

Competing in a Hypercompetitive Environment



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Role of Technology

What Costs More?

- **A grain of rice**
- **An integrated circuit**



Role of Technology

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- **A grain of rice** ←
- **An integrated circuit**



How Much More Does it Cost?

- **1,000 times as much**
- **10,000 times as much**
- **100,000 times as much**
- **1,000,000 times as much**



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How Many Integrated Circuits Do You Come in Contact with Each Day?

More than

- **1,000,000**
- **10,000,000**
- **100,000,000**
- **1,000,000,000**

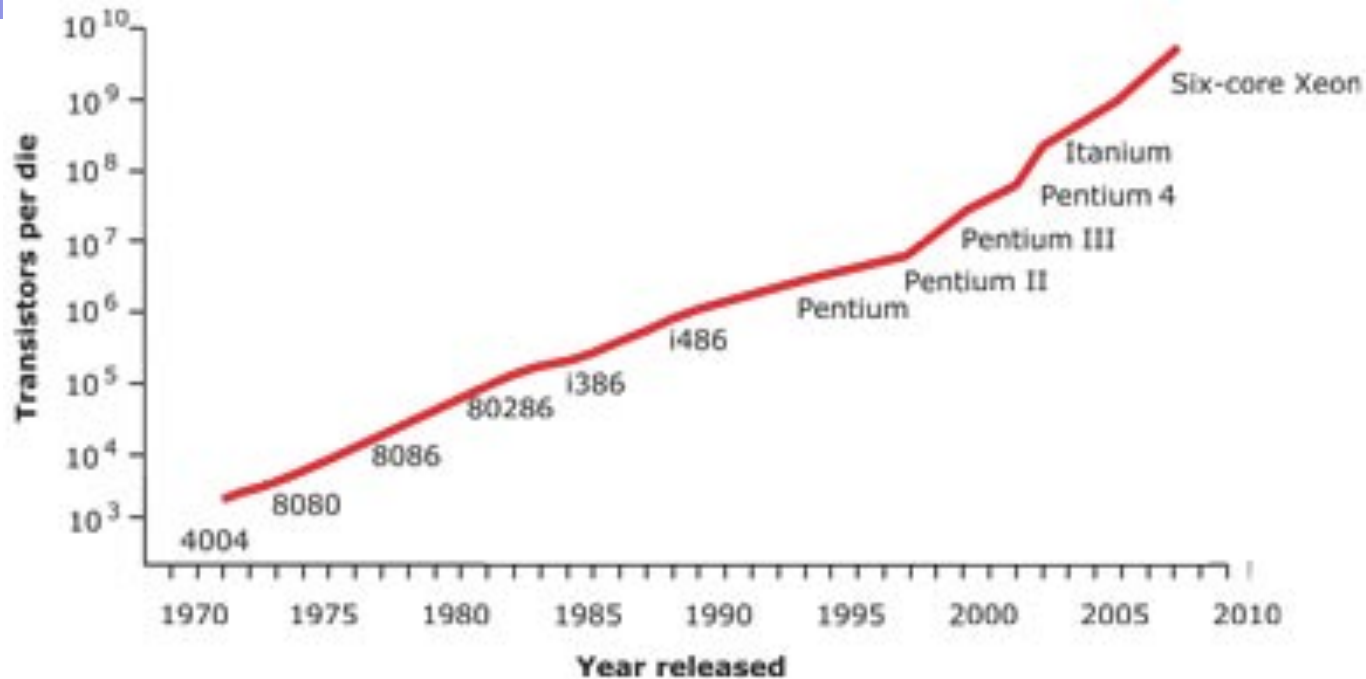


How Many Integrated Circuits Do You Come in Contact with Each Day?

More than

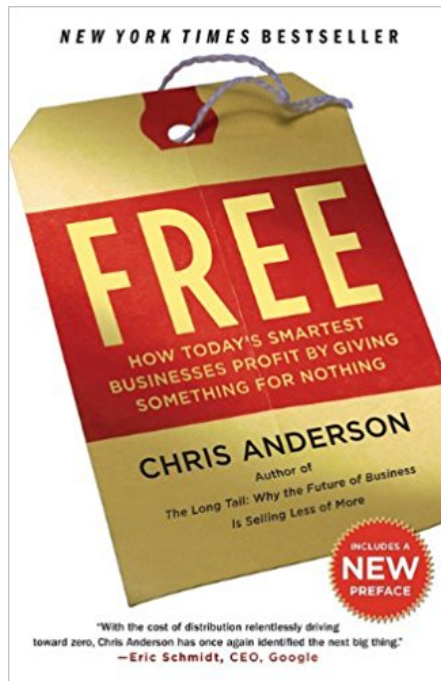
- **1,000,000**
- **10,000,000**
- **100,000,000**
- **1,000,000,000** ←

Why? - Moore's Law



“The number of integrated circuits (ICs) that can fit in a given space will double every two years, and the cost of these ICs will fall by 50% during the same time period.”

