HARVARD BUSINESS

thinkORBIT

# RECENT POSTINGS ON BUSINESS IN A SOCIAL AGE

## by Mark S. Bonchek, Ph.D.

Mark S. Bonchek, Ph.D. is the Founder and Chief Catalyst of thinkORBIT, a designer of business and marketing strategies that pull customers into orbit around a brand. In 1997 he received the first Ph.D. granted by Harvard University on the topic of social media. Ever since he has been on the frontier of helping organizations and leaders adapt to business in a social age. These posts are selected from his writings for Harvard Business Review.

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# "The Six Shifts of the Social Revolution"

Harvard Business, May 16, 2012 *("Putting Facebook in Perspective")*
By Mark Bonchek

Every day brings some new bit of information – or hype – about social business. If you actively follow the social space, it's easy to get caught in the never-ending stream. If you don't, you may find all the talk about social overwhelming. So it's useful to step back, gain some perspective and see the bigger picture. And it is a big picture.

Communication revolutions like this have happened before, but you have to go back to Gutenberg in 1450 to find one as significant. Before Gutenberg's printing press, monks laboriously produced written manuscripts and few people could read. The printing press changed all that, ushering in an era of mass communication.

The combination of the Internet, social media, and mobile devices ushers in an era of mass collaboration. These new technologies allow anyone to connect to anyone and everyone, at any time – and there are already signs that the relationships we have with ourselves, with each other, and with our institutions are changing in response.

We are still early in this social revolution, so exactly how these changes play out is yet to be determined. But the general outline is coming into view along six trajectories. As you read each one, ask yourself how well they apply to your organization or work. Your answers will tell you more about where you are in the social revolution than how many likes you have on Facebook or followers on Twitter.

**1. Media: From Audience to Community**
The first shift relates to media and the evolution of audience to community. For five hundred years, we have lived in a world of broadcast media. We are accustomed to thinking about media as a channel to distribute a message to an audience. But as "one-to-many" becomes "many-to-many," our audiences become communities. Audiences once passive, anonymous, and isolated are suddenly active, empowered, and connected. You aren't giving a lecture anymore; you are hosting a dinner party. Your success is determined by how well you connect people together and keep the conversation going.

**2. Individuals: From Consumer to Co-Creator**
The second shift affects our identities as individuals. With the evolution from passive audiences to active communities, we shift from consumers to creators. In commerce, customers participate in the the quality of services (Yelp), the design of products (Threadless), and even their manufacture (Shapeways). In education, students don't just consume, but co-create their education in flipped classrooms (Khan Academy, TED-Ed). In government, citizens suggest ideas and participate in the policy process through open government. Social technologies are empowering individuals, enabling them to find their voice and take collective action.

**3. Brands: From Push to Pull**

The third shift affects brands and the ways they engage customers, employees, and the public. In a social age, people don't like to be pushed. They don't need brands to tell them what to buy, where to buy, or when to buy. Their social networks do this for them. It's why the CEO of Saatchi and Saatchi recently declared that "Marketing is dead." Furthermore, the fragmentation and cacophony of the social bazaar drowns out even the loudest megaphone. As I've written in earlier posts, brands need to learn how to attract people into orbit around their brand by generating social gravity.

**4. Organizations: From Hierarchies to Networks**

Organizations are also experiencing a shift as employees become more empowered and connected. Formal hierarchies are giving way to informal networks. One of the most fascinating examples of this transformation is the U.S. armed forces over the last decade. After 9/11, the military realized it was now fighting a network of "super-empowered, hyper-connected" individuals. Its leaders recognized that the traditional command-and-control hierarchy would not be smart or fast enough to defeat a networked enemy. It would take a network to defeat a network. As chronicled by Ret. Gen. Stan McChrystal, the military created new doctrine, new training, and new strategies to empower soliders as not only warriors but nation-builders, and promote information sharing and collaboration around a shared purpose. In the coming years, companies will need to make a similar transformation to serve their own empowered and connected constituencies.

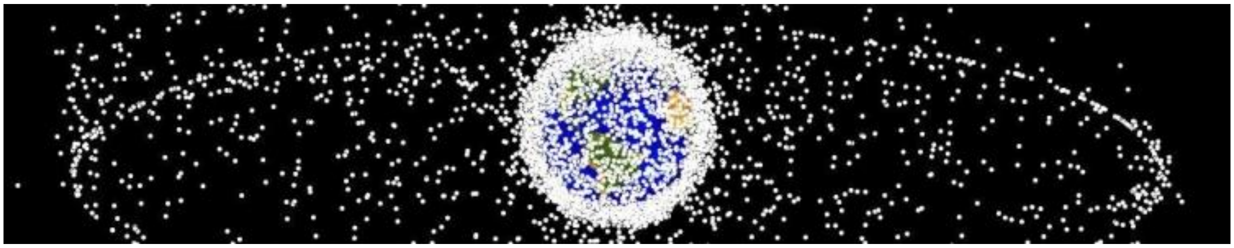
**5. Markets: From Products to Platforms**

The basis of competitive advantage is shifting from products to platforms. The shift is most notable in the technology arena. Apple's dominance is due to the success of its platform more than its products. Other companies make an excellent smartphone. But the iPhone is a superior platform for creating a seamless experience through iTunes, the App Store, and now iCloud. Facebook is increasingly a platform for other companies, most notably Zynga, the social gaming company. This same shift is taking place in media (Huffington Post) and financial services (AmEx). Competition is becoming how well you create platforms from which you can (a) bring products to market, (b) grow an ecosystem of partners, and (c) pull key constituencies into orbit.

**6. Leadership: From Control to Empower**

As with any change, it takes leadership to make these shifts. But the social revolution is calling for a new kind of leadership. It took different skills to manage hierarchies and influence audiences. The new leadership challenge is how to design networks, build platforms, and engage communities. It takes a higher level of authenticity, transparency, and purpose, combined with a commitment to excellence, responsiveness, and performance. What Michael Beer and Russ Eisenstat call Higher Ambition leadership. In the social age, the nature of power shifts from how much you control to how well you empower.

Regardless of what happens to Facebook, these fundamental shifts are happening and will affect every aspect of our lives. It's useful to keep in mind that Gutenberg's press led to some very big changes: the Protestant Reformation, the Renaissance, the Scientific Revolution, and the rise of the nation state (see *The Printing Press as an Agent of Change* by Elizabeth Eisenstein). Granted, it took 300 years for all these changes to take place. But at the pace things move today, we should be counting in decades rather than centuries.



