

Enable new digital business models

This Success Insight provides high-level guidance on the people and processes that impact ServiceNow transformational leaders—including platform owners and executive sponsors—to successfully enable digital business models. This guidance is organized by three business capabilities:



Enable direct-to-consumer business models

Enable your business to sell directly to consumers through new distribution channels.



Enable advanced service models

Move away from discrete products toward those that earn recurring revenue through embedded services.



Accelerate delivery and support of digitized business models

Transform previously analog processes to use digital technologies to improve the service experience.



Enable direct-to-consumer business models

Enable your business to sell directly to consumers through new distribution channels. Take these actions to help prepare your teams for the resulting direct-to-consumer transformation:

Ready the organization for direct distribution.

- **Start by understanding the ways that a new distribution model will disrupt your customer's existing purchase journey.** Before embarking on a direct-to-consumer model, it's critical that you forecast how it will affect the customer journey across both pre- and post-sales experiences.
- **Anticipate the experiential aspects of purchasing.** Customers want to trial products before purchasing them, even within a direct-to-consumer model. Establish grace periods for returns and support them through enhanced self-service workflows.
- **External business model transformation must also include internal transformation.** It's not enough to simply put a digital wrapper around an existing business model. How you support that business—the processes frontline teams use, their ways of working and methods of collaboration—must also be transformed to deliver a new-in-kind experience for your consumers.

Understand the financial reality of direct distribution models.

- **Automate and optimize to balance against increased costs.** A one-to-one relationship with consumers means that your organization will face stiff competition for customer acquisition and retention. Digitize internal workflows to reduce costs and make a direct-to-consumer model that's more sustainable and scalable.
- **Rely on sensitivity analyses when projecting lifetime value.** The kinds of products that will benefit from direct distribution models are those that typically have infrequent order cycles, which makes it harder to forecast the customer lifetime value. As such, it's important to build sensitivities into the assumptions used in any financial framework that's projecting growth.



Practitioner insight

It's likely that certain aspects of your direct-to-consumer distribution chain will need more digital workflow support than others. Focus on continuous improvement to reinforce those areas that deserve more attention and use customer feedback for additional fine-tuning.

Enable advanced service models

Move away from discrete products toward those that earn recurring revenue through embedded services. Take these actions to prepare your organization to deliver on products as a service:

Prepare for the day-to-day impact of advanced services.

- **Anticipate changes to your business capability model.** Existing capabilities may change with the advent of new advanced service models, requiring a reevaluation of the technology and data needed to support them. Likewise, they may increase or decrease in importance and require new levels of investment or oversight, which will impact budgeting downstream.
- **Anticipate changes to your talent strategy.** If your key business capabilities are changing, so will the teams that underpin them. Advanced service models entail the introduction of new technologies that will inevitably require roles and skills that don't exist yet in your organization. It'll be key to predict where you'll need hiring, new skill development, or outsourcing.
- **Anticipate changes to your regulatory footprint.** Altering your business model may invoke regulations that didn't previously apply to your organization. You must treat user data gathered from smart devices that's used to add value to a particular service differently, such as geolocation of assets for preventative maintenance.

Get cross-functional departments ready.

- **Create new ways of working between product and support functions.** Connected products will require product teams to expand the kinds of feedback they use for planning. Embed the perspective of support teams into the product development lifecycle to ensure there's unity between the teams inside the organization that most commonly interact with customers and the teams that develop the products those customers use.
- **Embrace experimentation and a fail-fast attitude.** Lines of business that adopt advanced service models won't be fully formed when they're developed. Your organization will have to stay committed to innovation and applying the scientific method: creating hypotheses, developing pilots, executing, learning, and incorporating new insights for continuous iteration.

Elevate information security.

- **Connected products demand greater protection.** Connected products, especially those most likely to be used in an advanced service model, are far more vulnerable than corporate devices behind firewalls. Be sure to factor information security into your process design throughout the service journey, both inside the organization as well as with your third-party partners.
- **Regularly review and update information security standards to meet changing needs.** Threats change constantly, so it's important to regularly review information security standards to stay on top of ever-evolving vulnerabilities.



Accelerate delivery and support of digitized business models

Transform previously analog processes to use digital technologies to improve the service experience. Take these actions to make sure your teams are ready to execute against a digital vision:

Embed customer experience into everything you do.

- **Build a robust customer experience function.** A customer experience function will own user data and feedback, the design and execution of experiments, and interviews with power users. This work will become a fundamental input into how a digital business matures, including roadmap development and demand analysis.
- **Strategically organize how your customers articulate their objectives.** There are many frameworks for these, such as the “jobs to be done” approach, which aim to succinctly describe what customers are trying to do. By organizing around jobs—or any similar framework—all teams engaged in a digital initiative will understand how their roles and efforts tie to specific customer outcomes.

Approach digitization in phases.

- **Begin with a single business use case or customer segment.** Don't attempt to convert all existing business models or customers to digital. Begin in a single business unit, within an archetypical geographic base, to learn from the effort, document lessons, create transferrable best practices, and then scale from there.
- **Develop success criteria to understand when you've achieved success within a given phase.** To focus effort during the launch of a new digital business, make sure you know what success looks like. In many cases, this will take the form of validating—or invalidating—key assumptions or hypotheses. Having these in place before launch will ensure your pilots are time-boxed and efficient and that your evaluation isn't susceptible to revisionist history.

Plan going to market carefully.

- **Forecast how customers will react to new business models.** An innovation must be viable and feasible as well as desirable. It's crucial that you anticipate how customers might respond to a change in how they interact with your organization and any potential resistance.
- **Consider using incentives to capture customers still tied to old ways of service consumption.** You can use incentives—financial or otherwise—to reduce the behavioral change costs that customers feel when they're faced with the prospect of using new systems or products. Map the new customer journey to identify potential points of friction and to identify where these kinds of incentives would be most impactful.



Practitioner insight

Institute a dedicated digitization team. Supporting the move to a digital business model requires constant attention. It's important to have a dedicated cross-functional team that can centralize activity, including go-to-market activity, and make the work of amplifying the mission and objectives of the initiative easier.