So the Marginal Cost of . . .



- **Storing data**
- **Transmitting data**
- **Analyzing data**

. . . is essentially zero.

Value Migrates



Year:
Weight:
Cost:
Value:

1983
2 pounds
US\$3,995
Phone

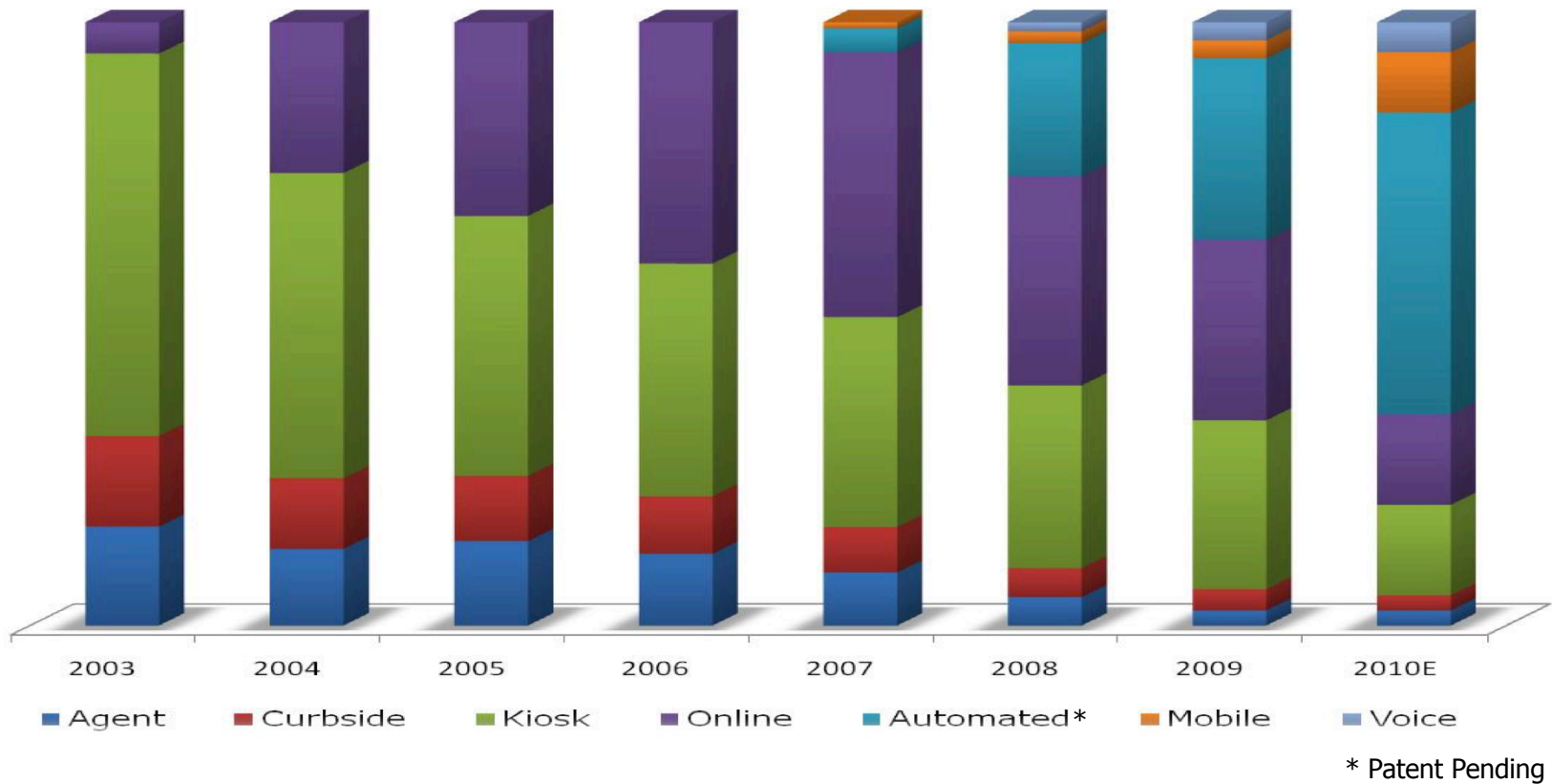
2016
4.55 ounces
US\$199
Network

Value Migrates





Technology-Driven Channel Shift At Continental Airlines



Source: Continental Airlines

Technology Creates Multiple Channels



Kiosk

Web

Mobile -
Web

Customer

Digital Signage

Mobile - SMS

Voice
Automation
(mobile?)

