Digitization enables firms to create greater economic value and also creates greater value for consumers. However, there are many examples of failed digital investments caused by firms taking an uncritical view of the alluring benefits of digitization. By applying basic economic concepts (including Reservation Price and Value Appropriation), we identify the conditions under which firms implement robust digital initiatives but don’t effectively create or appropriate economic value. To avoid such situations, managers must mindfully assess sociotechnical, strategic and risk aspects when embarking on digital initiatives.