# Value: Creating New Markets in the Digital Economy

Keynote, Bristol and South West NextGen
Roadshow, 17 Jul 2012

**Irene C L Ng**

Professor of Marketing & Service Systems, WMG
Director, International Institute of Product & Service
Innovation

irene.ng@warwick.ac.uk
@ireneclng
http://uk.linkedin.com/in/ireneclng
bit.ly/vcssblog
www.warwick.ac.uk/go/sswmg
www.ireneng.com

THE UNIVERSITY OF
WARWICK

---

# Value was exchange (what I got for what I gave)

$$\$\$\$$$

---

But it wasn't exchange that made us happy. It was experiencing what we bought that gave us the outcomes we wanted

We buy because of the service of the object, even if it was an emotional 'service' i.e. things are service avatars[*]

Mike Kuniavsky, 2010

We (co) create value through 'use' in context[*]

The object (firm) propose value, we create it through use/experience

(Vargo & Lusch, 2004,2008; Ng & Smith, 2012)

THE UNIVERSITY OF
WARWICK

## Ownership was the only way to get the 'service' of an object

- Previously, the only route to service/outcomes was through ownership
- Marketing have *talked, promoted and sold on the basis of* benefit and use of things but benefit (outcomes) and use is not aligned to revenues – we still only buy ownership and not outcomes

## Digitisation makes it possible to render a 'service' without ownership

Case Study of Music

THE UNIVERSITY OF
WARWICK

# Where we used to get our music

But we needed to buy before use, we needed to acquire, to know that we MIGHT want it

---

Due to digitization, acquiring music (exchange) and use of music (creating value) has collapsed into the same time & context

Collapse into context creates new markets, expanding existing ones

THE UNIVERSITY OF
WARWICK

## Slide 1

Digitisation of music makes it able to serve use contexts, faster, on demand, and wherever

*Choice of access and ownership*

*unserved market*

*New use contexts*   *Change in the content*

EXPONENTIAL DEMAND FOR USE (even if we struggle with revenue model)

## Slide 2

### Digital Music Sales Surpass CDs in 2011

BY HILARY SAUNDERS · Published at 2:47 PM on January 9, 2012

Lovers of physical media are currently commiserating over the fact that digital sales just won the war on music, because according to Nielsen SoundScan, digital outsold physical music for the first time ever in 2011.

Both digital singles and albums saw a sharp increase in downloads, as individual track sales rose 8.4 percent and full-length records were up 19.5 percent. Combined, these statistics revealed that the digital market surpassed physical media by the narrow margin of 50.3 percent to 49.7 percent.

nielsen

- music sales as a whole increased between Jan. 3, 2011 and Jan. 1, 2012.
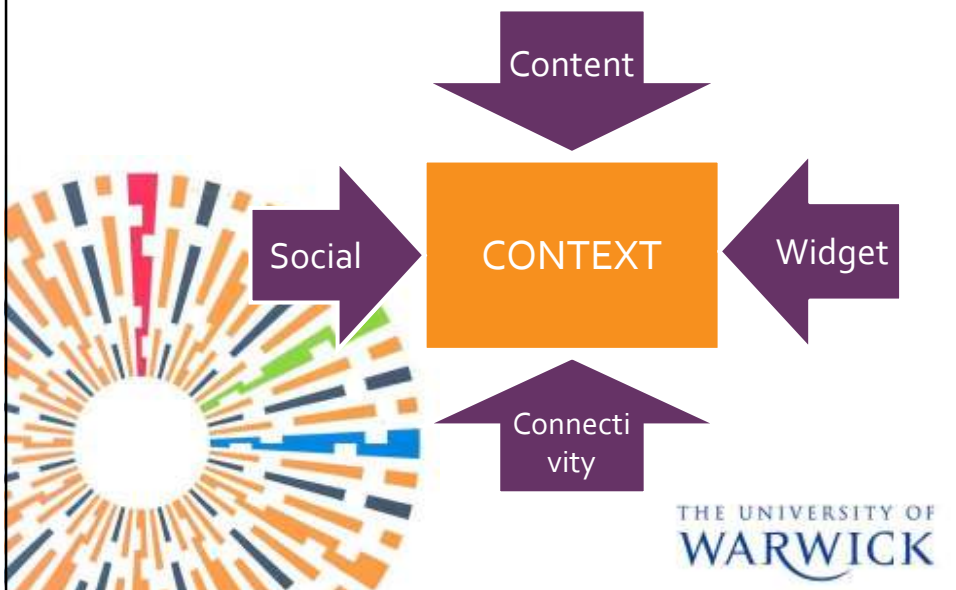- Music consumers bought approximately 6.9 percent more music last year