Source: Continental Airlines

Continental Airlines

Friday, October 3 11:00am / Gate: **E11**

New York/Newark (EWR-Liberty) Flight: **CO 62**
Departs: **2:20pm** (On Schedule) NW 5776

Destination Information

Arrival Time: **8:20pm**
Travel Time: **3hr 50mn**
Distance: **1,417 miles | 2280 km**
Aircraft: **Boeing 737-800**

Next Flight: **CO 6358 / 4:30pm** to Philadelphia



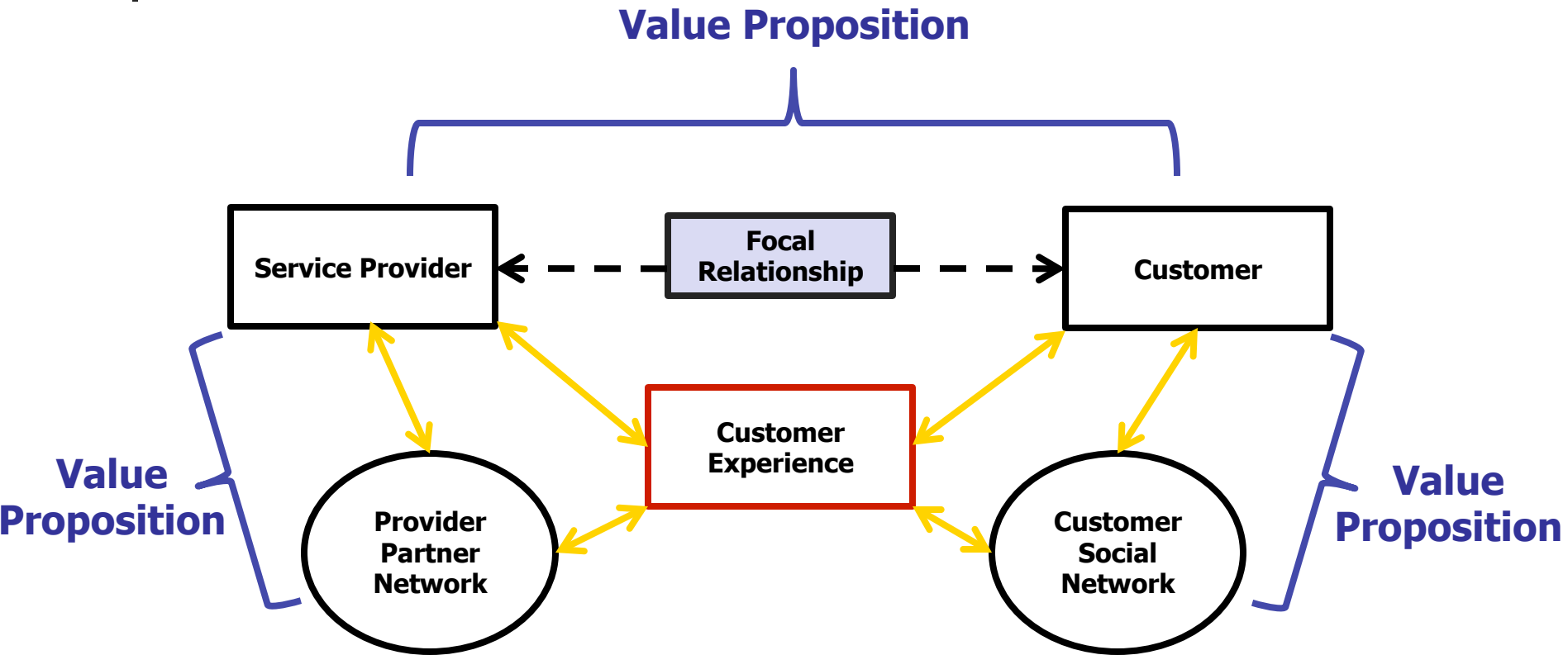
Great Service Requires Both Technology and Human Elements



