

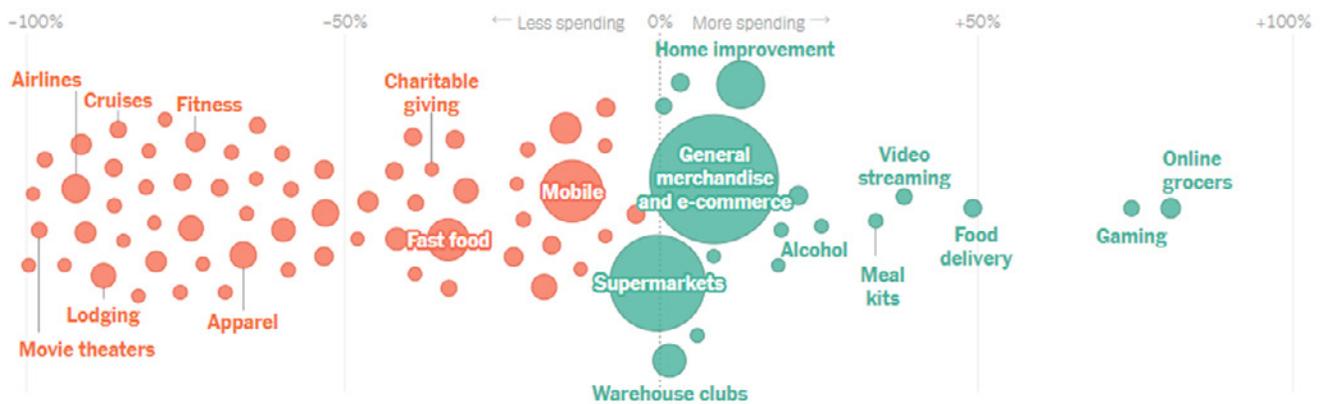
A woman with dark hair, wearing a blue textured sweater, is looking down at a tablet computer she is holding. The background is a blurred city street at night with warm, bokeh lights. There are two red vertical bars on the left side of the image: one at the top and one at the bottom.

COVID-19 IS ACCELERATING THE RISE OF THE DIGITAL ECONOMY

Digital Transformation in the
Pandemic & Post-Pandemic Era

If there were any lingering doubts about the necessity of digital transformation to business longevity, the coronavirus has silenced them. In a contactless world, the vast majority of interactions with customers and employees must take place virtually. With rare exception, operating digitally is the only way to stay in business through mandated shutdowns and restricted activity. It's go digital, or go dark.

This digital mandate isn't new; it's simply been brought into sharp focus. Prior to the pandemic, a paradigm shift towards digitization and servitization of the economy was already underway. Current events have accelerated the paradigm, as evidenced by the marked shift in spending towards digital businesses.



Change in spending from 2019 for the week ending April 1. Bubbles are sized by industry sales.

Source: [The New York Times](#)

And this is just the beginning.

The pandemic is a reality check for businesses that have been reluctant to embrace digital transformation and now find themselves woefully unprepared. On top of the stress of potentially health-compromised employees, a sudden and dramatic drop-off in demand and total economic uncertainty, these digital laggards are now scrambling to migrate their operations and workforce to a virtual environment. While fast and furious is the name of the game when it comes to digital innovation, fast and frantic can lead to mistakes.

On the other hand, businesses that had not only developed digital strategies but executed on them prior to the pandemic are now in a position to leapfrog their less nimble competitors. That isn't to understate the COVID-19-related challenges they now face, irrespective of their current level of digital maturity.

Going digital in and of itself isn't a panacea to all that ails businesses in the current economic environment. They do, however, have significantly more tools at their disposal to not only weather the storm, but to come out the other side stronger for it.

Don't write off the digital laggards just yet, however. Crisis breeds ingenuity, and good ideas put into practice can propel any business to breakout performance. Organizations that rest on their existing digital laurels can be surpassed by those that invest in adapting their digital capabilities for the post-coronavirus future—a future that looks very different from the world pre-pandemic.

SPOTLIGHT: THE DIGITAL ADVANTAGE

Organizations that embrace digital solutions have greater resiliency in the face of adversity—and a leg up on the competition that will enable them to recover faster and pivot from playing defense to chasing growth.



Efficiency Advantage: They harness digital technologies to streamline operations and automate manual processes—resulting in greater speed, less waste and more focus on revenue-generating activities.



Productivity Advantage: Their employees were already set up to work remotely, so their focus is on leveraging collaboration technology and tools to maximize workforce productivity and sustain company culture.



Security Advantage: They are better prepared for and more resilient to the proliferation of cyber threats in the current environment.



Customer Advantage: They mine customer data to monitor for shifts in demand and uncover emerging customer needs.



Agility Advantage: They leverage data-driven insights to make decisions faster and act on them faster. They have built-in cultural flexibility to adapt or change course at any point.

