

The NOW Economy: How Technology is Disrupting the Business Landscape

About the Event

On May 16, 2016, *CEO Perspectives* held an event for Fellows on the “NOW Economy,” or the concept that businesses today increasingly manufacture and provide goods and services much closer to the point of demand and use—as exemplified by a growing number of firms including Uber, Amazon, and earlier-stage businesses.

The program included several sections. First, participants enjoyed a reception and tour of 1871, the Chicago-based technology hub recently ranked first in the US on the UBI Global list of Top University-Affiliated Business Incubators. Next, the program moved to Allscripts’ offices, where Cheryl Francis (Co-Chair, Corporate Leadership Center) made welcome remarks and Ken Porrello (Senior Principal, Deloitte Consulting LLP and incoming Executive Director for *CEO Perspectives*) introduced the main speakers: Rob Wolcott (Clinical Professor of Innovation & Entrepreneurship, Kellogg School of Management; Co-Founder and Executive Director, Kellogg Innovation Network; Managing Partner, Clareo), Howard Tullman (CEO, 1871) and Kunal Kapoor (President, Morningstar).

Rob presented on the key principles driving the NOW Economy and tips for navigating it. Howard followed that discussion with a presentation on how firms across sectors have applied the principles through innovative, game-changing business models that meet consumers’ growing needs and expectations, sometimes even before customers themselves are aware of the need. Following those presentations, Kunal joined Rob and Howard to discuss ongoing business trends, applications, and predictions related to the NOW Economy. Finally, Sheila Penrose (Co-Chair, Corporate Leadership Center) offered closing remarks and words of thanks.

CEO Perspectives is grateful to Allscripts and E&Y for sponsorship of the event, to Allscripts and 1871 for provision of the event space and tour, and to all presenters and participants for sharing their insights.

Key Insights Summary

It's a Paradigm Shift. Across industries, production and delivery are occurring closer to the point of demand, from 3D printing to Amazon Dash. Customers want everything right here, right now. Recognize these shifting models and expectations in your industry and periphery to adapt and drive greater value.

Play by the New Rules. To compete in the NOW Economy, understand the power of new metrics, more fluid collaboration, and an expanded, smarter approach to focus. Customers don't care about your constraints, and a "can't" mentality can be fatal.

Engagement, Not Eyeballs. Context in today's market is more important than content. Stimulate resonance and reaction in consumers by providing what they want when they want it. Don't rely on traditional advertising in a world where Facebook has 1.4 billion users daily.

Access Over Assets. NOW Economy consumers prefer access and immediacy over long-term loyalty. There is an Uber-like opportunity in almost every market space. Look for it and capitalize on it.

Regulation Lags Innovation. Regulation will generally lag innovation by about a decade. That lag provides opportunity for innovation leaders. Those that develop the highest-value offerings for customers will find that the customers become their greatest champions, fighting to protect them from rising regulation.

Navigating the NOW Economy

In today's market, consumers "WWIW--WIWI" ("Want What I Want — When I Want It"). Because of innovative technologies and business models, companies have an unprecedented ability to deliver against these increased expectations. But firms need to understand the contours and implications of the NOW Economy and act with these in mind, to maximize performance.

Recognize the Paradigm Shift

Change doesn't come quickly—until it does. Across industries, production and delivery are happening closer to the point of demand. Here are several examples and implications:

3D Printing: Advances in 3D printing—think of it as distributed manufacturing—will make it easy to produce one fork at the push of a button, rather than buying a set of 12 at your local Crate & Barrel. GE and Rolls Royce even

use 3D printing for aircraft engines, demonstrating the validity of this demand-driven production approach. This is not yet happening at scale, but it will, supported by new supply chains for raw materials.

Self-Driving Cars: Until recently, no one believed self-driving cars would arrive quickly, least of all the automakers. But evidence now suggests the technology will be widespread within 20 years. That foretells the elimination of an estimated 250,000 licensed taxi/limo driver jobs in the US. It also means auto manufacturers, long driven by unit sales, need to understand how to address and capitalize on the trend. For example, families may need only one car (that can make driver-less trips as needed), but higher asset utilization will mean greater demand for high-margin services and replacement parts.

Blockchains: Blockchains are distributed databases of transactions, such as those serving as the foundation for digital, peer-to-peer payment system Bitcoin. But their disruptive capabilities stretch well beyond digital currency. For example, insurance firms can use blockchains to become a trusted intermediary that pools risk more effectively among customers. FinTech insurer Lemonade is experimenting with this concept.

Once you accept that the NOW Economy represents a paradigm shift, you can work to generate sequential foresights, insights, and actions to develop high-value business models and offerings.

Play by the NOW Rules

Success in the NOW Economy requires keeping its new rules in mind. Among these are:

Customers Don't Care About Your Constraints: With customer expectations at unprecedented levels about what, where, and when, you need to get past barriers to deliver products, services, and experiences that will boost engagement and profits. A "can't" mentality can be fatal.

Consider New Metrics: Old metrics may be invalid, as suggested by automakers' focus on unit sales as driverless cars advance. Watch your assumptions about the relevance of key metrics. Test established metrics, and experiment with innovative ways of assessing performance.

Attend to Peripheries: In a world where change is constant, watching the periphery and seeking value in adjacencies is essential. As new blade-less windmills enter the market, blade-makers like Owens Corning must act strategically. Change in a seemingly remote sector or geography may signal what's next for your industry. Watch for it or, better yet, become a first-mover in your space based on the future you envision.

Collaboration is Critical: Collaboration and competition are more fluid in the NOW Economy. The “frenemy” concept is highly relevant, as peer players may compete in some markets or efforts and work together in others. Think strategically about the who, how, and when of allies and adversaries.

