

# **THE FUTURE OF COMPETITION**

## **Co-Creating Unique Value With Customers**

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**MAIN IDEA**

How commercial value is created at present

**Delivery of products and services**

.....→

**Delivery of customized experiences**

How commercial value will be created in the future

The way in which value is being created in consumer markets is undergoing a far-reaching and profound change. Instead of value being embedded in products and services, value is now derived primarily from the experiences of consumers. As a result, value is created by individual consumers interacting with a firm and its network of partners. This means that value is not unilaterally specified by the vendor, but will be individual- and experience-centric.

In this environment, businesses need to think and act differently to prosper. The focus needs to switch from developing great products and services to working hand-in-hand with consumers to co-create value through personalized experiences which are unique to every individual consumer. This new reality presents some impressive new commercial opportunities for those firms which are able to build a robust experience environment and infrastructure.

In all, the future of competition is an opportunity to participate in the co-creation of experiences for and with consumers.

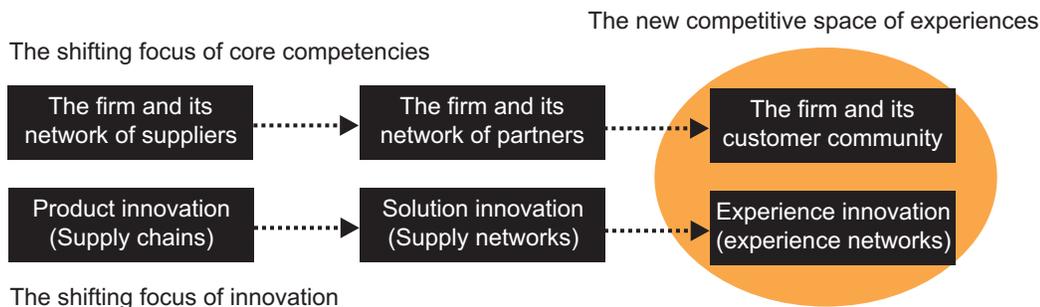
**1. The new view of value creation** ..... Page 2

For today's empowered customers, commercial value does not reside in generic products or services. Instead, customers will now pay more for personalized interactions or experiences that are meaningful and specific to their needs. Customers want to participate with vendors in the co-creation of value which is unique and tailored to their own individual needs.

In the economy of the future, the ability of a firm to co-create experiences with its customers will be the basis for a sustainable competitive advantage.

**2. The basic principles of co-creation** ..... Pages 3 - 5

Co-creation, in practical terms, means the basis of value is in the process of moving from products to personalized experiences which are created using the competencies of others, especially consumers.



The key principles of co-creation are:

1. Understanding the four building blocks: dialogue, access, risk assessment & transparency.
2. Identifying the four key dimensions: multiple channels, options, transactions, relationships.
3. Using the levers of innovation: granularity, extensibility, linkage and evolvability.
4. Unfolding the spectrum of co-creation experiences.
5. Developing an infrastructure that allows firms to compete on experiences.
6. Migrating to the market as a forum rather than a target.

**3. How to build strategic capital in this new environment** ..... Page 6 - 8

Every initiative most firms take today is based on the implicit assumption firms create value by developing and then delivering products and services to consumers. As that assumption of the value creation process has changed, the need for new thinking is obvious.

To build new strategic capital as the base for competitive advantage, firms need to:

1. Build new bridges of understanding between the business managers and consumers.
2. Facilitate the ability of the firm to create new knowledge rapidly so the firm can think and act in real time.
3. Inject a spirit of discovery into the development of new business strategy.
4. Build new functional, infrastructure and governance capabilities better suited to the future.

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