

Dematerialization

The Re-distribution of the World in the Era of Digital Darwinism

Executive Summary 2016



Digital Darwinism

The attack on your business model and brand



“Adapt or die” – when technology and society changes faster than companies can adapt to this, the result is extinction as brutal as in the evolution.

All things started with companies like Kodak and Neckermann, who simply slept through the digital change or recognized far too late how dramatically and fast new technologies and customer behavior had changed.

“Digital Darwinism develops when technologies and society change much faster than the ability of companies to adapt to these changes.”

More comprehensively than any advance in technology of the past, the digital revolution reaches into all areas of life and, in fact, not across decades but within merely a few years.

When our ancestors experienced the first Industrial Revolution, i.e. the introduction of mechanization by water and steam, back in the middle of the 18th century, this could have, among others, resulted in the development of the middle class and democracy. The **social, political and economic framework conditions** were changed radically.

Whilst in the first era of machines, the Industrial Revolution, the main task was to replace human muscle power with mechanical power at the end of the 18th century, people were still needed for the development, operation and control of the machines. Man and machine were complementary.

It's a completely different situation in the new “digital revolution”. Machines are teaching themselves by way of progress in the research into artificial intelligence. They can thus take on more and more cognitive tasks faster, better and cheaper than humans and are thus replacing human work in a previously unforeseen extent.

And at a speeding pace in addition. Technological quantum leaps happen in formidably short periods because, according to the so-called Moore's law, the computing capacity of computer chips has been doubling about every 18 months since 1958.

There was more computing power built into even the iPhone 4 than in the fastest 100-million-dollar super computer 20 years beforehand.



“Everything that can be digitalized and converted into data sets is digitalized and converted into data sets!”

We live in times in which technologies from science fiction films, such as the Tricorder from Star Trek, which Apple has been calling iPhone for quite some time, have long become reality.

Homes that are networked intelligently and which regulate the energy budget all on their own have become normal. The autonomous 3D printer that can print entire houses and industrial robots that are programmed using gestures are within reach.

These developments have led to a fast and radical change in the economic, political and social framework conditions, the consequences of which we currently cannot entirely estimate and evaluate.

“Everything that can be networked will also be networked!”

For companies, the question is posed as to how we have to react towards these completely changed framework conditions. How does the digital transformation look for them?

One thing is certain: Every company is affected by the consequences of digitalization and dematerialization associated with it.

In my books, speeches and with my neuland team, I offer companies guidelines and not only do I accompany them in recognizing the risks, but above all in using the opportunities of digital transformation.

Digitally yours,

Karl-Heinz Land, Digital Darwinist & Evangelist

“Everything that can be automated will also be automated!”





