

DIGITAL CHANGE MAKING BUSINESS MODELS FUTURE-PROOF

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Original article by Nicole Wildberger

Changes in economy and society have always been there – a look into history books alone would give enough evidence (or the respective digital pages on Wikipedia). However, the speed of economic change has highly increased in the past 20 years. Businesses have to keep a look on their future even in economically bright times – and predictively perform their own restructuring in their own minds, says qualified attorney and tax consultant Dr. Wolf-R. von der Fecht.

In the beginning of the 20th century, Gustav Andreas Theodor Hartmann was a heroic figure for the people of Berlin. He inspired German dramatist Hans Fallada to write a novel named “Iron Gustav” – the legendary Droshky coachman, who, on the 2 April 1928, went to Paris with his horse-driven carriage, arriving on 4 June 1928 to fight against the downfall of the Droshky industry and the rising numbers of cars. Despite covering a distance of over half a thousand miles and a well-known depiction in world literature, the coachman was not able to slow down, let alone stop the rise of the petrol-driven vehicles.

Today, in the face of the challenges called ‘digitalization’, ‘globalization’ and ‘changed customer behavior’, many businesses from different industries endure the same struggle as Iron Gustav did back then. Be it printing and publishing companies, energy companies or the automotive industry – since the beginning of the 21st century, their mode of operation seems to be ‘disruption’ rather than ‘change’.

“The example of the ‘Iron Gustav’ illustrates that the pressure to change is by no way a modern thing”, says Dr. Wolf-R. von der Fecht, partner of the law firm von der Fecht LLP. “What actually is new is the speed of change, which is dictated by the digitalization of whole industry branches.” The experienced professional can think of countless examples, like the publishing industry; the emergence of the digital camera churned up whole industries in the world of photography, film production and media in general. Well-established industrial techniques and procedures become obsolete overnight. The same applies for words printed on paper: Getting fast-paced, accurate-on-the-minute information on the internet is a given – often, even free of charge. Still, explaining economic interrelations is now more important than ever. They are the only way to discuss models of future developments.

First example: Banking institutions. Customers visit branch offices much more rarely than they used to, thanks to online banking and anonymous online programs that handle most of the consulting. Millions of dollars are transferred over the internet daily, without customers and bank advisors ever meeting in person.

Second example: Retailers. “Retailers with chain stores are largely dying”, von der Fecht witnesses, “and changed customer behavior is advancing this development”. Customers go online to compare prices and seek the best offer for them – sometimes, even after visiting an actual store. The retailer, unable to win the price battle, is being left behind. And Amazon is by no means only shipping books to doorsteps anymore, but offering (almost) everything by now.

“The digitalization pushes the information age, through all branches, into the processes of businesses”, the expert explains. The Internet is global, online and active 24 hours a day, seven days a week.

In the information age, the costs for market entry and distribution are low – this advantage is boosting new business models, and the change also affects industry giants in a significant way.

What is the effect on currently lucrative branches, like the highly successful middle-class mechanical and plant engineering industry in Berlin? “Even this particular branch has to predict possible developments – Industry 4.0 is the keyword”, von der Fecht says. “Businesses already have to adapt to the fact that machines are all interconnectedly communicating now, functioning and working on their own, from the initial order of the customer up to the final delivery of the product. Many processes can be completely automated.”

In effect, business models have to be constantly and frequently put on the test – even when restructuring does not seem necessary at the time. “This works best when numerous employees across the board are actively participating in this process to keep the business model of the company technologically up to date and have an eye on the market as well as the customers’ needs.” Autonomous and nonbiased consultants could help and assist companies in achieving these goals. “Do not wait for the insolvency trustee to come”, von der Fecht advises.