



CIONET

DISCUSSION SUMMARY

**CUSTOMER-
CENTRICITY:
ACHIEVING A
BREAK-THROUGH IN
DIGITAL
TRANSFORMATION**

At a two-day workshop held at the Deloitte Garage in London on the 14th and 15th of February 2019, ten leading CIOs from across Europe discussed how digital transformation could be achieved by taking a customer-centric approach. The workshop was facilitated by Professor Sandra Vandermerwe, a respected academic (Imperial College and IMD) and her colleague, Alison Jacobson.

Thinking differently about your customer

Sandra started the workshop by characterising today's incumbent businesses as embedded in a 'track one' mentality of increasingly smart (software enabled) products and services. Through constant investment in R&D, companies can escape end-of-life cycle 'death' by introducing new products that sustain or increase market share. Apple, Tesla and Dyson are exemplary 'track one' product leaders.

However, she stressed that to gain long term 'lock-on' to customer value, businesses must upgrade to become 'track two' leaders. This requires them to 'land directly in the face of the customer' by delivering value in real-time. She pointed to Amazon's Alexa as a service that appeals to 'smart households' where response is linked directly to context (I want to listen to Black Sabbath).

The transition from track one to track two is a journey from 'product category' such as toothpaste or shampoo to 'customer space' such as personal hygiene or sustainable living. Sandra presented several illustrations of how companies were crossing this chasm. For example, ORAL B is using personal DNA data to provide solutions to dental hygiene. SKF has evolved from selling ball-bearings to providing 'trouble free' operations.

Any future for small product companies?

There is still much mileage to be gained from being a smart product (track one) company. Much effort has been focused on improving the customer journey in cases such as Amazon-Go where check-out is eliminated in its stores. Traditional providers of services such as mobile operators and insurance companies recognise that simplifying onboarding and renewing policy processes can improve both customer acquisition and retention.

The incorporation of intelligence into products can help manufacturers track 'product in use', adding continuous value to the customer experience over the product life cycle. For example, the intelligent car can anticipate potential points of failure well ahead of an on-road breakdown. Toyota's 2030 vision is that nobody will experience an accident in one of their cars.

Towards the era of smart customers

Turning our attention away from a product or service towards smart customers we see new horizons opening as we enter the digital world. In this respect, digital transformation is about populating a 'value space' that is important to a group of customers – outside-in rather than inside-out thinking.

We talk about the smart city, but what do we mean? There are many subcategories that are important to the citizen such as smart shopping, smart transportation and smart buildings. All of these add value to our social and working lives by reducing waste and focusing on what is important to us as individuals such as convenience and self-actualisation.

WeWork is a great example of a company that has reengineered the workspace to be responsive to the Millennial generation. Flexible space allocation, social areas that encourage networking and buy-by-the hour appeals to agile businesses and their entrepreneurial founders. WeWork has turned an expense (rentals) into an investment (business outcomes).

Filling the value gaps

Looking closely at any Track One space such as household products (detergents, cleaning agents, etc), disruptors can easily recognise possible value gaps that appear through a customer-centric view point. Sandra ran a simple exercise during the workshop to illustrate such gaps. She asked us to consider what happens prior to a customer transaction or explicit need, during the transaction (when the need is satisfied) and through the life-cycle of the acquired product or service.

We used road maintenance as an example here. Prior to any such new road maintenance contract, collection of data through embedded sensors can help assess the state of the road surface and its durability in adverse weather and traffic conditions. Focusing the offer on 'sustained road performance', a track two company can offer a solution that anticipates failures at the road surface level and provides

preventative maintenance. In so doing, the total life cycle cost of road repair is reduced dramatically, and motorists incur far fewer road hold ups.

The recipe for success in the future will be about owning the value space rather than the product category.

Entering the experience economy

Whether you are a bank, charity, pharma or consumer goods company, the opportunities are ripe both for disruption by newcomers – digital start-ups, or by launching your own disruptive activities. By looking at life events and processes such as financial security, physical wellbeing, bringing up a family, companies can apply track two thinking to identify and exploit value gaps in current marketplaces.

Technology plays a part here, although track two is as much about social and business change as it is about new tools. The journey starts by observing what people and communities are doing, and then progresses towards defining value gaps, the eco-systems of partners necessary to fill the gaps, and finally the technologies required to enable change to take place.

What are the new insights?

Over the two days we all accumulated new and valuable insights to take back to our respective businesses. The most important is to adopt the mind of the customer, recognising what is wasteful in today's system, and where sustained value lies in a digital world. In this respect we begin to comprehend the power of turning 'products' into 'market spaces'.

Perhaps the most exciting insight of the workshop is to start thinking about the power of aggregated knowledge (or data) and the central role of eco-systems that can exploit new market spaces. The example of the automobile sector is very current given the emergence of autonomous cars and new integrators such as Uber. Such a complex and rapidly evolving eco-system presents a radical view of future market sectors.

Making it happen

The workshop concluded with a four-step approach to progress from Track One to Track Two:

- Alignment of business leaders around value opportunities, threats and social consciousness – which value space to own (e.g. mobility or personal refreshment)
- Discovery and design – how to exploit hidden value gaps and take ownership, protecting yourself against disruptive newcomers
- Creating customer testaments – working with customers to pilot and refine new concepts and producing living case studies
- Transforming the current business operating system and underpinning technologies to support a 'track two' approach to the market



About CIONET

CIONET is the leading community of more than 10,000 digital leaders in 20+ countries across Europe, Asia, and the Americas. Through this global presence CIONET orchestrates peer-to-peer interactions focused on the most important business and technology issues of the day. CIONET members join over a thousand international and regional live and virtual events annually, ranging from roundtables, programs for peer-to-peer exchange of expertise, community networking events, to large international gatherings. Its members testify that CIONET is an impartial and value adding platform that helps them use the wisdom of the (IT) crowd, to acquire expertise, advance their professional development, analyse and solve IT issues, and accelerate beneficial outcomes within their organisation.

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