CUSTOMERS

Bringing Customers Along on the Digital Journey

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Mohan Subramaniam is a professor of strategy and digital transformation at the International Institute for Management Development (IMD), and the author of *The Future of Competitive Strategy: Unleashing the Power of Data and Digital Ecosystems* (The MIT Press, 2022).

Elizabeth Heichler is editorial director, magazine, at *MIT Sloan Management Review*. She will moderate the session.
Bringing Customers Along on the Digital Journey

Mohan Subramaniam
Unleash the power of data and digital ecosystems to forge a new competitive strategy.
Traditional Assumptions of Competitive Strategy

- Products drive revenues
- Value chains shape product positioning and competitive strength
- Industry structures amplify (or diminish) competitive advantage
But things are shifting...
Old theories do not necessarily fit with the business models of the current economic powerhouses.
A shift of emphasis from products to data

... and a shift of focus from industries to digital ecosystems
The Four Tiers of Digital Transformation

1. **Operational efficiencies**
   - e.g., Reducing Defects

2. **Advanced operational efficiencies**
   - e.g., Improving R&D/Product Development Productivity

3. **Data-driven services from value chains**
   - e.g., Annuity-driven Outcome-Based Sales

4. **Data-driven services from digital platforms**
   - e.g., Connecting product users to third party entities
What is new about modern data?

Interactive Data (generated in continuous streams through user interactions - e.g., browsing on Amazon, or searching on Google)

Episodic Data (generated through discrete events such as the sale of a product)
The Four Tiers of Digital Transformation

1. Operational efficiencies
2. Advanced operational efficiencies
3. Data-driven services from value chains
4. Data-driven services from digital platforms

Interactive data from products/users
Interactive data from assets

Digital Customers
The Concept of Digital Customers:

Customers who provide interactive data
Consider this example

**Standard Inhaler**
- Cap
- Actuator
- Canister

**How does it work**
- Canister
- Gas phase
- Liquid phase
- Retaining cap
- Actuator
- Melting chamber
- Melting valve
- Expansion chamber
- High-velocity spray
- Actuator nozzle

**Smart Inhaler**
- Sensor
- Sensor-equipped Inhaler
- Bluetooth & Smartphone

**Data**

*Courtesy: Personal Air Quality Systems Pvt. Ltd.*
New Features in Smart Inhalers

**Basic**
- Reminders to take the medicine
- Tracking dosage compliance
- Tracking location
- Reminders to carry the inhaler

**Advanced**
- Predicting acute attacks
- Linking attacks to specific allergens
Which Features Have Smart Inhaler Firms Focused on?

Smart inhaler firms are still offering only basic features.

Even with basic features, the adoption of smart inhalers is less than 1% ... after being around for over 5 years.
Reasons?

Bringing customers into your firm’s digital journey poses unique challenges.

It requires fundamental shifts in Strategic Thinking.
Yet they provide a Gateway for Real Digital Transformation
4 Strategic Challenges
Strategic Challenge One

Expanding Strategic Mindsets

Recognizing the New Role of Customers
New Customer Role

Customers buy and use smart products

Customers buy and use standard products
Expanded Strategic Mindsets

- New relationships between products and data
  - Data supported products … now products support data

- Data can broaden product’s functionality
  - Robotic vacuum cleaners can connect to pest services; lightbulbs can detect gunshots and initiate police or ambulance services
Strategic Challenge Two

Developing new value propositions

Establishing credibility for future benefits
New Features in Smart Inhalers

### Basic
- Reminders to take the medicine
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### Advanced
- Predicting acute attacks
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Features do not change with greater adoption

Network Effects
New approaches for Marketing

- Convincing customers of data-driven features before they exist
  - Envision what is possible with the right kind of data in adequate volumes and build strategies to execute

- Selling outcomes, not products
  - Having confidence in what data can deliver, and demonstrating that confidence
Strategic Challenge Three

Executing delivery of new value propositions

Turning value chains into digital ecosystems
What are digital ecosystems?

- Networks of data generators and data recipients
- Commonly understood in the context of digital platforms such as Uber and Airbnb
- For legacy firms, digital ecosystems are a combination of production and consumption ecosystems
Foundations for Industry Networks: *Ford Motor Company*

**Value Chain**
- **Suppliers**
  - Main Suppliers
  - Ancillary Suppliers
- **Operations**
  - Plants
  - R&D
  - Design
  - Assembly
- **Marketing & Sales**
  - Alliances
  - Logistics
- **Dealers**
  - After Sales Service
- **Products**
  - Rivals
- **Customers**
  - Gas Stations
  - Road & Highways
  - Independent Service Providers

**Complementors**

Raw Value Chain

VALUE CHAIN

SUPPLIERS
- Main Suppliers
- Ancillary Suppliers

OPERATIONS
- Plants
- R&D
- Design
- Assembly

MARKETING & SALES
- Alliances
- Logistics

DEALERS
- After Sales Service

PRODUCTS
- Rivals

CUSTOMERS
From Value Chains to *Production Ecosystems* with Traditional IT
From Value Chains to *Production Ecosystems* with Modern Technologies

**OPERATIONAL EFFICIENCIES + DATA DRIVEN SERVICES**

**VALUE CHAIN NETWORK**
Traditional Complementors
From Complementors to Consumption Ecosystems: Connecting Traditional Complements

VALUE CHAIN

PRODUCTS

CUSTOMERS

Gas Stations

Road & Highways

Independent Service Providers

NEW PLATFORM SERVICES

CONNECTED COMPLEMENTORS
From Complementor to Consumption Ecosystems: New and Emerging Connected Complements
The Four Tiers of Digital Transformation

1. Operational efficiencies
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Strategic Challenge Four

- Revenue and Profit Generation
- Developing new revenue and profit generating business models
New Revenue and Profit Generation Approaches

Platform-based pricing models

Value chain-based pricing models
Shift in mindsets

Network Effects

Economies of Scale
Thank you