Schiphol Airport Amsterdam

SWA Ad

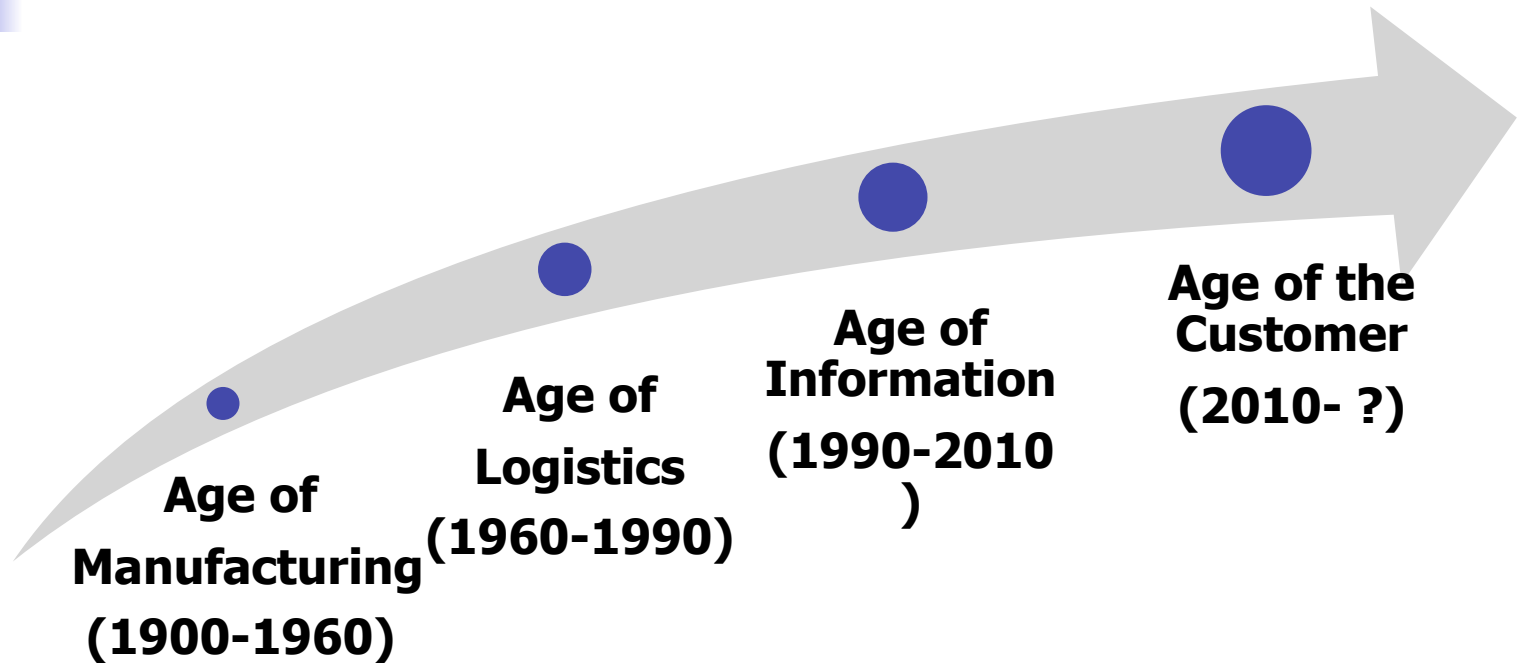
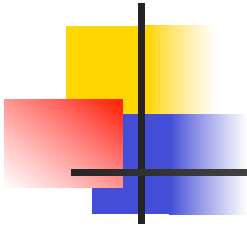
Today's Service System



United Breaks Guitars

Source: Steve Kwan, SJSU

The Age of the Customer



Successful Firms:

**Ford
GE
Sony**

**Walmart
Toyota
UPS**

**Microsoft
Dell
Google**

**Zappos
SWA
Nordstrom's**

Adapted from Cooperstein, D. (2013). *Competitive Strategy in the Age of the Customer*. Forrester.

The Importance of Service

**“You’ re headed for
commodity hell if you
don’ t have services.”**

**-- *Lou Gerstner*
(IBM CEO 1993 – 2002)**



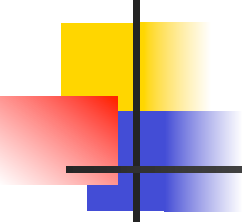
The Importance of ~~Service~~ *Customer Experiences*

**“You’re headed for
commodity hell if you
don’t have ~~service~~
customer experiences.”**

**-- *Lou Gerstner*
(IBM CEO 1993 – 2002)**



How Customers Define Value



$$\text{Perceived Customer Value} = \frac{\text{Total Benefits}}{\text{Total Costs}}$$

**To increase customer value
you must either focus on:**



Increasing Benefits




Decreasing Costs

The Impact of Social Media on Millennials

- **One social customer** → **42 others**
- **88% influenced by reading peer reviews**
- **Social customers** → **Listen to peers**
- **Brands** → **Customers**

Source: Kandampully, Zhang and Bilgihan, "Engaging Gen-Y Customers: The Fusion of Innovation and Technology"

The Impact of Social Media on Millennials

- **46% engage via Facebook to solve problems**
- **39%**  **provide feedback**
- **22%**  **same day responses**
- **29%**  **response within two hours**

Source: Kandampully, Zhang and Bilgihan, “Engaging Gen-Y Customers: The Fusion of Innovation and Technology”

Service Trends



- **Increase in Self-Service**
- **Increase in “Free” Offerings**
- **Increase in Globalization**
- **Increase in Choice**
- **Increase in Information**
- **Increase in Customer Engagement**



How Processes Create Value

By providing services that are:

- **Faster**
- **Consistent**
- **Less Expensive**
- **Customized**
- **Better Quality**
- **Innovative**



Creating a Competitive Advantage

- **Customer Engagement**
- **Service Inventories**



Types of Customer Engagement

- **Service Delivery Process (self service)**
- **Open Innovation (Starbucks)**
- **User Communities (Nike)**

Open Service Innovation



www.mystarbucksideas.com

Involvement Ideas

Number

Type

5,372

Building Community

9,577

Social Responsibility

5,805

Other Involvement Ideas

1,696

Outside USA



Service Inventory Defined

“Work that is part of the service delivery process that can be performed in anticipation of customer demand.”