## "How Top Brands Pull Customers into Orbit"

Harvard Business, March 5, 2012
Mark Bonchek

The most successful companies in business today have something in common. This trait doesn't just make them better than the competition; it makes them fundamentally different.

Where traditional companies push out messages and products, these companies pull customers in. Instead of treating customers as passive targets, they treat them as active participants. Like the sun in a solar system, they create a gravitational field that pulls customers into their orbit. They go beyond customer loyalty to building customer gravity.

Consider three top companies with orbit strategies: Apple, Google, and Nike. Each has a different approach, but the result is the same: customer-initiated touchpoints between transactions, and the creation of value beyond just product. At the core of each orbit strategy is a platform or service, what might be called a Customer Gravity Generator. Apple has iTunes and the App Store. Google has its search engine and Gmail. Nike has Nike+ and NikeID.

These orbit brands are actively building new Customer Gravity Generators. Apple has launched its iCloud. Google created Google+. Nike just launched NikeFuel.

Orbit brands are organized differently than traditional companies. Traditional brands are like artillery. Their mantra is aim and fire. They spend their time sighting targets (through customer segmentation), calibrating trajectories (by optimizing marketing mix), loading ammunition (with messages and offers), firing their weapons (with marketing campaigns), and celebrating successful strikes (from sales).

Orbit brands are more like scientists building a supercollider. Their mantra is test and learn. They focus on understanding the physics of their market space (through customer behavior), create and improve their technology (on products and platforms), run experiments (for new benefits and services) and analyze the results (for customer engagement).

To get started with an orbit strategy, start by measuring the strength of your gravitational field. Customer satisfaction isn't enough. You aren't measuring how well you target and transact. You want to measure the attractiveness of your brand – how well you pull customers in, and how well they pull other customers in with them.

A good test of where you are on the push/pull continuum is your social media strategy. Are you using social media as a channel for delivering messages to an audience? If so, you may be stuck in the push mindset. Or are you using social media as a way to listen and learn, to create an authentic relationship, and to deliver value beyond the products you sell? If so, you are well on your way to being an orbiter.

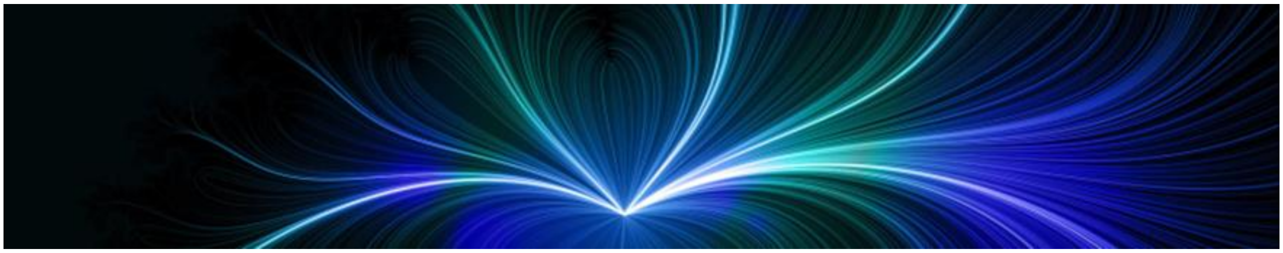
Next, imagine how you might build your own Customer Gravity Generators. First, revisit the core mission or purpose of your company. Think about what would help fulfill that mission and complement the products and services you sell. There are any number of sources of value: data, content, stories, relationships, experiences, identity.

If you think that only technology companies can create orbit strategies, think again. Nike has created a series of gravity generators, including Nike+, NikeID, and NikeFuel. With each generator, Nike creates a different orbit. One for runners, one for shoe aficionados, and one for athletes. Nike+ is particularly good at building social gravity, as existing users pull in new users like moons around their planets.

You don't need to be a product company. Vail Resorts, a ski resort operator, created an orbit strategy with its Epic Mix. Starbucks' "third place" strategy turned its own stores into gravity generators for local neighborhoods. Retailer Sears Holdings is creating concentric orbits: ShopYourWay.com, a social network for social shopping; FitStudio, a community for fitness enthusiasts, and Craftsman Experience, a media channel for do-it-yourselfers.

You can also start small. Have you seen the Samsung power towers at busy airports? Road warriors are always huddled around them, tethered via their power cords. Samsung used electricity to generate customer gravity, and this one literally pulls in potential customers.

There are lots of options for creating customer orbits. So next time you hear someone talk about targeting customers, ask yourself, "What could we do instead to create some gravity and pull them in?"



# "Three Steps to Generating Social Gravity"

Harvard Business, April 2, 2012
By Mark Bonchek

In a social age, people don't like to be pushed. As described in my last post, top brands like Apple, Google, and Nike are using a new model based on pulling rather than pushing. They create a gravitational field that attracts customers into orbit around their brand.

This kind of social gravity isn't just about how many likes you can get on Facebook. This is about enduring, meaningful, and authentic relationships with your customers and the people in their lives.

How can you shift from push to pull and create your own social gravity? With three basic steps: **Purpose** provides the Why; **Platforms** the What; and **Partners** the How.

**1. Shared Purpose**

The objective of Push marketing is to convince a customer to make a purchase. In contrast, the objective of Pull marketing is to achieve a shared purpose. At Sears Holdings, where I used to work, the Craftsman brand of tools and equipment has an orbit strategy for do-it-yourselfers. The Craftsman Experience studio in Chicago creates live experiences and professionally produced content to help members of the Craftsman community create and accomplish their DIY projects. The focus isn't on the immediate purchase, but on achieving the shared purpose of creativity, craftsmanship and accomplishment. This shared purpose attracts existing Craftsman customers, and leads them to bring along their DIY friends as well.

**2. Engagement Platforms**

While Push marketers focus on products, Pull marketers focus on engagement platforms. These platforms are what engage customers outside the purchase process and deliver value beyond the products being sold. Some of the most well known engagement platforms are Google's search engine, Apple's iTunes music manager, and the Nike+ running community. Google, Apple and Nike don't charge people for using these platforms. But they keep their customers in frequent orbit around the brand, and make it easy for customers to purchase a product, whether an ad, song, or shoe.