NEW RELIANCE ON DIGITAL SOLUTIONS DURING COVID-19

Under COVID-19, the world has, by necessity, gone into isolation. Social distancing is currently the most effective way to slow the spread of the virus until a vaccine can be found to protect the population. As a result, anything that relies on human-to-human contact—which is to say, most aspects of our lives—must be amended to account for the dangers of the virus.

Digitization has stepped in to bridge the gaps left by mandated shutdowns and social distancing measures. Without digital tools and technologies, we would have no way to work, shop, go to school, and more.

Let's take a closer look at how digitization is keeping society—and businesses—afloat during the pandemic:

- ▶ **Remote Work:** Before the pandemic, only 30% of U.S. employees worked remotely 100% of the time, according to Owl Labs. For the other 70%—including the 38% of the total U.S. workforce that only worked on-site—the transition to working remote full-time has been a shock to the system—figuratively, and in some cases, quite literally, when user demand has exceeded system bandwidth. But the silver lining is that with such a high percentage of the working population now remote, digital collaboration is improving in leaps and bounds, both in terms of the sophistication of the tools to facilitate it and workers' level of comfort with it.
- ▶ **Omnichannel Commerce:** As many physical business locations are shut down, consumers are turning to online shopping to meet their needs, even those who had historically been reluctant to do so. In particular, grocery delivery services, such as Instacart, have been in high demand. Consumers can choose their groceries, pay online, and leave feedback all on one convenient app. Businesses are blending the physical and the digital to provide for their customers through delivery methods such as curbside pickup and contactless delivery. Physical-digital integration is more important now than ever before.
- ▶ **Digital Content Consumption:** Homebound consumers are turning to digital content providers to meet their entertainment needs. 51% of internet users worldwide are watching more shows on streaming services due to the coronavirus, according to data from Statista. Netflix alone saw [16 million new signups](#) for its service in the first three months of 2020. Meanwhile, many film studios have been pushing new releases to streaming services early to captive audiences.
- ▶ **Platformification:** Institutions and organizations of all types are trying out digital platforms to stay above water during the pandemic. The fitness industry has shifted to holding virtual classes on streaming services, both live and pre-recorded. Almost every school, from elementary schools through graduate programs, have shifted to online courses. Large-scale conferences and events are being held virtually. The NYSE has moved entirely to online trading. While some businesses will revert to their traditional models when the crisis abates, others may opt for a hybrid approach as they recognize the benefits of recurring revenues.
- ▶ **Digital Health Solutions:** Much of America's healthcare system has gone digital to alleviate some of the strain imposed by the coronavirus. Telemedicine and remote diagnostics are helping patients get medical advice and diagnoses at home so they don't need to come in to the doctor's office or hospital, and 3D printing is being used to expedite the production of critical medical supplies, such as PPE. In the absence of a vaccine or proven treatment, the best preventative medicine is information-sharing. Digital contact tracing has already been used to effectively slow the spread of COVID-19 in East Asia. The technology itself is at least a decade old but has struggled to gain traction in the Western world where views on privacy have been prohibitive. Whether American citizens (and those that govern them) will be willing to trade individual privacy rights for the greater public good remains to be seen, but there may be more leniency around data collection going forward.

The pandemic serves as a widespread test case for the effectiveness of these digital solutions, many of which will be permanent fixtures and lead to long-term changes for many businesses.

HEALTHCARE

Telehealth doctor visits replace the traditional annual physical by 2025

REAL ESTATE

All new construction of multi-family homes beginning in 2021 will include coworking spaces

FINANCIAL SERVICES

Integration of tokenization technology to better secure and track individual purchases and transactions by 2023



MANUFACTURING

Full adoption of Supply Chain 4.0 by 2025

RETAIL

Retail ecommerce sales account for more than a third of total retail spending by the end of 2020



THE CASE FOR DIGITAL TRANSFORMATION IN CRISIS

The economy is now mired in a downturn, which may outlast the current (and hopefully sole) wave of the pandemic. Some organizations may be inclined to retrench on their digital transformation plans, as part of a broader belt-tightening agenda. A good cost reduction program focuses on trimming the fat without cutting away the essential parts of the business that are necessary to sustaining current levels of business performance. If we view an organization as a living organism, digital transformation powers the backbone, muscle, brain and heart of the organization. Halting digital innovation efforts in crisis will significantly compromise overall business health.

Though it may seem counter intuitive, crisis is the ideal time to *double down* on digital transformation. Rather than putting digital transformation plans on hold, organizations need to go all in.

It shouldn't be prohibitively expensive.

Many businesses are understandably reluctant to loosen the purse strings in the current environment of uncertainty. While digital transformation is often viewed as a massive upfront investment in long-term results, it doesn't need to be. Some of the most successful transformation projects start with low-cost pilots and limited resources that are scaled up once the kinks are worked out and the results are proven. Done in the right way, digital transformation can be self-sustaining, with each incremental improvement paying for the next leg of the journey.

You can actually save money.

