

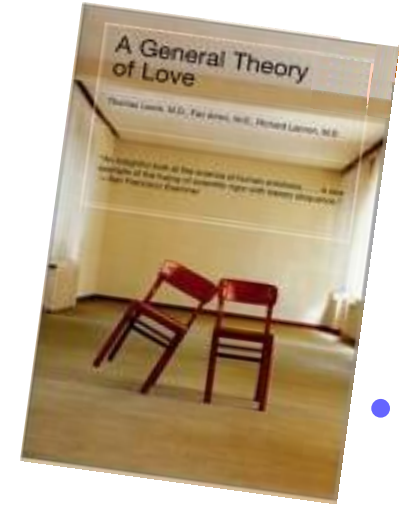
The Peer Insight list

OUT ↔ IN



Goods Era
Selling products
Competitors
Raw material
Factory
Roads & trucks
Supply chains
Systems thinking
Outsourced market research
Big, loud brands
Managers
Continuous improvement
Skunkworks innovation
Outsourcing
Hierarchical structures
New products
Web 1.0 (free digital newspaper)

Services Era
Delivering experiences
Customers
Data
IT
Internet
Demand chains
Design thinking
Internal ethnographic studies
Authentic brands
Growth leaders (confidence + uncertainty)
Game-changing innovation
Open innovation
Employee engagement
Collaborative structures
New growth platforms
Web 2.0 (digital collaboration space)



Ten things you need to know about the Services Era

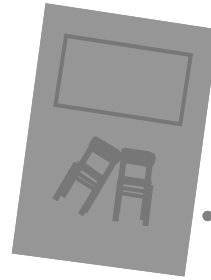
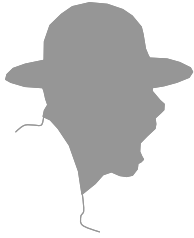
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1. Selling products → Delivering experiences

Over 80% of economic output from modernized economies is in the form of services. What drives us to choose Harrah's over a competitor? The customer experience. [Key reference: [The Experience Economy](#), by Pine & Gilmore.]

2. **Competitors → Customers:** Customers have become the key reference point for competitive strategy in the services era. That's because market boundaries are blurring and we cannot be certain who our competitors will be. [Key reference: [Seizing the White Space: Innovative Service Concepts in the US](#), by Peer Insight.]

3. **Raw material → Data (etc.):** The services era has direct analogs to the goods era. Data is the analog to raw materials, IT plus front-line workers is the services "factory," and the Internet is the trucks and roads. These new structures are highly fluid, breaking down the old rules and turning the early days of the services era into something akin to the Wild, Wild West. [Key reference: [Seizing the White Space: Innovative Service Concepts in the US](#), by Peer Insight.]

4. **Systems thinking → Design thinking:** Systems thinking seeks to drive out all variability. How is that going to result in a compelling customer experience? The services era demands *design* thinking to uncover new possibilities. [Key reference: [The Opposable Mind](#), by Roger Martin.]

5. **Managers → Growth Leaders:** The 1990s formula of M&A plus Six Sigma has run out of steam. Today, organic growth is essential. That requires acting not on *certainty* but on *curiosity*. A good starting point is to understand how humans form meaningful connections. [Key reference: [The General Theory of Love](#), by Thomas Lewis, which was given to us by Claudia Kotchka at P&G.]

6. **Continuous improvement → Game-changing innovation:** Firms that extend their Six Sigma program to address innovation find it is missing some key elements. The cognitive challenge of *exploring* is fundamentally different from that of *exploiting*. New protocols are needed. [Key reference: [The Innovators Solution](#), by Christensen.]

7. **Skunkworks innovation → Open innovation:** Firms of all types have discovered they no longer have know-how monopolies and must innovate with partners. This is especially true in services, where complex ecosystems make amazing experiences possible, from iPod/iTunes to pay-as-you-drive insurance programs. [Key reference: [Open Innovation](#), by Henry Chesbrough.]

8. **Outsourcing → Employee engagement:** Front-line employees are a key part of the services "factory" (see item 3 above). Furthermore, Earl Sasser at Harvard taught us long ago (around 1987) that service experiences are heterogeneous. Therefore, outsourcing can only get you so far. Firms need highly engaged employees to perceive the nuances of each customer experience and put things right at the moment of truth. [Key reference: [A Whole New Mind](#), by Daniel Pink.]

9. **Hierarchical structures → Collaborative structures:** Hierarchical models worked in the goods era, since supply chains had a fixed structure. For service innovation, firms need an internal operating model built on *collaboration* to discover and nurture new concepts. [Key reference: [The Discipline of Service Innovation](#), by Peer Insight.]

10. **Web 1.0 → Web 2.0:** The Internet hysteria may not have been wrong; perhaps it was just early. [Key reference: [Wikinomics](#), by Tapscott & Williams.]