Engagement platforms are built from multiple layers working together. The identity layer recognizes the customer. The data layer exchanges information to personalize the experience. The relationship layer enables connection among the brand and community members. Finally, the value layer delivers benefits to the users.

One of the reasons why orbit strategies are becoming so popular is that social networks like Facebook, Twitter, and Google provide ready-made identity, data, and relationship layers. All you have to do is figure out the right engagement strategy for the value layer.

There are five types of engagement strategies that are particularly common.

1. **Content**, e.g. Huffington Post

2. **Conversation**, e.g. Facebook
3. **Collaboration**, e.g. Quora
4. **Contribution**, e.g. Kickstarter
5. **Commerce**, e.g. Groupon

These aren't the only strategies. Pinterest, for example, has popularized a new category around **curation**. Don't think you have to be a startup or media company. Kraft Foods has built a very effective orbit strategy around recipes, combining content, conversation, and commerce. And innovation firm PSFK uses curated content to generate gravity for its research and consulting business.

**3. Collaborative Partners**

Partners are a powerful way of amplifying your gravitational field. By combining forces, you can multiply the value of your service and bring in new constituencies. In addition, partners can add credibility. They reinforce that you are seeking to create value and build relationships beyond pushing products.

Apple's platforms are integrally connected with partners, whether music companies for iTunes or developers for the App store. When IBM sought to engage mid-market companies, it partnered with GOOD to launch the GOOD Co. project. And Kraft Foods recently partnered with HSN to bring commerce to its recipe community.

Keep in mind that your own customers should be collaborative partners. Threadless sources designs for its t-shirts from its customers, and lets the community pick which ones to produce. And P&G sources new innovation ideas from outside the company through its Connect+Develop program.

There are many ways to create customer gravity. Start with a purpose both you and your customer care about, and for which you have something to bring to the table. Then create an engagement platform that creates value using one of the types of value mentioned here, or create your own. Finally, look for partners who can bring expertise, resources, credibility, and reach.

With purpose, platforms, and partners, you are ready to build social gravity. So stop pushing and start pulling!

# "Purpose is Good. Shared Purpose is Better."

Harvard Business, March 14, 2013
By Mark Bonchek

Companies are turning to "purpose" and "authenticity" as a way to engage consumers and employees. But it's hard enough to find a purpose in life if you're an individual, let alone an entire company. And being authentic is a bit like being cool – sometimes the harder you try, the less you are.

So what's a leader to do?

The first step is to recognize that there are different kinds of purpose. Sometimes purpose is about values – who you are and what you stand for. Other times it is about value – what you do and how it benefits others.

The ultimate goal would seem to be having your values and value aligned: have what you do reflect who you are, have what you stand for guide what you make, and have your value to the community enhance your value to customers and shareholders.

This goal is of aligning values and value is espoused by many eminent leaders, from Jim Stengel to Bill George. It's a core tenet in the field of corporate social responsibility.

But in a social age, this kind of purpose isn't enough. The problem comes down to a simple preposition. Most leaders think of purpose as a purpose **for**. But what is needed is a purpose **with**.

Customers are no longer just consumers; they're co-creators. They aren't just passive members of an audience; they are active members of a community. They want to be a part of something; to belong; to influence; to engage. It's not enough that they feel good about your purpose. They want it to be their purpose too. They don't want to be at the other end of your **for**. They want to be right there **with** you. Purpose needs to be shared.

To understand the power of shared purpose, it's useful to look at the mission statements of leading companies. To be clear, I'm not equating mission statements with company purpose. But they illustrate the point, and in fact are remarkably representative of the differences between the companies. So with that caveat, let's look at our first mission statements from Adidas and Nike:

> Adidas: The adidas Group strives to be the global leader in the sporting goods industry with brands built on a passion for sports and a sporting lifestyle.

> Nike: To bring inspiration and innovation to every athlete* in the world. *If you have a body, you are an athlete.

Notice how you respond to each statement. Which one do you feel more a part of, regardless of whether you are a customer or shareholder? Adidas puts the emphasis on value and values. But Nike goes further, addressing not only people's interests but their sense of who they are. Adidas is **for**, while Nike is **with**.

Let's look at another example, this time between Starbucks and Dunkin Donuts.

> Dunkin Donuts: Make and serve the freshest, most delicious coffee and donuts quickly and courteously in modern, well-merchandised stores.

> Starbucks: Our mission: to inspire and nurture the human spirit – one person, one cup and one neighborhood at a time.

Dunkin Donuts' purpose is clearly **for** customers, and it delivers on this purpose exceedingly well. But there is something different about Starbucks' purpose. It is a purpose that is achieved **with** its customers. Again, mission statements don't always reflect a company's true purpose. But in these cases, I think you would agree that they are fairly accurate representations of the company's approach to the market, its engagement with customers, and its perception as an "authentic" brand.

The relationship of shared purpose to corporate social responsibility is worth exploring a bit further, this time by comparing Pepsi and Coca-Cola. Under the label "Performance with Purpose," Pepsi has declared both a mission and a vision.

> Mission: Our mission is to be the world's premier consumer products company focused on convenient foods and beverages.

> Vision: PepsiCo's responsibility is to continually improve all aspects of the world in which we operate – environment, social, economic – creating a better tomorrow than today.

This is a perfect example of a "Values and Value" approach to purpose. The vision covers values, and the mission covers value. But something is missing. There is no shared purpose here. Nothing for people to participate in, belong to, engage with, co-create, or share with others that aligns the commercial side of the business with social responsibility.

By contrast, Coca-Cola has declared as its mission:

> To refresh the world... To inspire moments of optimism and happiness... To create value and make a difference.

While the third line is a bit generic, the first two lay a stronger foundation for a shared purpose. It is perhaps no coincidence that Nike, Starbucks, and Coca-Cola all feature the word inspiration in their mission statements. You can't inspire someone without their participation and engagement.

How can you create your own shared purpose? It's simple, but not easy. The essential question is: What is the shared purpose that ...

a) We and our customers can work on together?
b) Is a natural expression of who we are and what we stand for?
c) Connects how we make money with how we contribute to the world?

When you apply this lens to the brand we have covered here, you can see how Nike, Starbucks, and Coca-Cola pass the test. Nike to inspire the athlete in all of us. Starbucks to nurture the human spirit. And Coca-Cola to refresh the world with moments of optimism and happiness

As you formulate your shared purpose, don't go for what you think it should be. Look for who you already are. How you already connect with your customers. What your fans already say about you.