Past recessions show that controlling costs by improving operational efficiency—a task for which digital solutions are perfectly suited—is more effective in sustaining businesses through financial turbulence than traditional cost-cutting measures alone. For example, companies that rely primarily on workforce cuts to manage costs only have an 11% chance of “breakaway performance” coming out of a downturn, whereas companies that focus on operational efficiencies over layoffs are more likely to experience breakaway performance, according to research from Harvard Business Review.

The biggest efficiency play is automation. With automation projects, ROI is realized near-instantaneously, offsetting the upfront investment. [Robotic process automation](#) allows organizations to automate certain types of work processes to reduce the time spent on costly manual tasks and reallocate resources elsewhere. The economics of automation are simple: the same work is performed faster and with fewer mistakes, while human capital resources can be redeployed to higher-value tasks or to fill critical gaps. More sophisticated machine learning tools can be used to identify and address unforeseen areas of waste.

Business reinvention isn't always a choice.

Many businesses are experiencing devastating financial consequences from the pandemic, whether because of supply chain impacts, forced shutdowns, a significant pullback in consumer spending, or all of the above. Consumer discretionary manufacturers and retailers, oil and gas companies, and the service industry are among the sectors that have been struck the most grievous blows. To avoid catastrophic revenue losses, these companies have no choice but to shift focus to their business's existing digital channels or make a bigger pivot to a [digital business model](#). But again, there is a silver lining: The innovations that are made out of necessity could become lasting pillars of the business that help it to thrive well beyond the pandemic.

There will be no “return to normal”.

The coronavirus is permanently reshaping the way we live and work. Some of the behaviors developed in crisis—including wide-scale digital adoption—will outlast the pandemic, well after restrictions on activity are lifted. To stay competitive, organizations must respond to these behavioral changes and meet emerging customer demands. Savvy organizations will focus now on leveraging advanced analytics to extract insights from their customer data and continue internal and external data integration efforts to develop a more holistic view. Detecting those signals of change early will be crucial to optimizing the customer experience and redefining customer value propositions in line with evolving preferences and needs.

COVID-19 TRENDS HERE TO STAY



Remote Work Arrangements



Digitization of Customer Service



Shift to e-Commerce



Greater Use of Self-Service



Contactless Delivery Options



Outsourced IT



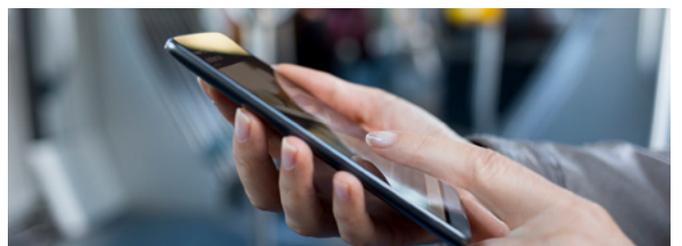
Customers Focusing on Spending Less and Saving More



Increased Focus on Safety, Cleanliness and Health



Bulk-Buying and Stockpiling



Use of Online and On-Demand Platforms

SUMMARY

Digital transformation is more necessary during this crisis, not less. But that doesn't mean it will look the same as it did before the pandemic. Resources—both in terms of talent and money—will likely be constrained. Digital initiatives may need to be reprioritized based on relevance in the current environment. New problems and opportunities may come to light with greater urgency. For some businesses, the forces of disruption may be so great that the long-term strategic vision will need to be overhauled. And any digital transformation roadmap that does not deliver value at every increment will need to be reimaged. The key is continuing to experiment and innovate with digital solutions front and center. With the right approach, businesses can come out of the fray stronger, more agile, and more customer-centric than before.

Does your organization have a digital edge? Health check your organization's digital strategy with BDO's SmartDiagnostic.

[Get Your Digital Diagnosis ▶](#)

CONTACT:



MALCOLM COHRON
BDO National Digital Transformation
Services Leader
404-979-7109
ccohron@bdo.com



SUSIE CUMMINGS
BDO Digital Principal and
National IT Services Leader
630-286-8127
scummings@bdo.com



ANKUR LAROIA
BDO Digital Client Executive
Managing Director
713-548-0710
alaroia@bdo.com



ESKANDER YAVAR
BDO Digital Principal and National
Management Advisory Services Leader
713-407-3293
eyavar@bdo.com

BDO is the brand name for BDO USA, LLP, a U.S. professional services firm providing assurance, tax, and advisory services to a wide range of publicly traded and privately held companies. For more than 100 years, BDO has provided quality service through the active involvement of experienced and committed professionals. The firm serves clients through more than 65 offices and over 700 independent alliance firm locations nationwide. As an independent Member Firm of BDO International Limited, BDO serves multi-national clients through a global network of more than 88,000 people working out of more than 1,600 offices across 167 countries and territories.

BDO USA, LLP, a Delaware limited liability partnership, is the U.S. member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms. BDO is the brand name for the BDO network and for each of the BDO Member Firms. For more information please visit: www.bdo.com.

Material discussed is meant to provide general information and should not be acted on without professional advice tailored to your needs.

© 2020 BDO USA, LLP. All rights reserved.