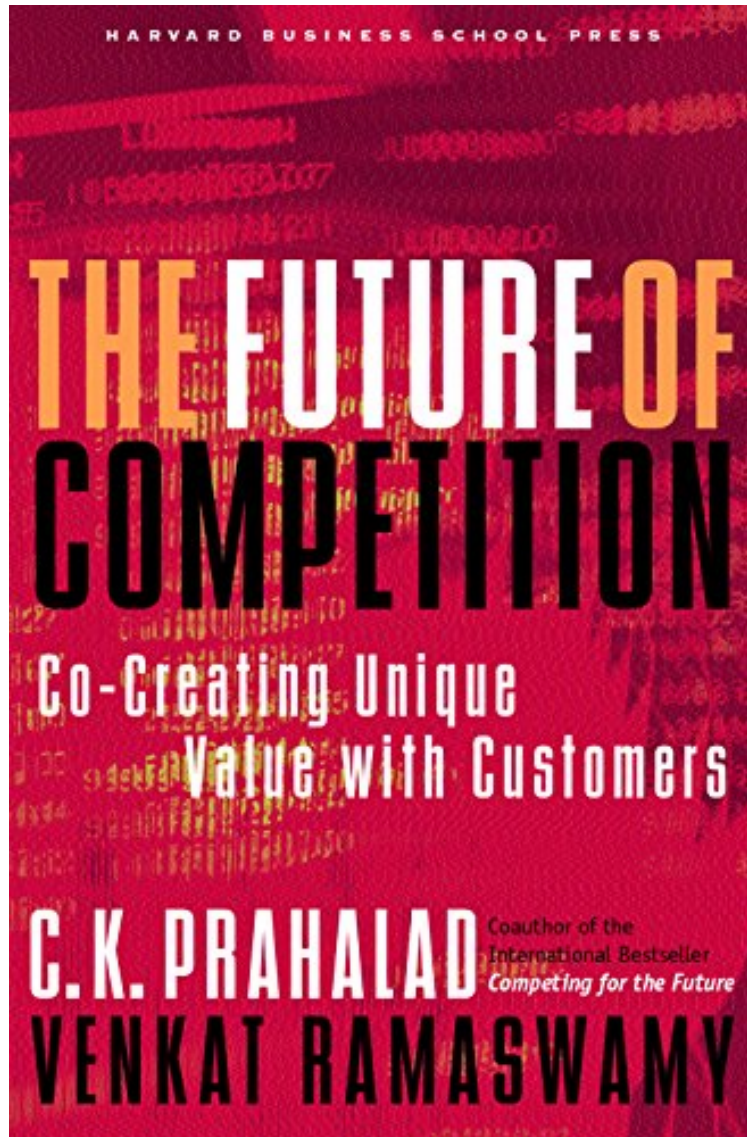


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# The Future of Competition: Co-Creating Unique Value With Customers

C. K. Prahalad, Venkat Ramaswamy  
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**C. K. Prahalad, Venkat Ramaswamy : The Future of Competition: Co-Creating Unique Value With Customers** before purchasing it in order to gauge whether or not it would be worth my time, and all praised The Future of Competition: Co-Creating Unique Value With Customers:

1 of 1 people found the following review helpful. It was okay to read back in 2004 but not now By EllyPrahalad and Ramaswamy's book entitled, "The Future of Competition" was a work that energetically discussed the changing interaction amongst customer, product and producer during the early 2000's. Specifically, the authors examined the

customer's relationship with the product and the company and how that relationship has and will continue to change. They stressed that businesses needed to adapt to the customers behavior in order to be successful. One of the ways companies could do this was by not only creating and monitoring the product monitoring the ways the customer experiences the product and the company itself. The important part is for companies to find ways that the customer is or can be a part of the experience during the many parts of the product life cycle. The authors do a fairly good job with their use of examples and theory to support their arguments that the marketplace is changing to a customer focused from a company focused arena. I appreciate the use of numerous companies in their examples from Palm to international and lesser known medical companies. Additionally, the DART explanation that the authors used to explain the co-creation of value was an easy to understand model that was simple to understand and comprehend throughout the book as the authors put additional levels onto it. However, even with all of the supportive examples that were used, specific reference to specific tools and products to harness the information about the changing consumer and their experience were not sufficiently mentioned. The usage of tools such as Analytics, Data Mining or Myspace that are utilized to understand and perfect the co-value experience were not included and this was a field that was growing in popularity during 2004. If he were able to identify those trends during the writing of this book I would be more impressed. This is all not to say that the mentioning of process improvements such as Six Sigma were not strong evidence of his theories, but they could have mentioned more of the possibilities. Furthermore, the author tended to mention a change in the in the marketplace but these were things that companies may have already been aware of then. If I ask the question of whether or not he contributed something new to the world of customer value? I would answer that maybe in 2004, but as for now, the book is slightly out of date and the information is already understood by the general business world.