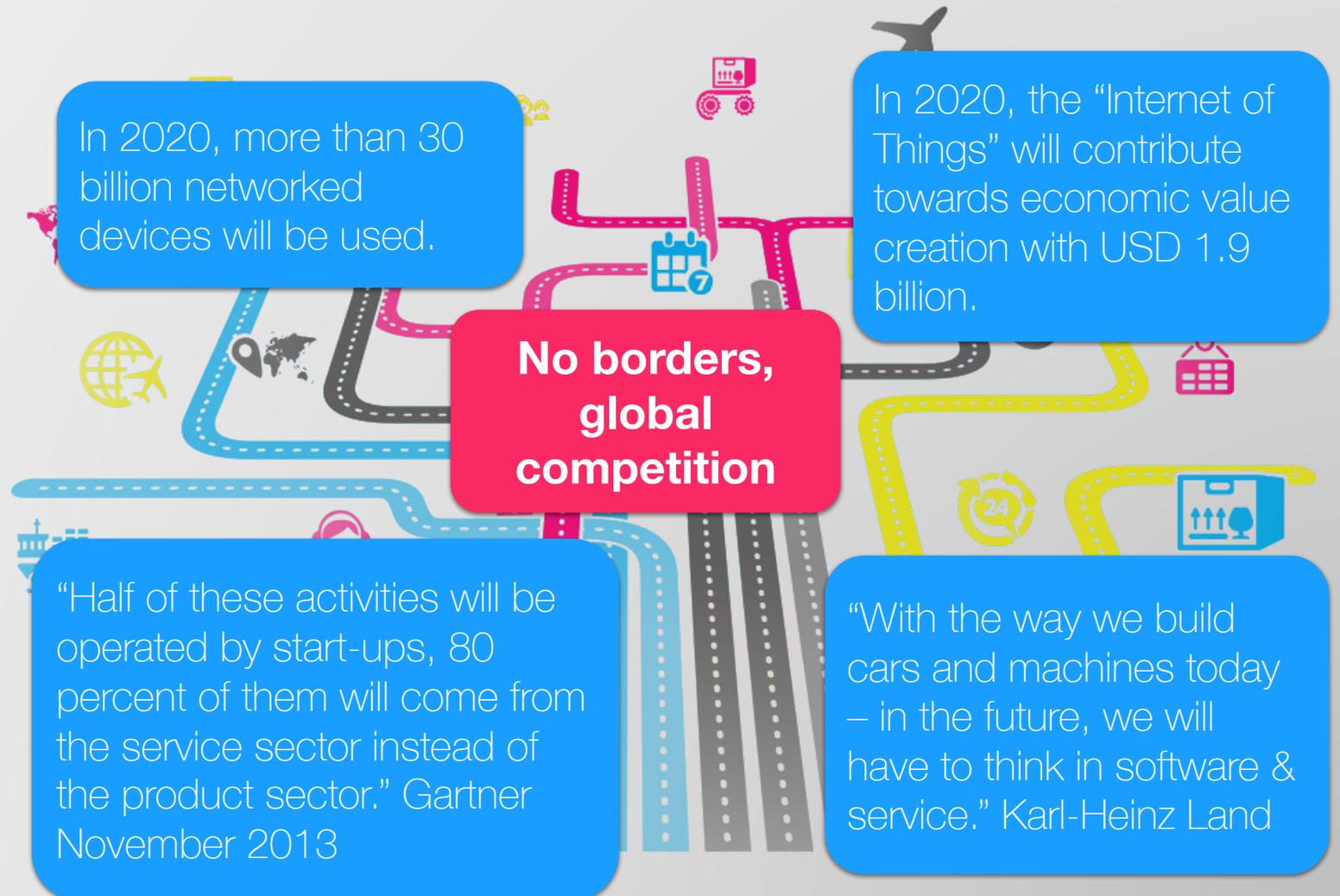
The net is the new infrastructure

The Internet of Things is not actually an Internet of Things but an **Internet of Services**.

It is the infrastructure that will define the prosperity and wealth of tomorrow.

In as early as 2020, 30 billion things will communicate with each other, 1.9 billion value creation, 80% will be software and services.

So, anyone who wishes to participate in the 1.9 billion will have to think in software and services.





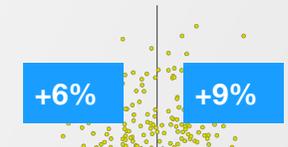
Are German companies missing the opportunity of the digital world?

REVENUE GENERATION

Companies with stronger digital intensity derive more revenue from their physical assets

Basket of indicators:

- Revenue / Employee
- Fixed Assets Turnover (Revenue/ Property, Plant & Equipment)

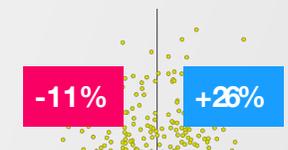


PROFITABILITY

Companies with stronger transformation management intensity are more profitable

Basket of indicators:

- EBIT Margin
- Net Profit Margin

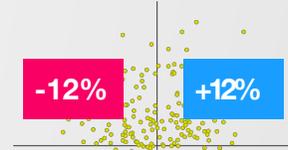


MARKET VALUATION

Companies with stronger transformation management intensity achieve higher market valuations

Basket of indicators:

- Tobin's Q Ratio
- Price/ Book Ratio



The digital innovators have broken into traditional markets such as trade, health or finance as disruptors and are annulling former market laws with their business models.

“Digital clever” companies – according to the worldwide, cross-sector MIT-Sloan study “The Digital Advantage” (2012) with 400 participating companies – generate more turnover (+ 9%), are significantly more profitable (+ 26%) and have a higher company value (on average 12%).

These pioneers have already adjusted themselves mentally, organizationally and technology to surviving the “Digital “Darwinism”, and it’s all about nothing less than that at the moment. Those companies, however, that miss the connection, will no longer make up for it and risk demise.

The digital dynamics lead to companies having to respond to the developments of a digitalized world at a speed never seen before by rethinking their traditional business models and processes as well as their interaction with customers.

A glance at the “Digital Readiness Index” (DRI) that we developed as transformation consulting neuland makes the digital maturity of individual sectors obvious.

Both the automobile industry and commerce, especially in the fashion industry, have pushed the change quite far. Here, companies are very close to the new lifestyle and communicate with their customers a lot.

Companies from the pharmaceutical industry, for example as well as some energy providers have not done quite so well. Here it can be clearly seen that these industries had and have little customer contact.