But to bring your digitised offering (content) into context, you need a medium (widget), connectivity, and a social space



The New Battleground

Content

Social → CONTEXT ← Widget

Connectivity

VALUE IN CONTEXT

This camera is available so it is a resource in context

This camera is not

Value created is Contextual. Resources are therefore also Contextual.

Things become more valuable *in context* because they enable resources for value creation

Two functionally the SAME cameras but not the same value for the user in context. Because one camera is less **competent** in context, one is a lesser service avatar (or is just simply not around!)

COMPETENCY OF OFFERING IN CONTEXT IS KEY TO NEW MARKETS

## Once upon a time, our contexts were rather homogenous

- Where/when we ate meals
- Where/when we listened to music
- Where/when we exercised

  - [*]Technology liberates us from constraints of
    - time, when things can be done
    - place, where things can be done
    - actor, who can do what
    - constellation, with whom it can be done

*Reframing Business, Normann, 2001

## Mobile phone as the medium to propose digitised offerings in context

- Why is the mobile phone one of the most popular device for digitised offerings today?
- because it is often present in MANY lived experiences (contexts)
- It may not be the only widget in the future serving multiple contexts, but it is now

# Markets are forming at where service creates most wealth – in context

Digitisation allows new offerings to be resources available, accessible on demand, in context

The better you are able to serve context, the bigger your market

THE UNIVERSITY OF
WARWICK

---

# Abundance of revenues in service-ability of objects in Context

write-ability in context (when taking down a number)

................. $5,000!!!

bandage-ability in context (when wounded)

Fasten-ability in context (when trousers are busted)

The entrepreneurship trading game

No, not price gouging (although possible)

But more
CHOICES of offerings in context



Who is digitising to serve use context next? Tea? ;)

- Digitisation enables traditional offerings to become a resource in context, reducing time between acquiring a resource and using a resource - expanding demand

Digitised offering in context

Offering    Resource    Solution    markets

In context

Digitisation+Data is the new oil, Context is the new oil-field

13 September, 2012    Copyright Irene Ng, 2012. All rights reserved.

But context is messy! How to digitise to serve context? Who carries the digitised offering?
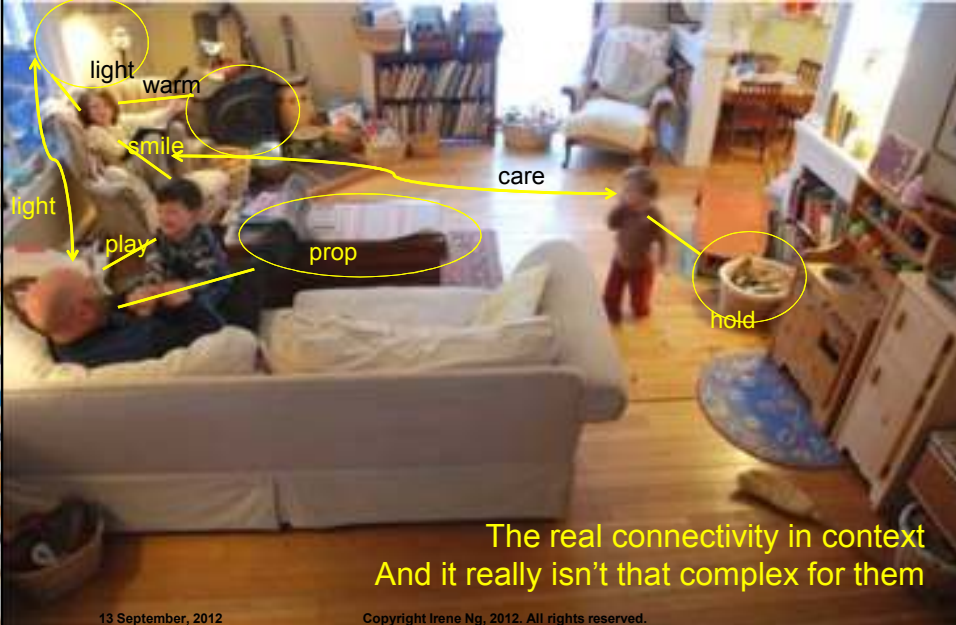
No processes, All social practices

