

EXECUTIVE BRIEF

7 Secrets to Becoming a Digital Disruptor

Challenge

Remaining competitive in today's rapidly evolving business climate demands that companies use the latest digital technologies to lead through innovation

At Stake

Fast followers — no matter how quick they are — risk losing everything to more nimble competitors that are riding the tech wave to create new business models.

Solution

Lead through digital disruption, putting mobile, social, big data and cloud technologies at the heart of everything you do — and find a savvy technology partner to support you.

Today's lightning fast business climate presents companies with a choice: you can either disrupt or be disrupted. The explosion of social media, mobile, big data and cloud technology is sending shockwaves through every industry, and companies that fail to get out in front of this wave will be swamped by those that do.

These technologies — many of them simple, low cost, or free — have leveled the playing field, allowing lean businesses to sprint up the field and do end runs around more established rivals. Consider Spotify. The music streaming service recognized that with the growth of online music access, the traditional model

of purchasing music no longer applied. So the company gave consumers a freemium business model that has changed the way we listen to music and breathed new life into the ailing music industry.

Not every company is born on the Internet, and plenty of traditional businesses have reinvented themselves for the digital age. But from startups in stealth mode to Fortune 500 enterprises, those that have succeeded share the seven disruptive traits described in the following pages.

Secret #1: Put the Customer at the Heart of Everything

Whatever their size or industry, companies that have succeeded at harnessing the power of digital technology to reinvent their business have one overriding characteristic in common. They all put their customers first.

They recognize that in the era of social media, consumers rule. So they use social media in concert with other digital technologies (mobile, cloud and big data) to maintain two-way relationships with their customers.

Take Warby Parker. In the four years since its launch, the eyewear company has disrupted the optical market, a business known for its price mark-ups, with an innovative flat-rate pricing plan.

The firm's pricing structure grew out of a decision to sell directly to customers online, significantly undercutting the competition and making eyewear more affordable.¹

Speaking at Social Media Week in New York this past February, Warby Parker Co-founder Jeff Raider explained that it was

customer input that drove the decision. "As a team, we feel strongly that we need amazing relationships with customers, so we spend a lot of time talking to them and we use the voice of the customer to drive innovation across the company."

Putting the customer at the heart of the business builds loyalty, which is crucial at a time when competition for attention is more challenging than ever. And loyalty leads to growth; last year, Warby Parker grew 500%.

Secret #2: Create a "Fail Fast" Culture of Innovation

Remember Facebook's Places, Credit or Sponsored Stories? Perhaps not. They're some of the many products Facebook launched and killed over the years. But rather than pretending they never happened out of fear of negative PR, Facebook wears its ability to identify failure and swiftly move on as a badge of honor. The product failures cleared the way for even greater successes.

Like Facebook, digital disruptors cultivate a "fail fast" culture, recognizing that the risk of doing nothing is far greater than experimenting, learning, and sometimes failing.

"You carve out space to experiment, have fun and see what happens," says Linda Boff, Executive Director of Global Brand Marketing at General Electric. She describes how, despite its mammoth size, GE was nimble enough to become the first major brand to use Vine, Twitter's six-second video app.

This is the second characteristic shared by digital disruptors. By signaling that it's okay to fail and refusing to linger over the failure, digital disruptors encourage a culture of innovation at all levels of the organization.

Secret #3: Rely on Data-Powered Decision Making

There is no shortage of data for companies to collect these days. While many organizations are hesitant when it comes to utilizing big data, digital disruptors are quick to seize on all the data they can to measure, evaluate, and learn.

"Having the best data that we can get and optimizing it in a precise and targeted way is key," says Wendy Hoekwater, VP of Marketing and E-commerce at Marriott.² The hotel chain has

assembled a consumer insight department, which focuses on how to best allocate its marketing resources to reach the right audience with the right message, at the right place and the right time.

"It's exciting to use predictive analytics to determine what we need to do to reach customers," Hoekwater says of Marriott's media planning and digital strategy.

Secret #4: Tap the Power of the Crowd

Digital disruptors use online communities to tap the knowledge and stoke the enthusiasm of their customer base. Crowdsourcing is a powerful form of market research that

generates new product ideas, provides important product feedback and helps companies forge closer connections with their customers.

LEGO offers a prime example of how this works. A decade ago the 82-year-old toy manufacturer almost went bankrupt. But under a new CEO, it turned to crowdsourcing to foster innovation and community, which became the basis of its turnaround strategy.

The toy company calls on its passionate fan base to submit ideas for new products through its Cuusoo platform. According to Peter Espersen, LEGO Group's Head of Online Communities, this has delivered significant business benefits. "Not only does championing our fans help us reach people outside of the company; it creates coherence inside the company," he says.

A crowd sourced product idea gets developed if it receives 10,000 votes from the community. A recent suggestion based on the Minecraft video passed this mark inside of 48 hours. Another toy set was based on the film Ghostbusters — also voted for by the LEGO crowd. This strategy has led to a reversal of fortune: this February, LEGO announced its year-over-year sales increased 10% to \$4.7 billion, outpacing rivals Mattel and Hasbro.

Using customers to generate ideas effectively expands a company's workforce. The crowd provides a window into consumer preferences and tastes, allowing marketers to keep tabs on them in real time.

Secret #5: Find a Technology Partner

Digital disruptors elevate the role of IT in the business. To augment their IT departments and gain access to the resources they need, they invariably employ outsourcing and look to forge close working relationship with one or more technology partners.

Research³ indicates that 80% of IT departments' budgets are "dead money," spent on day-to-day operations and "keeping the lights on." That leaves just 20% to experiment and innovate with new digital initiatives.