Remember, this is not something you are going to do **to** them, or **for** them, but **with** them. It's a journey you will be on together, hopefully for a very long time.

## "Social Currency and the Gift Economy"

Harvard Business, August 8, 2012
By Mark Bonchek

So you've got your brand on social media. You have a Facebook page and Twitter account. Maybe a Pinterest board. But now what? There has to be more to social media than posting coupons and running sweepstakes. How do you drive real customer engagement with social media?

The answer may come not from Silicon Valley or Madison Avenue, but from places like the Trobriand Islands and the Pacific Northwest.

Indigenous cultures developed what anthropologists call gift economies. As observed by Marcel Mauss, Lewis Hyde and others, gift economies are quite different from the market economies to which we are accustomed. The concept of gift economies has been used to explain open source software and the Burning Man festival. But it also provides insight into what works—and doesn't work—with social media, and what brands can do to be more successful in the online arena.

To understand a gift economy, consider the example of moving into a new home or apartment. When friends help you move, you express your appreciation by providing pizza and beer—really good pizza and beer. When you hire professional movers, you pay with money. Offer your friends money instead of pizza and beer, and they are likely to be offended. Offer to pay the movers in pizza and beer, and they won't unload the truck. Your friends are operating in a gift economy; the movers in a market economy.

While both market and gift economies are systems of exchange, they differ in three fundamental ways.

### 1) Context: Transaction or Relationship

In a market economy, the focus is on **transactions**. In a gift economy, the focus is on **relationships**. Trobriand Islanders passed along necklaces and armbands as part of a ritual called the Kula Ring. An item's value was not determined by supply and demand, or measured by a market price. Instead, its value came from the relationship between the giver and receiver and its meaning in the community.

### 2) Currency: Financial or Social

In a market economy, people use money as a medium of exchange—a **financial** currency. In a gift economy, people use **social** currencies. The purpose of a social currency is not to execute a transaction, but to express a relationship. Social currencies don't have a price set in the market. In the moving example, pizza and beer are a social currency.

Note that social currencies are not the same as virtual currencies. Facebook "Likes" are social currencies, while Facebook Credits are virtual currencies. There is no price on a Facebook Like, while Facebook Credits have a clear market value.

But just because something has a monetary value doesn't mean it can't be a social currency. In the moving example, imagine if one of your friends drove a long way to help you out. It would be entirely appropriate to give your friend some gas money to cover the extra cost. The key point here is that the context is relational, not transactional.

**3) Status: Earned or Bought**

A tell-tale sign of a gift economy is that status is earned, rather than bought. In the Pacific Northwest, native tribes developed the ritual of the potlatch. Status was given not to those who accumulated the most wealth, but instead to those who gave the most to the community. On a Google search page, you can see these two worlds of earned and purchased status side-by-side. In the middle of the page, so-called "organic" search results are earned based on a site's popularity. In contrast, the ads in the top rows and right-hand column are based on how much advertisers have paid for the spot.

Social media are fundamentally gift economies. People are there to cultivate relationships, not conduct transactions. They exchange social currencies, not financial currencies. And status is earned not bought.

This illuminates why many brands are struggling with social media. They have confused market and gift economies. They focus entirely on transactions, buying status, and pushing products and promotions.

Brands that succeed in social media follow the principles of a gift economy. They build relationships, earn status, and create social currencies.

How is your brand doing? Rate yourself with the following simple guide:

**1) Build relationships.**

- Push out information to drive transactions: Base
- Create relationships with individuals: Better
- Help people create relationships with each other: Best

A brand that that I give a Best rating to in this category is Vail Resorts' EpicMix, which turns a ski slope into a social game (www.epicmix.com). The experience keeps people connected anywhere on the mountain.

**2) Earn status.**

- Celebrate your own accomplishments: Base
- Celebrate the accomplishments of others: Better
- Enable people to celebrate each other's accomplishments: Best

A brand that I give a Best rating to in this category is Nike's running community, Nike+ (www.nikeplus.com). If you post to a friend's Facebook wall during their run, they hear virtual applause through their music player.

**3) Create social currencies**.

- Focus on discounts and promotions: Base
- Think of your product as a social currency: Better
- Create new social currencies related to your brand: Best

A brand that that I give a Best rating to in this category is Kraft Foods for recognizing recipes as a social currency and engaging customers on the Web, Facebook, Pinterest, and Twitter.

To put these principles into practice, put yourself in the position of your customer and ask yourself the following questions:

- What rituals, traditions, or social conventions involve your product?
- What do people talk about, share or exchange in these activities?
- How might the experience be enhanced with something better or different?

Keep looking until you get an "aha" moment – a social insight you can build on. For Kraft, it was helping people exchange recipes. For Vail Resorts, it was bringing the social experience of the lodge onto the slopes. For Nike, it was enabling runners to bring their friends with them.

Put these insights into practice, and soon your social strategy will start taking off. Begin by contributing to the community and earning trust. Over time, you can mint your own social currencies and cultivate a gift economy. As your customers start connecting with each other, you will generate social gravity that pulls customers into orbit around your brand. The result will be a deep connection with your customers that goes beyond our transactional notions of loyalty.

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## "Little Data Makes Big Data More Powerful"

Harvard Business, May 3, 2013
By Mark Bonchek

You may not know this, but Big Data has a little brother. And together, Big and Little Data are far more powerful than Big Data alone

Big Data is what organizations know about people – be they customers, citizens, employees, or voters. Data is aggregated from a large number of sources, assembled into a massive data store, and analyzed for patterns. The results are more accurate predictions, more targeted communications, and more personalized services. Big Data is what enables banks to predict credit card fraud by analyzing billions of transactions, marketers to understand customer sentiment by analyzing millions of interactions on social media, and retailers to target promotions and offers by analyzing millions of purchases.

In contrast, Little Data is what we know about ourselves. What we buy. Who we know. Where we go. How we spend our time. We've always had a sense for these things – after all, it's our lives. But thanks to the combination of mobile, social, and cloud technologies, it's easier than ever to gain insight into our own behavior.

