



CLARITY

Fighting Commoditization via the Customer Journey

The Issue

Technology markets have evolved dramatically since the bubble era. Open standards and common components have commoditized many products, while leap-frogging development cycles ensure that competitive advantages are difficult to sustain. The poster child for this trend is the personal computer market, where virtually all PC vendors use the same operating system, semiconductor and display component suppliers. Performance of any given PC is only marginally different from those of comparably priced competitors. And price has become the primary weapon of many vendors.

Clarity Perspective

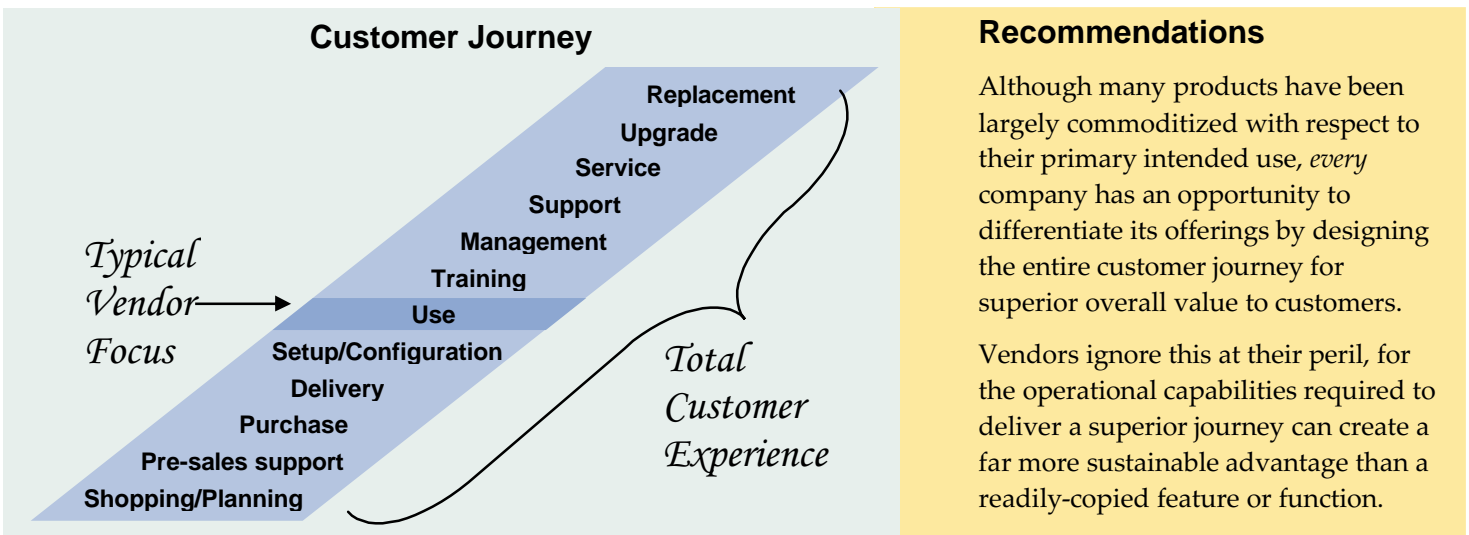
Yet Dell just keeps on winning!

True – Dell’s PC’s perform well in third-party tests and their prices are very competitive, but this doesn’t wholly explain their success. While not the master of product innovation, Dell has mastered the art of the customer journey. Others can copy Dell’s performance, industrial design and even their vaunted reliability, but few match Dell’s shopping experience, supply chain, support and service that drive both initial and repeat business.

Dell has examined the entire journey of customer experiences from the time of initial inquiry through end of life and designed its business to deliver a superior overall experience at a highly competitive price. The graphic below describes the complex journey that Dell customers experience.

When technology companies define their value proposition, too many describe their advantages in terms of features, with minimal lip-service paid to journey-related issues. This is especially true in engineering-driven companies. Yet when customers describe their assessment of value received, we often hear more about the journey than the use-related features touted by vendors. This mismatch reflects both the commoditization of product features and the critical role that non-product attributes play in technology markets.

Technology winners used to be determined by old-line smaller-cheaper-faster-better economics. Today’s players are finding that better products are not always sufficient to win, and many are strategically confused by this change. The key to solving the problem is to thoroughly understand the entire customer journey from the customer’s perspective, looking for hidden opportunities to increase total value delivered.



Recommendations

Although many products have been largely commoditized with respect to their primary intended use, every company has an opportunity to differentiate its offerings by designing the entire customer journey for superior overall value to customers.

Vendors ignore this at their peril, for the operational capabilities required to deliver a superior journey can create a far more sustainable advantage than a readily-copied feature or function.