

UNLOCKING THE CUSTOMER VALUE CHAIN

How Decoupling Drives Consumer Disruption

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MAIN IDEA

The real driver of most digital disruption in markets today is not new technology. It's consumer behaviors and preferences. They are flocking to new business models which give them more control and more value. Therefore, if you want to innovate, look at changing your business model first and foremost.

Specifically, get to know and see your customer's "value chain" from their perspective – what they want and the steps they undertake to get that.

The Customer Value Chain



Traditional companies expected consumers to carry out all these activities with them. The most successful digital upstarts decouple or break apart this value chain. They have customers undertake one or two of these steps with them and the rest with incumbents. They change the game and slant things in their own favor by using technology to achieve decoupling.

"Borders tried to be "an innovative company," launching its own e-commerce website, e-reader, and e-book store. Nokia for years invested heavily in smartphones, touch screens, and other technologies, earning multiple innovation awards. Yet technological innovation alone didn't save them. It likely won't save your business, either. Your fate lies in the hands of customers. So let's understand the logic of their needs and wants. By doing so, we can devise reliable strategies and tools for directly managing disruption to their advantage, and indirectly to yours as well."

– Thales Teixeira

The Customer Value Chain



1. The new realities of today's marketplace Pages 2 - 4

Traditionally, consumers completed all the value chain activities with the same company. Today's markets are now full of disruptors who break the links in the value chain and then perform one or a few of those stages themselves. Decoupling is happening everywhere. Savvy digital disruptors are performing those parts of the value chain where the most value is added and leaving others to perform the other parts which are expensive to duplicate. Decoupling is a compelling business model.

2. How incumbents should respond Pages 5 - 6

If someone is coming along and attempting to decouple your markets, there are realistically only two ways you can respond. You can either take action to recouple your customer value chain or you can preemptively decouple your CVC and seize the portion that generates the most value for yourself. Any other approach is doomed to fail. And before you decide which approach to take, you have to understand the respective upside and risks of each approach. That requires a meticulous analysis.

3. How to build your own disruptive business Pages 7 - 8

Building and growing your own disruptive business all comes down to revisiting and rethinking established paradigms nobody else has challenged yet. Apply the basic concepts of decoupling and you'll see opportunities to disrupt all around. This can work whether you're an industry outsider looking in, an intrapreneur starting a new venture inside an existing business or a startup looking for a new and innovative idea to monetize.

The challenges of building a disruptive business always fall into three categories which correspond to the life cycle of an enterprise:



The real prize in building a disruptive business is the customer. All successful disruptive businesses are customer-centric. Choose your customers astutely and serve them well. Everything else is an add-on.