Evolving Offers
In An Instrumented Economy

Christopher Meyer
Chief Executive, Monitor Networks
The Challenge for Management

“When the rate of change outside exceeds the rate of change inside, the end is in sight.”

Jack Welch
Chairman, General Electric
Economic Change Made Simple

Value Added

Industrialization

Organization

Business

Technology

Science

1800 1900 2000 2100

Time

Value Added
Information is Transforming Business And Organization

Value Added

- Science
- Technology
- Business
- Organization

“Informationalization”

Time

1800 1900 2000 2100

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BLUR = Speed + Connectivity + Intangibles

**Speed**
- Reduced cycle time
- Shortening of product life cycles
- Half-life of knowledge
- *The end of equilibrium*

**Connectivity**
- Distance (telegraph)
- Time (store & forward)
- Tether (wireless, LEOs)
- Location (GPS)
- Language (on-line translation)
- Identity (ANI, barcodes)
- “Species” (*EDI, CAD/CAM, text-to-speech*)

**Intangibles**
- *The service components of products*
- The service sector
- Information
- Emotions
The weight of the US GDP has remained the same for 100 years, while its value has grown by a factor of 20. --Alan Greenspan

- Potatoes: $1/lb
- Automobile: $5.95/lb
- Computers: $168/lb
- Drugs: $23,000/lb
Now, Everything Is Made of Software

Product → Service

Service → Product

Service is Embedded in Products

PCS HealthSystems

5 million prescriptions changed in 1996
How Can A Company Create Adaptive Offers?

The Connected Offer
“Download The Upgrade” c. 1996

“...the unique Update feature allows all wash programs to be completely reconfigured in the future to take advantage of improvements in detergent or dishware.”
Speed and Connectivity Create Intangible Value
The Offer

No Product without Service, No Service without Product

Speed
- Anytime
- Real Time

Connectivity
- Online
- Interactive
- Anyplace

Intangibles
- Learning
- Anticipating
- Filtering
- Customizing
- Upgrading
## Management Mindset: Offers Are Different

<table>
<thead>
<tr>
<th></th>
<th>Product</th>
<th>Service</th>
<th>Offer</th>
<th>Example</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Time Horizon</strong></td>
<td>Time of Sale</td>
<td>Period of Contract</td>
<td>Life of Customer Need</td>
<td>.Mac</td>
</tr>
<tr>
<td><strong>Buyer “Care Abouts”</strong></td>
<td>Price, Delivery, Convenience</td>
<td>Ongoing Support</td>
<td>Upgradeability</td>
<td>PS3</td>
</tr>
<tr>
<td><strong>Dominant Cost Focus</strong></td>
<td>Direct Costs</td>
<td>Period Costs</td>
<td>Design Costs</td>
<td>Startups</td>
</tr>
<tr>
<td><strong>Source of Value</strong></td>
<td>Manufacturing Process</td>
<td>Training, Maintenance</td>
<td>Platform</td>
<td>iTunes</td>
</tr>
<tr>
<td><strong>Design</strong></td>
<td>Fixed, Uniform</td>
<td>Customized</td>
<td>Learning</td>
<td>BankInter</td>
</tr>
<tr>
<td><strong>Revenue Model</strong></td>
<td>List Price</td>
<td>Subscription Period</td>
<td>Subscription &amp; User Fees</td>
<td>.Mac</td>
</tr>
<tr>
<td><strong>Marketing Objective</strong></td>
<td>Brand Loyalty</td>
<td>Relationship-building</td>
<td>Community-building</td>
<td>eBay</td>
</tr>
</tbody>
</table>

*Note: The table above outlines key differentiators between products, services, and offers, highlighting how they address varying customer needs and market strategies.*
How Offers Evolve—Part 1

Sense & Respond
Consumer Banking Analytics—Adding Connectivity

60,000 Offers per year
Adaptive Intelligent Recovery ... allows the thermostat to “learn” how long your furnace and air conditioner take to reach the temperature you want.
Transit times reduced 15% in L.A.
Fearing the Worst From Sensors
How Offers Evolve—Part 2

Learn & Adapt
Microsoft Introduces Tool For Avoiding Traffic Jams

In the end they were able to build a model for predicting traffic based on four years of data and 16,500 discrete trips covering over 125,000 miles. The system effectively created individual “personalities” for over 819,000 road segments in the Seattle region.

“I consider this to be the moon mission of our machine-learning research,” Mr. Horvitz said. “I’m still buzzing with the glow that this is actually possible.”

The New York Times
April 10, 2008
Fearing the Worst From “Learn & Adapt”
Connectivity and Self-Organization

Chemical Reactions  ->  Life
Genetic Interactions ->  Ecology
Business, Transactions ->  Connected Economy
# The Principle: Sense & Respond, Learn & Adapt

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<th>Learn</th>
<th>Adapt</th>
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<tbody>
<tr>
<td>Honeywell</td>
<td>Thermometer</td>
<td>Thermostat</td>
<td>Adaptive Recovery</td>
<td>Seasonal Adjustments</td>
</tr>
<tr>
<td>Amazon</td>
<td>Clickstream</td>
<td>Fulfillment</td>
<td>Exceptions</td>
<td>Capability Changes</td>
</tr>
<tr>
<td>Bankinter</td>
<td>Interactions</td>
<td>Marketing and Service</td>
<td>Preferences</td>
<td>Innovations</td>
</tr>
<tr>
<td>Google</td>
<td>Clickstream</td>
<td>Search Results</td>
<td>Customization</td>
<td>Higher Value Clicks</td>
</tr>
<tr>
<td>“Queen BMW”</td>
<td>ABS</td>
<td>OnStar</td>
<td>Genetic algorithm</td>
<td>Dissemination</td>
</tr>
</tbody>
</table>
Today’s Frontier
New Connected Sensors

Web 2.0 Score Card

- Peer-to-peer
- Broadband
- Real-time, 3D
- Mobile
- Open standards and access
- Modularity / Mash-ups
- Web-based applications
- Community
- Reputation assessment
- Tagging and filtering
- Creation of a collective product
- User Generated Content
“Faceforce is a mash-up that integrates Facebook profile information with Salesforce data in real time, providing an instant 360 degree view of customers, prospects, and business associates.”
Oracle today previewed planned features of Fusion Middleware 11g. [integrating] new Enterprise 2.0 functionality into a single, unified, hot-pluggable and secure platform.

NYT, Nov. 2, 2007

Oracle.com
Next: Emphasis on “Learn & Adapt”

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<td>Wearable health sensors</td>
<td>Networks, software, and robots</td>
<td>Pattern recognition</td>
<td>“Download the upgrade”</td>
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<td>RFID readers</td>
<td></td>
<td>Optimisation</td>
<td>Autonomous continuous improvement</td>
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<tr>
<td>Chemical sniffers</td>
<td></td>
<td>Simulation</td>
<td></td>
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<tr>
<td>Satellite sensors</td>
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<td>Feedback</td>
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“In this second half of the information era, we will leave behind the idea of stable solutions. Already, a successful business is neither at rest nor in focus at any given moment. Built to last means built to change.”