformation are focused on migrating to the Cloud for IT functions and security, plus a significant emphasis on groundbreaking technologies like Artificial Intelligence, Big Data, and IoT.



Summary

The bottom lines show:

- ✓ Overall, almost four out of five respondents felt that Digital Transformation was not only quite important, but also that it was imperative for survival of the company.
- ✓ Digital Transformation is not only an important initiative in itself, but it is also very important relative to everything else the organization is working on.
- ✓ The Return on Investment must be viewed primarily from a long-term strategic perspective.
- ✓ The primary benefits expected from Digital Transformation initiatives are led by enhancing customer experience, remaining competitive in the industry, and streamlining business processes.
- ✓ The biggest hurdles to Digital Transformation initiatives are seen as commitment of budget and top-down support. This indicates a continued need for internal promotion as a strategic initiative.
- ✓ Most respondents indicated that they need significant outside help with their Digital Transformation implementations, continuing the trend of networking moving from an internal enterprise-centric focus to a service-centric focus.
- ✓ In choosing a partner for Digital Transformation, more companies prefer working with smaller service providers than with larger traditional carriers.
- ✓ The investments in technology to support Digital Transformation are focused on migrating to the cloud for IT functions, with a significant emphasis on groundbreaking technologies like Artificial Intelligence, Big Data, and IoT.

Appendix: Optimizing Accuracy in Surveys

One of the most challenging tasks in doing good research is asking questions in a way that is clear and that does not "lead" the respondent to a particular conclusion.

A first step in minimizing bias is what we refer to as "positional bias." That is, when a survey respondent is presented with a number of choices to "select all that apply," "choose one answer," etc., the answer choices are randomized for each participant so that there is not implied bias based on which choices appear first in a list. Webtorials has employed this method for several years.

In this survey, several questions are displayed with the "most important" and "second most important" shown. For each of these questions, the respondents were asked to rank all of the factors in importance, this giving a total picture.

Questions in which the respondent is asked to indicate whether they agree or disagree with a statement are particularly challenging. It is natural in many cases to "agree" rather than "disagree."

In this survey, the "opinion" sections of the questionnaire contained statements that were presented in two forms. The first is a "positive" version of the statement, such as "The RoI on Digital Transformation must be immediate and measurable in the short term," and respondents were asked to agree or disagree. The other was an inverse or negative version to the same statement, such as "The RoI on Digital Transformation is more long-term and strategic than based on short term results."

The purpose for asking questions in that manner is to test for whether respondents are agreeing or disagreeing out of habit. Indeed, in most cases, a higher percentage of respondents agreed than disagreed with the statement, regardless of the form in which it was asked. Thus, presenting the results from both forms of the question will result in a more accurate reading than just one version. And whenever possible, essentially equal numbers of respondents saw the statements in each form. Additionally, the overall order in which the statements were presented was randomized for each respondent.

In reporting the results of these questions, we will be using a graphical method by which the primary/solid slices of the pie indicate the respondents who agree with the version of the question. The respondents who disagreed with the statement are shaded, and the color matches the equivalent feeling. Labels show the combined percentage answering with equivalent answers, providing a balanced view of the two sets of answers.

Additionally, the table below each chart shows the split of answers for each version of the question.

Demographics

The survey database consisted of members of the Webtorials community, a worldwide on-line gathering of IT professionals who have been polled on a regular basis for two decades. One-third of the respondents are from the US, with India, Canada, the United Kingdom of Great Britain and Northern Ireland, and China leading the way among the other 35 countries represented. And while telecommunications companies represented the largest group of industries, there was a wide range of company sizes. There are a fairly large percentage of consultants represented in this group, their answers are as valid as any others as these are the experts that companies turn to for advice. All respondents stated that they have knowledge of the subject, and two-thirds of the respondents are actively involved in their company's Digital Transformation initiative.

Acknowledgment

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