Reference: Davis, Mark M., Joy Field and Euthemia Stavroulaki (2015), “Using Digital Inventories to Create Customer Value,” *Service Science*,

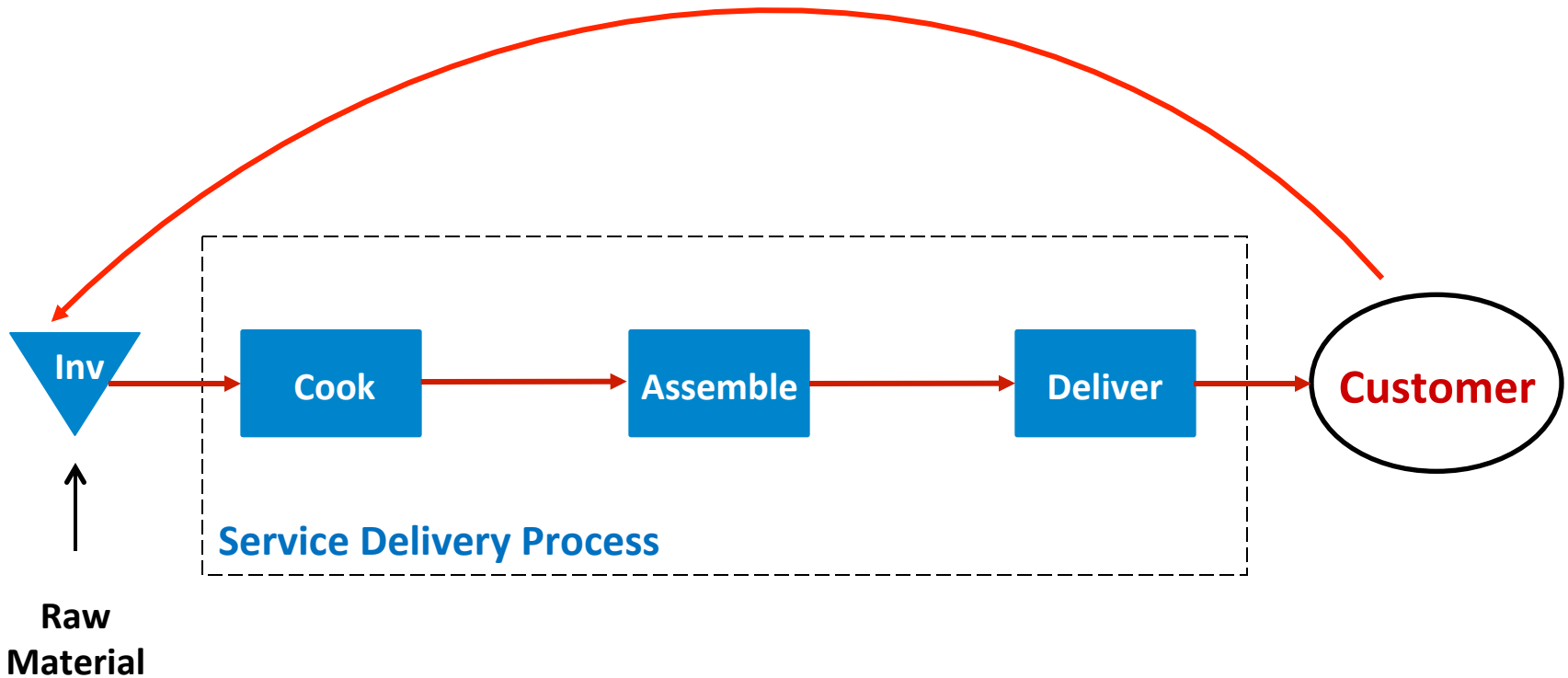


Service Inventory

- Physical
- Digital

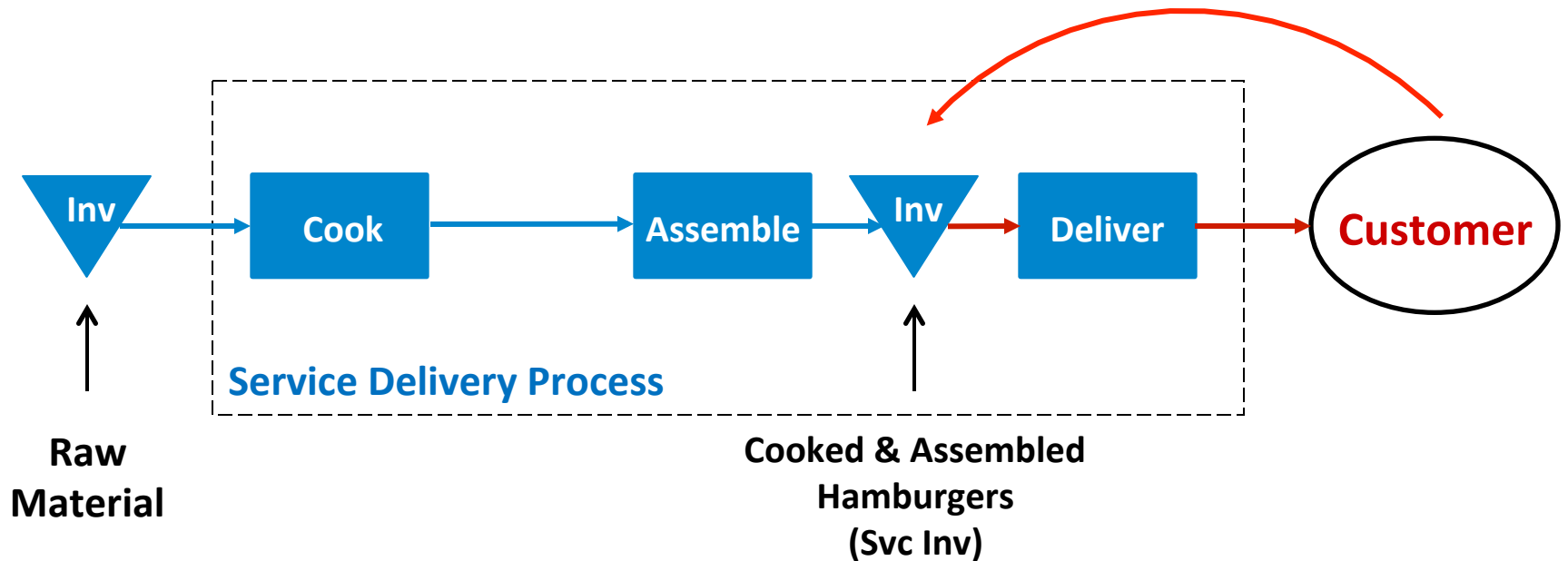
Service Inventory: Physical Example

Ordering a Hamburger – Traditional Method



Service Inventory: Physical Example

Ordering a Hamburger – McDonald's



Digital Service Inventory



- **Enabled by new technologies for capturing, organizing and analyzing digital content**
- **High potential for value creation due to low marginal costs (unlike physical service inventories) and increasing expectations for personalized services**