As an example, consider the emerging field of mobile health. Portable devices like the FitBit or Nike FuelBand measure your activity level and sync with your smartphone. The associated mobile app gives feedback, encouragement, and rewards as you reach your goals. New research shows that people who use tracking technologies are more likely to be successful in losing weight and getting in shape.

A similar trend is underway in energy conservation. The company Opower partners with utilities to give customers visibility into how their electricity consumption compares with the average of their neighborhood.

Big and Little Data differ in three primary ways:

- **Focus:** The focus of Big Data is to advance organizational goals, while Little Data helps individuals achieve personal goals.
- **Visibility:** Individuals can't see Big Data; Little Data helps them see better.

- **Control:** Big Data is controlled by organizations, while Little Data is controlled by individuals. Companies grant permission for individuals to access Big Data, while individuals grant permission to organizations to access Little Data.

Without Little Data, Big Data has a tendency to become Big Brother. We've all experienced that unsettling feeling when ads follow us on the web, a practice marketers call retargeting. And retailers have gotten into trouble when Big Data predicts things about people they don't even know themselves.

On the other hand, Little Data without Big Data is incomplete. One complaint about portable fitness devices is that they aren't sufficiently prescriptive. They don't tell you what to do based on your behavior. How much activity should I be getting? If I'm not sleeping well, what can I do to sleep better? This requires a partnership with individuals and health care providers to combine tracking with advice and treatment.

Or consider the experience of grocery shopping. We are all familiar with the coupons we get when we checkout at the register. In the time it takes for you to sign your credit card slip, a massive database analyzes what you bought today, what you bought in the past, and what people like you tend to buy, then matches it to the available offers and prints out a personalized set of coupons. A classic case of Big Data.

But what does this scenario look like with Little Data? Start by applying the three steps:

- **Shift Focus:** How can we help individuals achieve their goals?
- **Make it Visible:** How can we give people visibility into their own data?
- **Share Control:** How can the relationship be more reciprocal?

Putting these together, we can imagine a different kind of shopping experience. The Little Data alone could be used to create a personal shopping assistant that lets you:

- Generate shopping lists automatically based on what you've purchased in the past. This feature could be used to send a reminder while you are right in the store, e.g. "Don't forget the milk!"
- Bring promotions to you based on your interests. For example, instead of paging through the entire circular, you could find out if there are specials on any of your favorite brands.
- Provide useful information to guide purchasing decisions. For example, the assistant could alert you to foods with ingredients that might trigger food allergies.

Things get really interesting when we combine the power of Big Data with Little Data. For example, as a shopper, I'm interested to know which brands have the highest loyalty or what else people might have on their Thanksgiving shopping list. There might even be patterns that could predict which foods I am most likely to enjoy based on what others buy who share similar purchase histories. (Think of this as the Netflix of food.)

This connection between Big and Little Data applies in other areas as well. Consider the smart thermostat made by Nest, which automatically adjusts itself to your preferences and behavior. A utility company could connect the Little Data from Nest devices to the Big Data from its power grid. Nest customers could then benchmark their energy usage against others in the community. Furthermore, the sense of shared purpose and the greater transparency and control give individuals greater incentive to share information and participate in energy saving initiatives.

This partnership between Big and Little Data can apply to almost any industry, from travel and financial services to health care and government. While companies build up their business intelligence teams and hire (Big) Data scientists, companies should also look to create services based on Little Data that empower their customers. These services would enable customers to pull information towards them when they need it, instead of just trying to figure out what message to send and when to send it. They would enable customers to make better decisions themselves, instead of trying to figure it out for them. This is a new way of thinking, and a new way of engaging customers. Perhaps we need a new generation of (Little) Data scientists to figure it out.

There is no doubt that Big Data will transform business. But in an age of connected and empowered individuals, precision targeting must be balanced with personal value. If you want to build loyalty, spend less time using data to tell customers about you, and spend more time telling them something about themselves.

## "Three Elements of a Successful Platform Strategy"

Harvard Business, January 31, 2013
By Mark Bonchek and Sangeet Paul Choudary

We typically think of companies competing over products – the proverbial "build a better mousetrap." But in today's networked age, competition is increasingly over platforms. Build a better platform, and you will have a decided advantage over the competition.

In construction, a platform is something that lifts you up and on which others can stand. The same is true in business. By building a digital platform, other businesses can easily connect their business with yours, build products and services on top of it, and co-create value. This ability to "plug-and-play" is a defining characteristic of Platform Thinking.

Consider the market for smartphones. Nokia and Blackberry today are a shadow of their former glory. Their technology and products lag Apple and the Android ecosystem. But the triumph of Apple and Android is not from features and functions. It is from the app store on which external developers create value. Microsoft has gotten excellent reviews for the technology in its new phones, but it is the ability to create a successful platform that will determine its ultimate success.

The use of platform thinking extends beyond the tech sector. Retailers are shifting from distribution channels selling products, to engagement platforms co-creating value. Online retailers like eBay, Etsy, and Amazon led the way, and now traditional retailers are following.

JC Penney has made platform thinking a pillar of its reinvention strategy. Its stores are featuring more and more "boutiques" managed by others. It is no coincidence that JC Penney's CEO, Ron Johnson, was previously at Apple. Johnson has said, "All those boutiques are the apps. What J.C. Penney is creating is a new interface." While JC Penney's pricing strategy has been controversial, analysts have been very positive about the in-store platform.

Nike is also shifting from products to platforms. Building on the success of its Digital Sport products, Nike recently launched its Nike+ Accelerator to help companies build on the Nike+ platform. Nike's announcement reflects platform thinking. "We are looking for people who want to create companies that build upon the success of [Nike+] to make the world more active."

The rise of platforms is being driven by three transformative technologies: cloud, social, and mobile. The cloud enables a global infrastructure for production, allowing anyone to create content and applications for a global audience. Social networks connect people globally and maintain their identity online. Mobile allows connection to this global infrastructure anytime, anywhere. The result is a globally accessible network of entrepreneurs, workers, and consumers who are available to create businesses, contribute content, and purchase goods and services.

Readers will recognize a number of intellectual foundations to platform thinking. These range from Geoffrey Moore's ecosystems to John Hagel and John Seely Brown's focus on "pull." Where traditional ecosystems push, these new platforms pull. Platforms also rely on the power of network effects – as they attract more users, they become more valuable to those users. And there's a growing academic literature that explores the unique quality of value creation on what are called "multi-sided platforms."

