

Editorial: *Looking at Trends and Designing a Next-Generation Operating Model Putting CX Reshaped by Digital at the Heart of It*

As we were witnessing in the last seven-eight years a challenging conversation about the so-called “Exponential Organization”, we remarked in the summer last year, thanks to the prestigious Harvard Business Review, how the Founder and Chief Epiphany Officer of “Shift Thinking”, Mark Bonchek, showed that the opportunity for real innovation comes with a shift (required by the digital business models, which are defined by their ability to create exponential value) *from the incremental* (focused on making something better) *to exponential mindset* (focused on making something different).ⁱ While a year before we also observed the so-called framework “Six Ds of Exponentials” (digitization, deception, disruption, demonetization, dematerialization, and democratization) introduced by Peter H. Diamandis and Steven Kotler (in their book “Bold: How to Go Big, Create Wealth and Impact the World”, Simon & Schuster, 3. Februar 2015), who underline that: *“These Six Ds are a chain reaction of technological progression, a road map of rapid development that always leads to enormous upheaval and opportunity”*.ⁱⁱ

There is no doubt that the industrial world business is in full transformation: “Internet of Things” (so-called in US), “Industry 4.0” (so-called in Germany), “Made in China 2025” (so-called in South East Asia).ⁱⁱⁱ According to the arguments brought by the Dean of Executive Education at ESMT Berlin, Olaf Plötner: there are possibilities for tapping great sales potentials thanks to innovative developments in the IT sector (especially important being two factors: data mining, and connectivity); within the three ways used generally by the companies to approach strategic change and achieve revenue growth (find new customers, offer new products, adopt a new business model), many established industrial companies take the way of “business models 4.0”, the implementation of new technologies strengthening customer needs’ knowledge and quickly revealing new business opportunities.



Figure 1: The cost traps impeding business models 4.0 success and the potential countermeasures

Source: Plötner, O., After After-Sales: New Business Models Tempt, Fail Industry, January 27, 2017, retrieved on 02.02.2017, from: <http://www.europeanbusinessreview.com/after-after-sales-new-business-models-tempt-fail-industry/>

Plötner attracted the attention on the need of using modern technologies for innovative business models, but also taking into account *the nine cost traps* (identified by him, also indicating the potential countermeasures) as *impeding business models 4.0 success*: overambitious profit targets, overestimating own capabilities, ignoring unpredicted developments, outdated sales force, risky pricing models, misguided marketing communications, failed customer integration, urge for perfection, inflexible corporate structures (as shown in the above figure).

On the other hand, the author of the book “Getting In Front on Data: The Who Does What (Technics Publications, 2016), Thomas C. Redman (“the Data Doc”),^{iv} showed two years ago, in the same prestigious Harvard Business Review, *four emergent ways to compete with data* (to pursue competitive advantage through data): *cost reduction through improved data quality*; “*content is king*” (providing additional, more relevant, or newer data to the customer through: pure content providers, informationalization of existing products and services, and infomediaion); “*Building a better data mousetrap*” (data-driven innovation); *becoming increasingly data-driven* (in everything one does, combining data with intuition). Recently, the VP and Global Internet of Things Evangelist for SAP, Tom Raftery,^v asked about where he sees the Internet of Things in 10 years answered (despite the fact that we are only starting our IoT journey) *that the term Internet of Things will be superfluous* (but many other areas of our lives and businesses will continue to be improved and enhanced by the IoT advancements), and we will see *new trends and developments* such as: connected agriculture moving to vertical and in-vitro food production; connected transportation enabling tremendous efficiencies and safety improvements (given the transition to predictive maintenance of transportation fleets); connected manufacturing transitioning to manufacturing as a service; connected energy moving to a system in which demand more closely matches supply.

Indeed, the all world business is in full transformation, but as McKinsey’s representatives argued in February 2017,^{vi} beyond the many existent elements to a transformation (from end-to-end journey redesign and embedding analytics into processes to open tech platforms), is often missing a comprehensive view of how to both architect the right elements for this transformation, and systematically and holistically undertake the change journey. And companies can thrive by adapting, learning, and finding new solutions quickly in identifying uncovered new customer needs and developing new ways of meeting these needs.