Reduce Focus on Focus: Focus isn’t what it used to be, as suggested by the need to watch peripheries. McDonald’s renewed focus generated large returns in the previous decade, but its divesting of Chipotle and Redbox may have reduced the firm’s reach to profitable segments, including Millennials.

Try This NOW Economy Exercise

Take an offering from your firm and ask whether there is value in producing and providing it closer to the point of demand. If so, what would that require? What are the constraints in place and how can you overcome them?

The NOW Economy in Action

Here are 8 ways today’s firms exemplify NOW Economy principles, with implications for your business.

1. Speed is an Advantage. The fast eat the slow in today’s market; if you’re not in a hurry, you’re probably too late. Digibo offers full-length movie downloads in seconds at the airport. Amazon ships products *before* you click “buy”—based on cursor hover time, or “digital drooling.” Craft a NOW Economy strategy or offering, then act fast.

2. Right Here, Right Now. Time- and attention-constrained consumers want everything now: information, products, services. That’s why they open only 22% of emails but 98% of texts. Attention is the new currency. Sell the gifts of time and convenience, through “contextual commerce” that makes all decisions easy. Reply Yes offers one vinyl record at a time—customers text back “yes” or “no.” Peach does the same for daily lunch: one offering per day, yes or no.

3. Forget Traditional Ads. The old advertising (agency) model of “Set it and forget it” is obsolete. Four major ads a year doesn’t cut it. About 90% of the top 100 brands have lost share due to traditional advertising (such as on the nightly news), in a market where Facebook has 1.4 billion users daily and affluent segments can avoid most ads. In a world of performance marketing, make sure your ad strategy makes sense.

4. Engagement, Not Eyeballs. In the NOW Economy, context is more important than content. We click but don't read. Homepages are dying, replaced by apps. "Smart reach" is about stimulating resonance and reaction in consumers by providing what they want when they want it—the iTunes of everything. Innovations like Amazon Dash—ordering a household product with one button press—are the reason the retail behemoth is Snow White to traditional retailers' seven dwarves, owning over 50% of e-commerce, 24% of all retail.

5. Data is the Oil of the Digital Age. The web provides you unprecedented access and immediacy for data. Harness these. #lunch on Instagram doesn't just show you what people are eating, but makes clear how, when, where, and with whom they eat, to offer them better choices. We are moving quickly from data-based diagnostics to prognostics—like credit card companies predicting divorce from spending patterns. Capitalize on this wealth of information.

6. Mine Value in a Connected World. Today there are 5.7 billion phones for 7.4 billion people; 80% of us check our phones within 20 minutes of waking up and spend 3.5 hours/day on them. This unprecedented level of connectedness represents opportunity. Think about how to harness connection as part of your firm's strategy and tactics.

7. Access Over Assets. Consumers in the NOW Economy are happy to "use it and lose it," preferring access and immediacy over long-term relationships or brand loyalty. That's exemplified by the growth of businesses like Uber, Alibaba, and Airbnb. Uber's growth has been astounding; it now has more daily riders than the public transportation systems of Chicago and Boston. There is an Uber-like opportunity in almost every market space.

8. The Internet of Things Includes People. Almost everything now can be tracked or measured. Home uses of the Internet—thermostats, alarm systems, and the like—are just the start. Businesses can track the movement of customers, cocktail servers, and maintenance workers. Soon computers will track football players and pull those with tired legs or those at greater risk for injury. Rearview mirrors track sleepiness by eyelid movement. Haptic wallets become harder to open for spendthrifts. How can you use such remarkable advances in your business?

The Future of NOW

The future won't be incremental. Rob Wolcott, Howard Tullman, and Kunal Kapoor highlight where the NOW Economy is headed, and what it means for you.

The Value of Foresight. Some years ago, Morningstar decided to sell financial data to Mercedes, with reservations about potential liability, for accidents. Today, all new Mercedes come equipped with an info-packed dashboard, and Morningstar earns revenues from this. Many such opportunities will arise—look for them.

Regulation Lags Innovation. Regulation lags innovation by about a decade. Moreover, if you build a model that creates value for all stakeholders, consumers will make it a cause. So many property-owners are benefiting from Airbnb that they will fight to protect its operation, including against new regulations and fees.

Everything Will Be “By the Mile.” Consumers are increasingly unwilling to commit to subscriptions or long-term contracts, but will pay for usage on an as-needed basis, whether for gaming or movie-streaming (Netflix is an outlier). Even governments and insurers are finding ways to tax and bill car-owners by the mile, rather than flat rates.

Data is a Commodity. As data becomes more accessible and available, the value has shifted to derived and custom data. How you build on data is thus critical, and because most companies can't hire a data specialist, data analysis increasingly represents a service opportunity.

A Zero-Capital, Mobile Workforce. Uber represents a portable workforce with zero capital investment. More and more companies can harness such human resources, rather than investing in them in a traditional, outdated way. Determine the best way to leverage such on-demand workforces in your business.

We are Digital Immigrants. Toddlers know how to click, tap, and swipe. Children use Amazon Echo and other interactive technologies for everything from weather reports to homework help. Next-generation members are digital natives, but older segments are less familiar and intuitive with new technology. That means executives can benefit from “reverse mentorship” from the younger generation, and that a large segment of the workforce will require upskilling to enhance digital capabilities.

Additional Reading

Aaron Smith, "Shared, Collaborative, and On Demand: The New Digital Economy," *Pew Research Center*, May 19, 2016.

Howard Tullman, "Four Rules of the 'Right Now' Economy," *Inc.com*, November 17, 2015.

Robert C. Wolcott, "Does Your Business Model Look to the Future or Just Defend the Present?" *Harvard Business Review*, March 22, 2016.

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