In our view, the success of a platform strategy is determined by three factors:

1. Connection: how easily others can plug into the platform to share and transact
2. Gravity: how well the platform attracts participants, both producers and consumers
3. Flow: how well the platform fosters the exchange and co-creation of value

Successful platforms achieve these goals with three building blocks:

1. **The Toolbox** creates connection by making it easy for others to plug into the platform. This infrastructure enables interactions between participants. For example, Apple provides developers with the OS and underlying code libraries; YouTube provides hosting infrastructure to creators; Wikipedia provides writers with the tools to collaborate on an article; and JC Penney provides stores to its boutique partners.

2. **The Magnet** creates pull that attracts participants to the platform with a kind of social gravity. For transaction platforms, both producers and consumers must be present to achieve critical mass. Apple needed to attract both developers and users. Similarly, eBay needed both buyers and sellers. Platform builders must pay attention to the design of incentives, reputation systems, and pricing models. They must also leverage social media to harness the network effect for rapid growth.

3. **The Matchmaker** fosters the flow of value by making connections between producers and consumers. Data is at the heart of successful matchmaking, and distinguishes platforms from other business models. The Matchmaker captures rich data about the participants and leverages that data to facilitate connections between producers and consumers. For example, Google matches the supply and demand of online content, while marketplaces like eBay match buyers to relevant products.

Not all platforms place the same emphasis on all three building blocks. Amazon Web Services has focused on building the Toolbox. Meanwhile, eBay and AirBnB have focused more on the Magnet and Matchmaker role. Facebook has focused on the Toolbox and Magnet, and is actively building its Matchmaker ability.

In the future, we will see more and more companies shifting from products to platforms. Even those in the extermination business may worry less about building better mousetraps, and more on building mousecatching platforms. For example, imagine a smart mousetrap with sensors that wirelessly communicate to a cloud-based MouseCatcher service. Homeowners and exterminators could monitor the status of the trap on their smartphones, receiving a text message when it is out of bait or needs checking. Smart traps already exist. But the shift from products to platforms would focus on building the service (the Trapp Store?) that enables anyone with a smart trap to connect and communicate.

Every business today is faced with the fundamental question that underlies Platform Thinking: How do I enable others to create value? Building a better mousetrap still might not have the world beat a path to your door. But the right platform might just do the trick.

HBR

# "Use Doctrine to Pierce the Fog of Business"

Harvard Business, February 20, 2013
By Mark Bonchek and Chris Fussell

The "fog of war" describes the uncertainty faced by soldiers in the field of battle. In today's markets, business leaders face a similar challenge: how to pierce through the "the fog of business."

The traditional tools of management – strategy and planning – are no longer sufficient. Strategy and planning are like high beams on a car; they just bounce off the fog. Strategy doesn't give employees enough guidance to know how to take action, and plans are too rigid to adapt to changing circumstances. In rapidly changing environments, you need fog lights to get closer to the ground.

Business leaders recognize the importance of pushing decision-making down the organization and out to the front line. But delegation can lead to invisibility, inconsistency and even chaos. When driving, fog lights work best when there are lines on the road to follow. Similarly, leaders must create mechanisms that keep everyone aligned to the mission and coordinated in the field.

Doctrine is the military's mechanism for managing the fog of war, pushing decision-making closer to the ground while providing the lines to guide decision-making and action. Doctrine creates the common framework of understanding inside of which individuals can make rapid decisions that are right for their circumstances. We believe doctrine offers a powerful model for executives looking to pierce the fog of business and find new ways of exerting influence without centralized control.

NATO defines doctrine as "Fundamental principles by which the military forces guide their actions in support of objectives. It is authoritative but requires judgment in application." If strategy defines objectives, and plans prescribe behavior, then doctrine guides decisions.

Consider one example from U.S. Special Operations teams trying to get the most use out of their helicopters, assets with high demand and limited supply. One approach would be to centralize all of these decisions, but that would be too slow. Another would be to have a computer automate the process, but there would be no way to feed enough data into the system in real time. So Special Operations went with a third option ... let the human network figure it out and create solutions.

This network became the fog lights, pushing decision-making closer to the ground. But how to ensure the human network made the right decisions? What were the lines to paint on the road?

Military leadership created a common doctrine to frame the organization's understanding of how helicopters would and wouldn't be employed, their range, their maximum load capacity, their refueling requirements, etc. With these principles and shared understanding, the network could quickly coordinate across silos and create collaborative solutions.

One of the most powerful qualities of doctrine is its scalability. Like a Russian matryoshka doll, doctrine can be nested inside other doctrine. For example, the doctrine related to helicopters is nested inside doctrine related to the military's network-centric approach to warfighting. This higher-level doctrine has four core tenets:

• A robustly **networked force** improves information sharing;
• **Information sharing** enhances the quality of information and shared situational awareness;
• **Shared situational awareness** enables collaboration and self-synchronization, and enhances sustainability and speed of command; and
• These, in turn, dramatically increase **mission effectiveness**.

One can see how the distributed approach to managing helicopters flowed from this higher level doctrine, especially in how to achieve self-synchronization. Doctrine provided the many units spread around the battlefield with a shared framework in which they could operate. Units were free to move and take action within that framework. In turn, results were fed back to leaders, who evolved the doctrine to improve performance, enabling a true learning organization.

The media company TED would seem to have little in common with Special Forces units in Iraq. But in fact, TED's approach to scalable growth echoes the same doctrine-based approach.

Founded in 1984 by Richard Saul Wurman, TED became famous for its exclusive conferences and compelling talks. The world discovered TED when Chris Anderson posted videos of the talks online. But how to give more people the experience of TED events, not just the content? The solution was TEDx, which launched in 2008 to extend the TED mission of "ideas worth spreading." In only a few years, TEDx has grown to 1,300 events in 134 countries with only a handful of employees.

What most people don't know is that TED has no direct control over TEDx events. Instead, TED authorizes and empowers local organizers to create TED-like events in their own communities. How does TED ensure consistency instead of chaos? With what amounts to doctrine.