To improve that four-to-one ratio and free up more resources, disruptors turn to service providers who "get" their vision and can help them master new technologies, while lowering their run-of-the-mill operating costs. Key technology partners already specialize in optimizing the eCommerce and web content management technologies that power digital customer experiences. Using flexible cloud infrastructure that supports managed application services, the

right partner also helps disruptors create stable, scalable foundations and offload tactical day-to-day tasks, so they can seize new opportunities as they arise.

"Consumers will judge you by your digital channels. Through outsourcing you can optimize the customer experience, free up resources and set new goals," observes Darnell Fatigati, Senior Manager, CenturyLink Business, a global provider of managed services on virtual, dedicated and colocation platforms.

Choosing the right strategic partners makes the business more nimble, helping it to shorten development cycles for new technology initiatives.

"This removes a lot of obstacles and bottlenecks for the marketing department," Fatigati notes, "by providing it with the technology and resources it needs to pursue its digital-centric vision."

Secret #6: Team Your CMO with Your CIO

Frodo had Sam. Batman had Robin. If a company aims to become a digital disruptor, its chief marketing officer (CMO) needs to team up with its chief information officer (CIO) to forge a technology-driven marketing strategy.

"It takes a champion within a company to be disruptive, and a lot of the time this starts with the marketer," says Kimberly Whitler, an Instructor at Indiana University and former CMO for David's Bridal. "But the CMO cannot do it alone and needs to partner with the CIO," she points out. "The CIO needs to be a business-oriented thinker and not a parochial tech person."

When the right chemistry is there, Whitler says, the CMO and CIO problem-solve together, integrating their respective teams to drive the business forward. But at many non-disruptor companies, the opposite sort of relationship exists and, according to [a survey from market researcher Forrester](#), the CIO and CMO are "still in need of couples' therapy."

The Forrester survey, based on 300 interviews with marketing and IT professionals, showed that fewer than half (45%) of marketers believe that their company has a strategy in place to use technology to help drive marketing. And while 68% of IT respondents are

confident they understand marketing's priorities, only 49% of the marketers are confident they understand IT's priorities.

"The CIOs are the ones that need to be bringing the technology and applications to the marketers," observes Kevin Conway,

Global Director of eCommerce at CenturyLink. "They need to bring things that marketers aren't even thinking about, because that's how they will help them drive revenue."

Secret #7: Put Mobile First

Where will your next generation of customers come from? Disruptor firms have closely pondered this question and have concluded that — especially for brands that target younger consumers — they will be reached online through their mobile and handheld devices.

But "mobile first" isn't just a strategy for digital brands like Spotify and Facebook. Regardless of the industry, any business desiring a strong online presence needs to consider how to make it accessible to its mobile-first customers.

Wells Fargo CMO Jamie Moldafsky brings home this point. She recently discussed how the San Francisco-based bank has transformed itself into a digital business, where technology is paramount.

"Our biggest opportunity — but also challenge — is how to get the organization to think mobile first," she says.⁴

"Historically, when people have asked us, 'Who are your competitors?' we would answer Chase or Bank of America. Today, however, we would answer Google or Amazon." Reaching the next generation of consumers with mobile banking will be central to Wells Fargo's future growth, Moldafsky says. "We've always been an innovative company, but we realize that the speed with which the world is changing and where our customers are headed requires us to get ahead of them."

Summing It Up

"Going digital" can no longer be treated as a standalone, or "bolt on," strategy. Being competitive in today's globally connected, mobilized economy means your business must put mobile technology, social media, big data and the cloud at the core of

everything it does. Companies that become digital disruptors will survive and thrive; those that seek to be followers may find themselves quickly overrun.

About Digital Customer Experience Solutions from CenturyLink

CenturyLink's website hosting, content management system (CMS), and eCommerce solutions are built for global enterprise performance and agile marketing innovation. CenturyLink's solutions accommodate a broad range of website deployments. These include simple, self-managed sites utilizing on-demand cloud infrastructure for short-term campaigns, microsites or development efforts, as well as fully managed production

websites that may include CMS and eCommerce platforms hosted on dedicated or hybrid cloud platforms. CenturyLink hosts mission-critical, high-traffic consumer-facing websites and eCommerce sites, including for 30 percent of the Fortune 100. It creates the agile, high-performance digital consumer experience that marketers and eCommerce teams seek, with the control, stability, security, and predictable cost that IT teams demand.

The 7 Secrets of Digital Disruptors

1

Lead through innovation; "fast following" is no longer fast enough

5

Forge external partnerships to sustain a technical edge

2

Maintain a razor-sharp focus on the customer at all times

6

Align marketing and IT to drive the business forward

3

Create a "fail fast" sustainable culture of innovation

7

To reach the next generation of customers put "mobile first"

4

Use data and crowdsourcing to invigorate innovation

About CenturyLink Business

CenturyLink, Inc. is the third largest telecommunications company in the United States. Headquartered in Monroe, LA, CenturyLink is an S&P 500 company and is included among the Fortune 500 list of America's largest corporations. CenturyLink Business delivers innovative private and public networking and managed services for global businesses on virtual, dedicated

and colocation platforms. It is a global leader in data and voice networks, cloud infrastructure and hosted IT solutions for enterprise business customers.

For more information visit www.centurylink.com/enterprise.

1 Fast Company, February 22, 2012

2 Wendy Hoekwater interview Courtesy of Argyle Journal, February 11, 2014. Click here for complete interview.

3 "Line-of-business tech budgets may soon top IT department budgets: Gartner," ZDNet, December 4, 2011

4 Wells Fargo mantra is 'mobile first,' Warc report, February, 2014

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