Source: MIT-Sloan-Study „The Digital Advantage“



Download DRI-Executive Summary
<http://www.neuland.digital/ressourcen>
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Digitalization has changed consumer behavior

Establishment of the new expectations customers have

Four billion smartphones prompt increasingly more consumers towards an **“everything immediately everywhere mentality”**.

Constant new, disruptive technologies increase customer retention by way of local, mobile and personalized services.

Only those who focus on the new customer preferences of this “instant society”, establish fast and open processes as well as creates accurate profiles of the “most valuable” customers can render a personalized service and expect customer loyalty.

This challenge is, at the same time, the chance to stand out on the market by way of a tailor-made customer advantage.

It is existential to win over and respect the customers’ trust as it is quickly squandered if misused. The customers’ trust thus becomes the next currency to play an important role in the digital era.



I

- Esteem is a must
- (Correct) Personalization
- Tailor-made offers
- Making contacting only after permission

EVERYTHING

- Large choice
- High quality
- Low prices
- Good service



EVERYWHERE

- Independent of time
- Independent of where
- Independent of technologies/channels/devices



IMMEDIATELY

- Immediate contact
- Fast transaction
- Short response time





“App Economy“

Mobile software replaces everything we write, carry, and touch

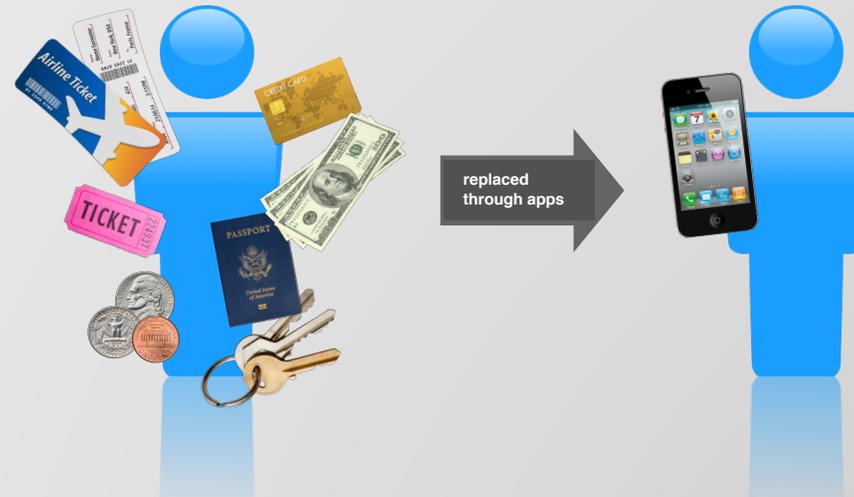
The consumer is always online, even when companies try to reach their target group via the evening television program.

More than three-quarters of those who watch TV use the Internet at the same time.

This fact offers challenges as well as new chances for companies. The fusion of television and Internet to become interactive social TV, for example, facilitates a new world of buyers, creates new business models and possibilities of interaction with the customer.

Products are available online in any variety independent of where and when. Impulses to purchase can be triggered via online or offline channels and satisfied at all times.

With this digitalization, well-known frameworks and behavior have changed.



However, not only have data (customer data, for example) and processes (such as advisory, sales and payment processes) been increasingly digitalized and thus made available by mobile. Even physically provided products have been losing their physicality.

The sustainable effects dematerialization can have on entire industries has been clearly shown in the music and newspaper industry, in which Darwinism left behind its traces at a very early stage.

The new successful players are software only.

They no longer have any assets but merely software platforms where supply and demand is controlled.

And it goes on and on: other things are now dematerializing too: ID cards, money, credit cards, cinema tickets, train tickets, plane tickets, coins. Even keys are turning into an app.



Dematerialization of entire value added chains

What happens when something becomes an app?

The entire value added chain changes.

An example:

If a key becomes an app, there is no need for production of the key. If we no longer need key production, there is no longer a need for the production of the machines used to produce the key.

Then the machines used to produce the spare parts for the machines for key production.

Dispatch and distribution are no longer needed. The same goes for cars and roads. And, of course, ultimately jobs.