Look closer – connectivity in context is held together by interactions (verbs) – the interventions are already there

light
warm
smile
care
light
play
prop
hold

The real connectivity in context
And it really isn't that complex for them

## Context as the focus

- we can focus on *contextual invariances* - clusters of contexts that are similar.
- when we focus on value in context, we need to shift our focus, onto *activity sets* i.e. the context of the experience.
- Instead of profiling individuals or analysing data about things, we should be profiling contexts – not just people, not just things, but the relationships between them, the value creating *flows*
- We can focus on the constellation of the context (ie the propositional entities & resources)

7

# Contextual invariances

# Is there a method for this?

- How do we analyse 'messy' contexts?
- How do we analyse digital offerings & current technologies – how could they be connected in context to enable value creation?
- Is there a method to understand the mess for new exchanges/markets?

'Exploration techniques' for the new oil

---

# New markets/econ models

- New transactions (markets) come in two ways:
  - Convergence of existing resources/offerings in the constellation creating experiences in context (because they are already there) - (impact on Business Models – workshop later)
  - New Resource in context (a resource/offering that does not currently exist)

## New Resource (a resource/offering that does not currently exist)

- First: Understanding Systemic Stress: Systemic stress is the inability of resource integrators (actors) in a system to cope with the existing system (thereby needing new/modified resources)

- Second: Modularisation: Modularity is the degree to which a system's components may be separated and recombined, to accommodate the new resource

## Systemic Stress & potential resource/solution



There's always food, but it may not exist in context…..
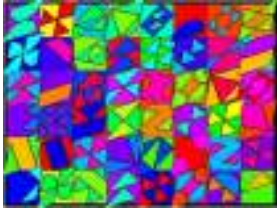
## From contextual mess to contextual modularity

- People are willing to modularise their lives for more resource intervention
- Successful Technology intervention comes from the ability to modularise contexts and fit of offering to the modularised context as a resource

e.g. Father, Mother & a Baby at home, systemic stress, modularisation

## Why is this important

- Future 'internet of things' connectivity for innovation and new markets;
- Understanding how current products should evolve for connectivity (e.g. biopharmaceauticals) – new business models, new econ models, exchange & new ways to serve
- Innovating offerings/service that is scalable and replicable in creating value in context
- Every company will be a digital company. If you are not, watch your back, coz you competitor is likely to be

## Today (recap)

- Data & Digitisation – OIL for new markets
- Context – OIL FIELD
- Bigger/New exchanges/markets will come for new digitised offerings, sitting on different widgets, connected to everything
- The land grab for 'drilling' in context is on, with new tangential players coming in (TV, fridges, surfaces)

## Want more?

Read the book!

Value: Creating New Markets in the Digital Economy

- out January 2013

www.innovorsa.com

**VALUE** *
Creating New Markets in the Digital Economy
Irene CL Ng

* Tentative cover

# Thank you