On its web site, TED publishes clear guidelines for organizers on how to run a TEDx event:

**1. RULES**, e.g. "Your event must maintain the spirit of TED itself: multidisciplinary, focused on the power of ideas to change attitudes, lives and ultimately, the world."
**2. RESPONSIBILITIES**, e.g. "Early on, you'll need to decide who your event is for: Work colleagues? Friends? Kids? This decision will help guide all the decisions that follow."
**3. RESOURCES:** Best practices from the community on designing, promoting, and sponsoring TEDx events

These guidelines are consistent with the definition of doctrine: "Fundamental principles by which [TEDx organizers] guide their actions in support of objectives." These principles are "authoritative but require judgment in application." As another sign of the doctrine-based approach, TED recently had a problem with some of the TEDx events. Rather than step in to micromanage, they clarified and reinforced the doctrine.

How can you apply doctrine to your company?

**1. See where you might already have some elements of doctrine.** Do you have principles that guide decision-making throughout the organization? Sometimes these are informal precepts that are passed along as part of the culture. Other times they get codified, as Reed Hastings did for Netflix.

**2. Identify areas conducive to doctrine-based approaches.** It might be where the front line is calling for more authority, but where you are afraid to give up control. Or where centralized operations can't keep up with the amount of information or the variety of local conditions (as in the case of the helicopters.)

**3. Involve your broader team in creating the doctrine.** When the military rewrote its doctrine on counter-insurgency, it brought together a cross-functional team of soldiers, civilians, experts and leaders while gathering feedback from hundreds of front-line personnel. When IBM rewrote its values, it engaged 50,000 employees around the world.

**4. When developing doctrine, focus on principles not policies.** Don't be too specific in telling people what to do, but also not so broad that it doesn't help them make the right decision. What information do you need from them, and what information do they need from you, in order to create rapid, independent, and effective action?

One way to put these steps into practice is to convene a "Constitutional Convention."

After all, a constitution is essentially doctrine for democracy, providing the enduring principles by which to govern a nation. The Agile software movement started with such a gathering.

Ultimately, good doctrine becomes embedded in the culture. Touring a command post in Baghdad, a general came across this sign: "In the absence of guidance or orders, determine what they should have been and execute aggressively." Good doctrine provides the empowerment, autonomy, and direction to make this not only possible, but effective. For business leaders operating in fast-moving and uncertain environments, doctrine dispels the fog of business.

## "People Are the New Channel"

Harvard Business, April 15, 2013
By Mark Bonchek and Cara France

In the past, channels delivered messages to audiences. You either owned the pipe or paid to use someone else's. You controlled the message all the way through that pipe.

In a digital and social age, pipes are less important. People are the channel. You don't own or rent them. You can't control them. You can only serve and support them.

This new world is disorienting because pipes and people work very differently as channels. Pipes flow out; people flow in. Content is pushed out through pipes, but pulled in through people.

This reversal is shifting the balance of power. Individuals have access to information, tools, and resources once reserved for institutions. Externally, this means a shift in the relationship between customers and brands. Internally, this means breaking down the silos that once divided functions and departments. What used to be a hierarchy with the company at the top is now a network with the customer at the center.

For marketers, this of course changes everything. As part of an awards program that one of us (Cara) created and the other (Mark) helped judge, we had the opportunity to see how hundreds of top marketers in Silicon Valley are engaging customers and growing revenue in this new era. The two most important principles that emerged are that customers make the best brand advocates, and entire organizations make for the best marketing teams.

- **Externally, empower your customers to be brand advocates.** Laura Messerschmidt, Vice President of Marketing at Outright (a GoDaddy company), discovered through extensive customer research a new tax law that would significantly affect millions of customers and prospects. Instead of creating a campaign, Laura created a movement. She developed compelling content to educate customers, prospects, advocates, and influencers on the new law. She organized a roadshow meeting with local small business groups in ten cities. She reached out to 5,000 top customer advocates and invited them to share the content on social networks. The results? Monthly sign up rates went up over 225% in just two months and the cost to acquire customers decreased by over 40%.

- **Internally, treat your entire organization as your marketing team.** Chris Borr, former Vice President of Marketing at McKesson, was responsible for launching a major new campaign for one of McKesson's divisions. On the belief that everyone in the division would need to support the campaign to make it successful, he spent as much energy cultivating internal ownership as external engagement. Focusing on the division's 7,500 employees, from the night shift workers to the executives, he looked at every customer touchpoint and ensured everyone understood their new role as it pertained to the brand. The results? $600 million in new business the first year the program launched.

Some key skills and strategies accelerate the shift from pipes to people:

**1) Don't talk, listen.** Brent Remai, CMO at FireEye, was hired into a small, venture- funded company with several years of moderate results. His first task was to spend significant time with dozens of customers to understand their problems and the language they use to talk about the issues. He used this information to formulate a marketing strategy that spoke to the customers in a language they understood. He then tested his strategy repeatedly with customers until it truly resonated. The result? In 2012, they were ranked as the 4th fastest-growing tech company by Technology Fast 500.

**2) Don't push products, solve problems.** Laura Fay, Vice President Integrated Campaigns and Strategy at Cisco, has helped the global marketing organization rethink the way it approaches marketing. For years, the company had been focused on product launches to create splash, buzz, and engagement. Instead, she implemented an integrated planning process that started with the top customer issue and then created an integrated solution that crossed business divisions. The results? The integrated campaign resulted in Cisco's share of voice for Cloud computing going from No. 5 to No. 1.

**3) Don't stop at 1-to-1, think many-to-many.** Antonio Lucio, Chief Brand Officer at Visa, created a customer engagement strategy for the 2012 Olympics. Instead of pushing out messages, the company used social media to connect fans with each other and with the athletes they were cheering for. In exchange, fans got exclusive behind-the-scenes stories. The results? The most successful campaign in the company's 26 year history of Olympic sponsorship, resulting in significant brand equity lifts, 13% claimed product usage and 470 million earned impressions in 26 markets.

Ironically, the shift from pipes to people is made possible by intensive use of technology and data — not only to automate but to analyze, personalize, and socialize. Technology brings speed and scale to what previously was impractical or unaffordable. Many of the most innovative marketers cited how social media monitoring enables them to listen and respond on a global scale. In addition, customer and employee communities enable them to identify real problems in real-time. Finally, relationship and content management tools enable them to make connections and capture user-generated content achieving both reach and relevance.

Counterbalancing this use of technology and data is a shared mindset that emphasizes reciprocity in the relationship between a brand and its customers. Top marketers know that they can't put one over on the customer, nor can they control the message or their customer's behavior. It takes humility, appreciation, and an orientation towards openness and inclusion.