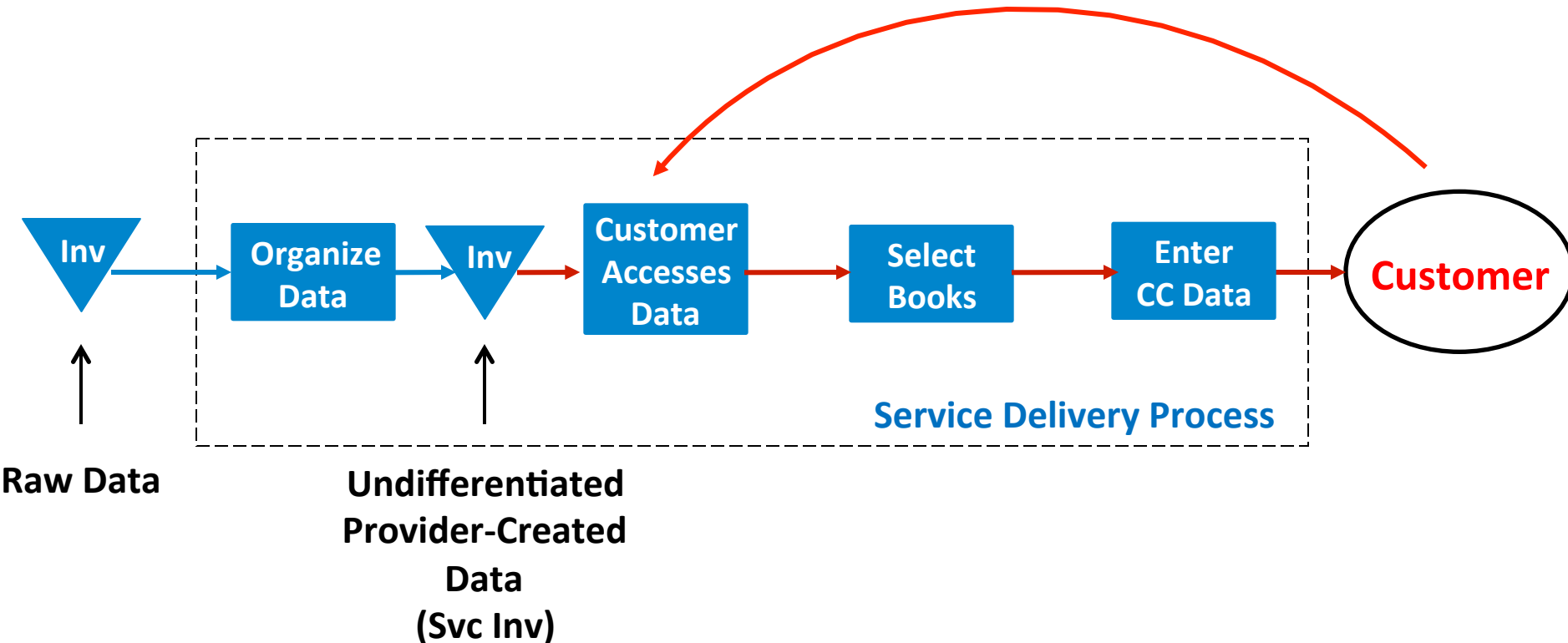


Types of Digital Service Inventory

- **Undifferentiated provider-created**
 - Google Finance, WebMD, Peapod
- **Customer specific co-created**
 - Assemble-to-order using undifferentiated service inventory and customer-provided information
 - Make-to-*anticipated*-order (YouTube's Personalized Channels, Ritz-Carlton's Mystique system, remote monitoring)