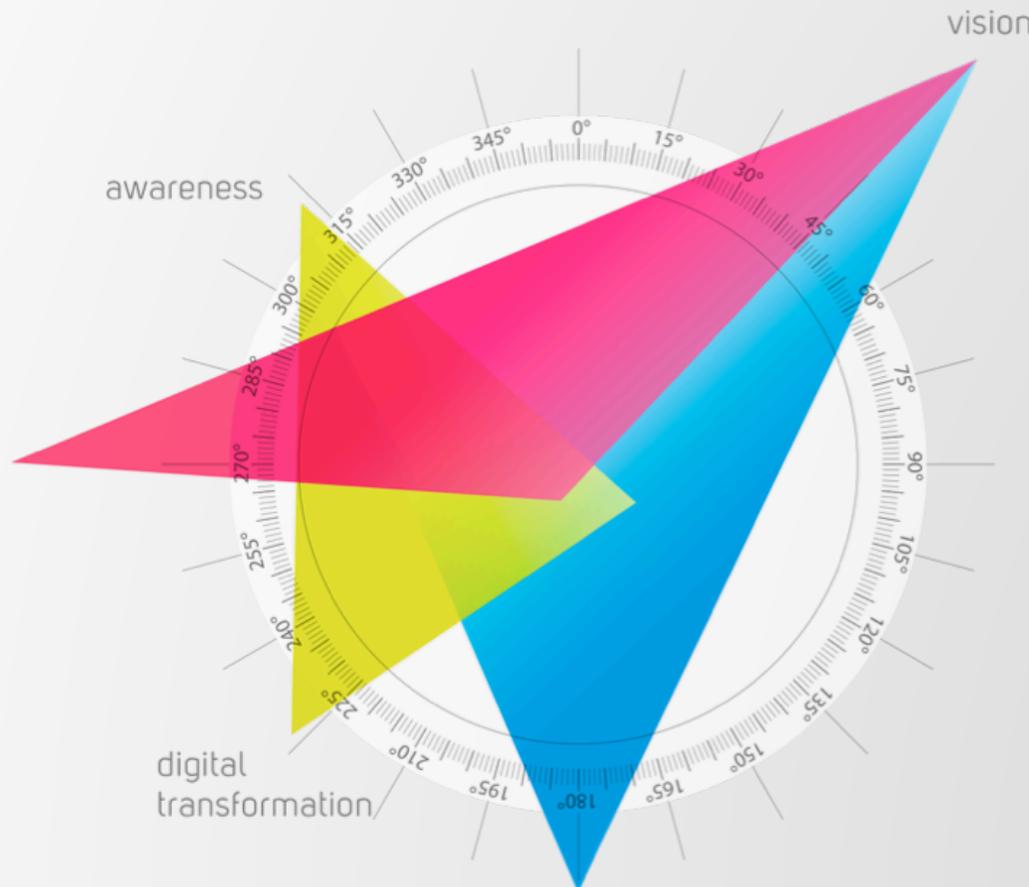
That is dematerialization!





Digital orientation

Companies need to acquire new digital skills to make their business promising



The digitalization of our society has far-reaching consequences. As the behavior of the individuals in the role as potential customer, customer, employee, manager, co-operation partner, multiplier etc. has changed, digitalization affects all essential parameters of corporate policy and thus the value creation and competitiveness of the companies.

The digital transformation of a company by no means involves only changing corporate communication. It also affects all functional areas from service over innovation management down to human resources.

It affects and penetrates the entire company. Another essential factor is the urgency of acting.

The only thing companies do not have is time. All other resources are at least sufficiently available. For that, a vision first needs to be developed.

“What the compass is for a sea voyage is the vision for the company.”



To make sure companies only do the right things

The most important questions that we answer for your successful digital transformation.

Digital Business Model

How can a company benefit from the **digital opportunities**?

What does the **digital fingerprint** look like?

Which **products & services** provided the necessary innovative impulses?

Relevance

Of what **relevance** is the brand and the range of a company in the digital world?

Who and where is the **competition of tomorrow**?

Turnover & Profit

How can a company exploit the possibilities of digitalization to systematically **generate new sales**?

How can the organization exploit **the efficiency of digital value creation**?

Innovation impulses?



Strategy & Vision



Brand



Organization & Processes



Karl-Heinz Land

Digital Darwinist & Evangelist



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His creativity and “thinking without limits” have made Karl-Heinz Land a pioneer in the digital revolution. He recognizes and describes correlations where most people would not even suspect any.

He firmly believes in the power of the right vision for the alignment of companies in the digital revolution.

As bearer of the Technology Pioneer Award of the World Economic Forum in Davos and as experienced top manager, he knows the significance of clear commitments and the power of a vision.

A vision makes for him the decisive difference. Karl-Heinz Land’s thinking and actions are formed by this.

With that he is looking at the third economic revolutions in which we currently are:

The digital revolution!

With his appearances, he has played a large role in getting internationally active groups and large and medium-sized companies beginning to deal intensively with digitalization and its consequences and acting.

Together with his neuland team, he successfully guides companies through their digital transformation.