So what's the recipe for results in marketing today? Choose people over pipes, and mix one part technology with an equal part humanity.


# "The Coming Branded-Currency Revolution"

Harvard Business, July 16, 2013
By Mark Bonchek and Gene Cornfield

Coupons. Gift cards. Loyalty points. These tried-and-true tools of the retail trade might not be as sexy as other forms of marketing. But together they account for more than $165 billion in purchasing power ($110 billion in gift cards purchased, $48 billion in loyalty points earned, and more than $5 billion in product coupons redeemed). That's almost as much as total e-commerce sales.

These instruments share a common objective: to influence purchase decisions by equipping consumers with incremental spending power for specific brands and retailers. But consumers use them independently and individually (combining their value, when possible, takes a lot of manual effort), and store them in different places – often in drawers or folders where they lay forgotten and unused.

This is changing as coupons, gift cards, and loyalty points all become digital – and, more important, mobile. Mobile enables all of this purchasing power to converge in one place, and potentially be used interchangeably and collectively, always within easy reach for consumers.

What does this mean for retailers and brands? The mistake would be to think that they can keep doing what they have always done, but just add a little digital to it. Instead, retailers need to think about coupons, gift cards, and loyalty points not only as three separate tools, but as different forms of Branded Currency.

Economists define currency as a store of value and a medium of exchange. All of these instruments are stores of value, and by going digital and mobile, they become far more effective mediums of exchange.

The **first wave** of this convergence has made it easier for consumers to use their coupons or points for payment. Card-linked offers enable consumers to load coupons to their credit cards or loyalty accounts in advance of purchase. Valid offers are automatically applied as a credit when consumers' cards are scanned at the point of sale. Consumers like it because they don't need to remember or present individual coupons. Another approach is Shop-with-Points. As an example, Amazon enables consumers to use their credit card loyalty points as a way to pay for purchases on the site. Shoppers can see their balance and apply their points as easily as using a gift card or credit card.

Where the first wave made possible convertibility, the **second wave** introduces much greater convenience. Mobile wallets, like Apple's Passbook, bring coupons, gift cards, and loyalty cards together in one place without the constraints of a physical wallet. This innovation is good, but it's a bit of a horseless carriage, still tied to the mental model of a wallet. Consumers still need to manually figure out which instruments can be combined and which cannot, prioritize them based on expirations, calculate the math on their own, and then present them at point-of-sale one at a time.

The **third wave** will be the mobile portfolio manager, the automobile to the mobile wallet's horseless carriage, which marries the convertibility of the first wave with the convenience of the second. When you treat coupons, cards, and points as convertible instruments, fully leverage the power of digital and mobile technology, and add intelligence into the system, you get an entirely new possibility: calculating and comparing purchasing power, converting currencies, prioritizing usage, and dynamically creating scannable barcodes or other methods for combined payment. Soon consumers will be managing their Branded Currency the way they use Mint to manage their bank, credit, investment, and other financial accounts.

There is a lot of talk these days about brands as publishers. But the successive waves of Branded Currency suggest that retailers will also need to think like bankers who mint their own currencies. Market leaders will be those who best help consumers manage and spend Branded Currency from their portfolios, offer the best exchange rates, create the most liquidity, and make the most efficient markets. Retailers who adopt and execute smart Branded Currency strategies will gain relative share of wallet and have deeper, more enduring relationships with consumers.

Starbucks is perhaps the most advanced retailer in the area of Branded Currency. Most retailers treat their gift card program as an afterthought. Starbucks, on the other hand, has turned it into a hub for competitive advantage. In fact, CEO Howard Schultz considered the combination of mobile payments and social networking as central to the company's "blueprint for growth."

In 2011, Starbucks launched Android and iPhone apps that enabled customers to mobilize and easily reload their plastic cards or purchase new digital gift cards. Most Starbucks customers use the gift card not as a present for others, but as an easy way to pay for purchases, redeem offers, and earn rewards. In effect, they transformed their gift card into a mobile payment/loyalty card and their mobile app into a wallet for their Branded Currency. Over 7 million people now use Starbucks' mobile app to make 4.5 million payments a week, accounting for at least 10% of Starbucks total U.S. revenue. Over 10 million Starbucks eGifts, the digital version of a gift card, have been sent just since 2012.

The strength of Starbucks strategy is not in any single program or promotion. It is the way that the entire Branded Currency system works together to provide an integrated and seamless experience for the customer. They knit together a variety of technologies and platforms from Apple, American Express, CashStar, Facebook, Square, and daily deal providers to promote and execute their deals, offers, and payments across digital, mobile, and social channels. But most importantly, by having its own Branded Currency system, Starbucks maintains control over the customer experience, relationships, and data.

Many technology companies including Apple, Google, eBay and Square are hoping brands will rely on their platforms to integrate and manage coupons, offers, gift cards, payments, and rewards.

Apple has been quietly creating a platform for managing branded currency in the form of its Passbook app and a newly filed patent. If brands aren't careful, they will be as beholden to Apple for digital and mobile coupons, payments, and loyalty as record companies are for digital music, book publishers are to Amazon for digital books, and social game publishers are to Facebook.

As the market for Branded Currency converges and grows, brands will fall into three categories.

**(1) Losers:** Some brands will continue to operate their coupons, deals, offers, gift cards and loyalty programs the way they always have, as separate standalone programs, and will adopt mobile technology reluctantly. These brands will steadily lose their competitive edge and share of consumer spending.

**(2) Laggards:** Some brands will play catch up, adopting best practices after they are widely accepted, and rely on the platforms developed by technology and financial services companies. They will stay in the game, but will be in the middle of the pack, either unable to control the customer experience, lacking full access to their data, and losing margin to the platform provider.

**(3) Leaders:** A few brands will set the pace by creating an integrated approach to using Branded Currency as a vehicle for customer engagement. They will aggregate deals, offers, payments, and loyalty; unify online and offline; and put mobile at the center. They will work with other third-party platforms and wallets, but not be beholden to them. As a result, they will use their data to create value for their customers and bring a unique brand experience to every touchpoint. They will enjoy increased frequency and spend, forge stickier relationships, and greater and more sustainable profitability.

Will you be a loser, laggard, or leader? History, current trends, and the billions of dollars at stake would suggest it's time to start building your Branded Currency strategy and system now.