Here is worth remembering the significant contribution brought by the McKinsey Global Institute (MGI) 2011 report “*Big data: The next frontier for innovation, competition, and productivity*” (taking into account the rapidly development of the field of analytics since that special moment) on the continuously important path of right using data analytics in companies’ struggling to transform industries, create new business models, and take advantage of opportunities in different industries, including in retail.^{vii} In the opinion of MGI partner Michael Chui the data have to be understood and well used in order to get good answers. McKinsey senior partner Nicolaus Henke showed how it was helped a retailer with thousand outlets in a

very large city (looking for more store spaces) to identify other opportunities to grow. Based on analysis with artificial-intelligence and machine-learning applications, they found that highly successful would be the stores (for a particular segment of people) located next to a laundromat, this way being identified 850 new store locations that the retailer wouldn't have thought about before. On the other hand, as the shoppers' behavior is continuously changing, *social-media analytics is becoming an extremely increasingly important source of information*, as shown in another episode of the McKinsey Podcast.^{viii} According to McKinsey partner Alex Rodriguez and specialist Anne Martinez: an actually globally trend, for example, is the commoditization around what's "for me" versus what you might argue; as consumers are continuing to look for value, highest-performing companies are watching trends across multiple sources of information, trying to learn from consumer-sentiment trends, and moving quickly based on the insights, so as to remain relevant for both consumers and different markets on the basis of the provided customer experience (consumer sentiment being an input into CX); the relevance of a channel (brick and mortar versus online, for example) is impacted by the recognizing a trend in consumer sentiment; "click and collect" are extremely powerful in France and in the UK. In fact, as other McKinsey's representatives showed: in order to take a forward-looking view in assessing the link to value, customer-experience programs has to look at the trends;^{ix} company has to link customer value to the operational drivers that underpin it, then design accordingly a new next-generation operating model, putting customer experience (reshaped by digital) at the heart of it, implementing the desired operational improvements by activating five key capabilities and approaches: *digitization, advanced analytics, intelligent process automation, business-process outsourcing, lean*.^x

Allow us to finally mention that US food giant Kraft Heinz (consumer goods firm whose key investors are the well-known Warren Buffett and Jorge Lemann; Kraft Heinz took over Cadbury in 2010, for example) tried without any success to buy, this year in mid-February, Unilever (the Anglo-Dutch maker of Marmite and Flora, among other products).^{xi} "PR Week", the leading source of news, analysis, features & jobs for the Public Relations industry, commented at the beginning of March^{xii} that within the news cycle for the past eight months (dominated by the fallout from Brexit and the US presidential election) only two business stories were noticed by more than 30% of the interviewed population (according to Populus, a leading research & strategy consultancy, who interviewed a nationally representative sample of GB adults aged 18+ online for each week between 3 March 2016 and 25 February 2017), one of them being the "Marmite-gate" spat between Tesco (the most important UK's retailer, and one of the world's largest retailers) and Unilever (its brand Marmite), a kind of pricing war intensively offline and online mediatized within the context of Brexit. The approach taken by the US investors in previous big deals backed by 3G (which focuses on cost-cutting) didn't work, in the opinion of Unilever the key to long-term growth being nurturing brands and social responsibility. Unilever's CEO announced besides a strategic review making Unilever leaner and delivering better returns for shareholders, offering protection against such further aggressive approaches. What concerns the so-called "Marmite-gate" spat, it is also worth mentioning that Chloe Rigby,

Editor, InternetRetailing.net, made in October 2016 a good analysis,^{xiii} on this occasion also revealing how retailers rely on brands, and brands rely on retailers, changing relationships between brands and retailers being obvious in this Omni channel world. While in February this year, Rigby revealed some authorized opinions reflecting “Insight around the world”:^{xiv} *Cyber Monday became a global phenomenon; delivery is considered by the online marketplaces as a crucial competitive differentiator (being funded as a cost of sale); the ecommerce market in 2017 will also be shaped by Brexit; it is very important to take into account that consumers want choice, value for money and convenience; retailers can improve performance by connecting email (nearly 50% being opened on a mobile device) to in-store actions, creating responsive designs and rethinking subject lines.*

As we have already seen in the pages of our magazine in the last years, being in the “converged lifestyle” (a new phase of convergence - consumers being enabled by technology - which is pushed by connectivity, the digitization of our lifestyles becoming the norm and virtualization disrupting power relationships between companies, customers, and employees), “the 21st Century Retail Customer” will continue to expect a consistent experience whether he interacts with a brand in-store, online or via mobile, while retailers will continue to meaningfully improve performance by looking at this consistent experience as an end-to-end experience, and innovating so as to create mutual value within the experience with a solution, retailers’ experience strategy ultimately becoming retailers’ business strategy, achieving this way better results, and confirming the strong beliefs both in insights, and in the whole mix of insight tools actively used... while focusing on making something different.

Theodor Valentin Purcărea

Editor-in-Chief

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