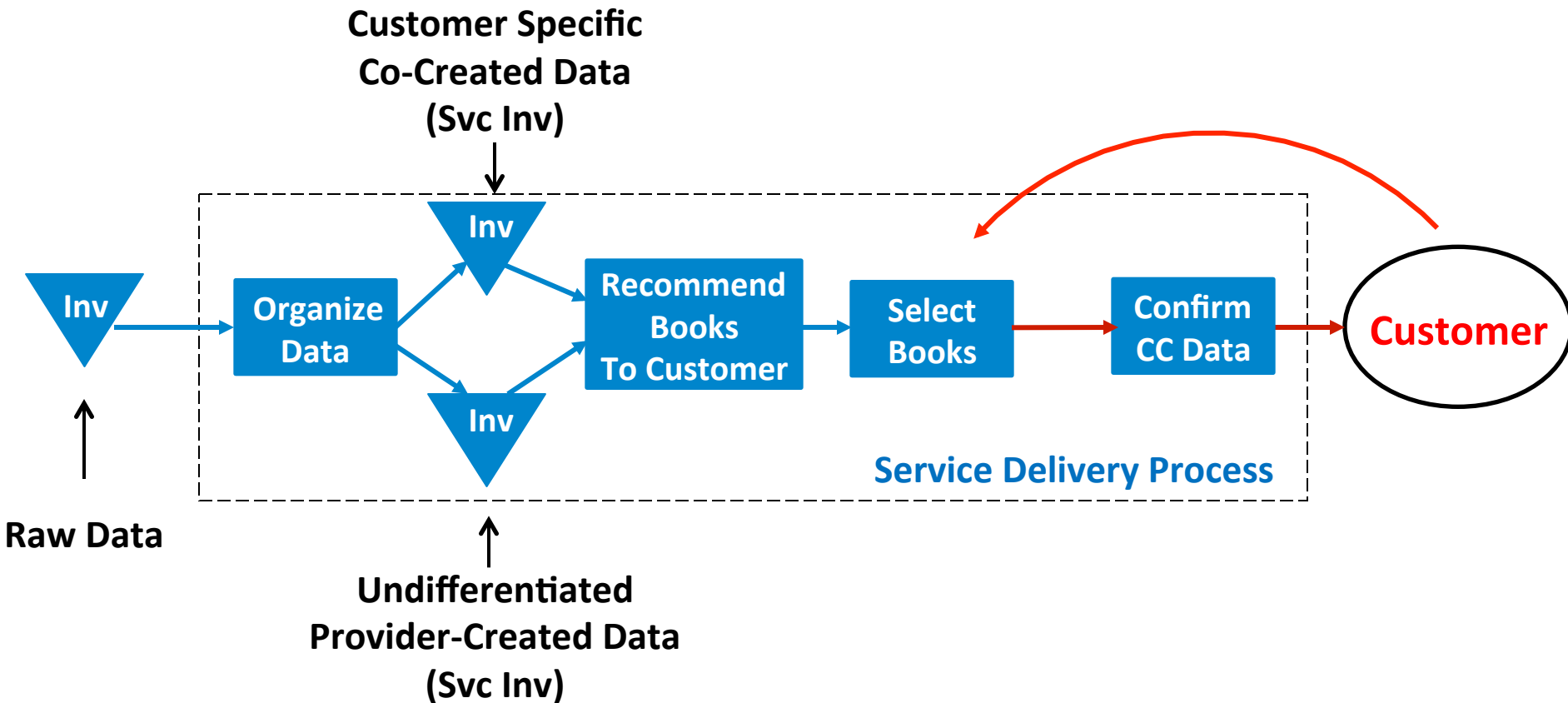
Service Inventory: Digital Example

Ordering a Book - Amazon

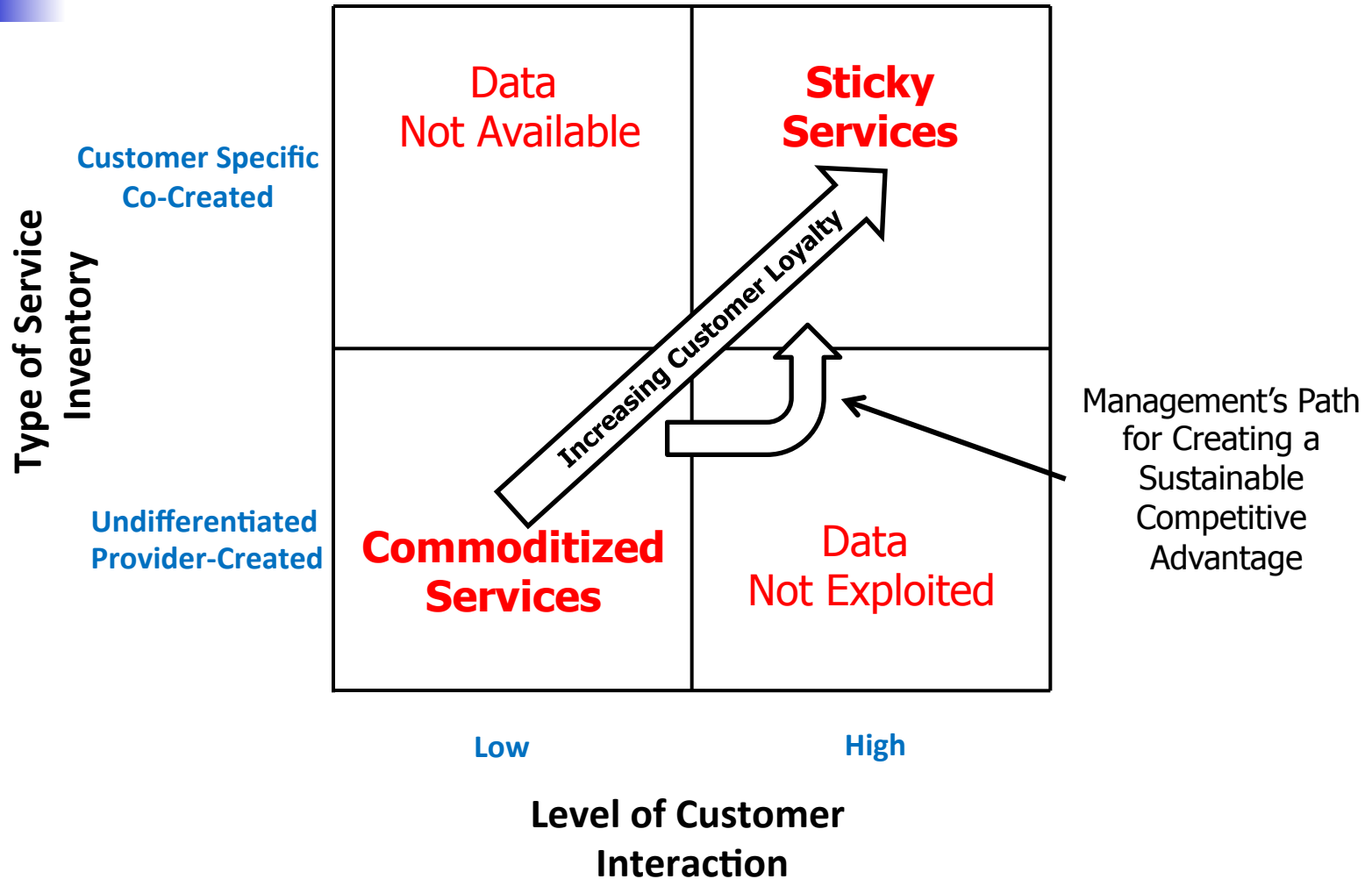


Service Inventory: Digital Example

Ordering a Book - Amazon



Using Digital Service Inventory for Competitive Advantage





When is Service Inventory Most Valuable?

- Demand volume
- Repeatability
- Service inventory positioning
 - Costs vs. benefits

Summary



- Hypercompetitive digital environment will continue to grow and dominate.
- Power in the marketplace is clearly shifting to the customer.
- Competitive advantage still is about creating value for customers.
- Creating value involves both:
 - High tech.
 - High touch.
- Competitive advantage involves customers.



Competing in a Hypercompetitive Environment

Thank You