0 of 0 people found the following review helpful. Mastermind author with brilliant ideas By muxxer I believe the book is well written, it was both enlightening and pleasant to read. Although companies are improving their products and giving customers more options than ever before, consumers are less happy with all varieties and options they have in the market. Authors, Prahalad and Ramaswamy were talking about how companies open their ears to listen to what their customers want for innovation and improvement, and co-creat unique value with the help of their customers' innovative ideas. Any product or service by business is meant to be sold to its target consumers and make a profit out of it; if that product is not satisfying its target consumers then the company will run out of business shortly there after. In order to over come customer turn over, a firm needs to follow up with their customer's feedback for improvement because focusing on customer experience is the only way to add value and retain customers. Speaking of my own experience, every time I log in and out of my Progressive car insurance online account a survey comes up right after I click the log off button. It usually ask you to answer a multiple choice question of your experience with them, at the end they provide you with a blank box ehere you can type your ideas. I believe, it is a good manner of communicating with customers and easy to co-create customer value. Co-creating customer value is the best possible way for a business to sustain in today's competitive world, and their future business strategy should focus on co-creating customer value. The authors have created a thorough explanation of different ideas in connection with relative case studies, which makes it easy to grasp and entertaining to read. To illustrate the possibilty of technology on co-creating customer value for example, the authors are discussing about John Deere's innovative approach to agriculture by taking advantage using technology for differentiation from its competitors. Deere is co-creating customer value by making a product that is productive. The farmers are able to minimize cost by getting accurate and timely information of their consumers, equipment, land fertility, peer group interface, suppliers and dealers using Deere's new technology. Since most farm products are pershiable and could get destroyed so easily due to lack of information and knowledge, Deere is providing farmers accurate information on time to help prevent their product from getting spoiled or deliver to the market delayed. To conclude, the book is interesting to read and I learn a big deal out of it. Not only it discusses the relationship between cutomers and companies over decades, but also discusses on how the relationship starts. I recommend for any one to read this enjoyable book.

0 of 0 people found the following review helpful. The Future of Competition [Co-Creating Unique Value with Customers] - Book Review By Nicholas J. Paolella The Future of Competition - Book Review by: Nicholas J. Paolella Summary In "The Future of Competition - Co-Creating Unique Value with Customers", authors C.K. Prahalad and Venkat Ramaswamy begin by discussing how the measurement of value in companies and their products has been shifting rapidly in recent years. With the rise of consumer awareness due to a broad array of networking tools such as online communities and product feedback blogs, as well as search engines such as Google and Bing which allow consumers to thoroughly research the quality of products before making a purchase, the definition of a product's "value" is shifting away from the company and moving more towards the consumer. The authors explain that this shift is causing a trend today in which value is "co-created" by both the company and the consumer, rather than simply lying in the hands of the company. Prahalad and Ramaswamy point out how in the past, companies have generally been the center of "value". Many consumers used to be disconnected from products and their development and therefore unable to truly gauge a product's value. The definition of this value was therefore left solely to the company who manufactured the product. However, with social networking tools, search engines, etc. that are in existence today, a customer can do some hefty research in probably only a few hours and at simply the click of the mouse. For example, a student may want to purchase a new

laptop upon the start of her MBA program. However, this student wants to make sure that what she is buying is of value and will last. The student could simply make a purchase based on what she has heard advertised on television from HP, Dell, and other popular brands. However, given that trends are shifting as the authors point out, this student will likely check out some online blogs and do some research before making her purchase. Furthermore, she may use social networking tools such as Facebook to quickly and effectively get in touch with many of her friends who have previously made laptop purchases. And, after all is said and done, she may end up buying an Acer after reading positive reviews about their laptops online and realizing that they offer a quality product despite the fact that they focus little of their marketing budget towards TV advertising. This shift is not limited to tangible products either, but can also be applied to services. For example, a patient at the Crozer Hospital in Chester may visit a GI specialist for recent stomach discomfort he has been experiencing. This specialist may tell him that his stomach pains are due to stress and psychological issues. However, if this patient is personally convinced that this is not the issue, he may decide to do some research and blogging online, only to find hundreds of people complaining about the same discomfort he is experiencing. Someone from the Philadelphia area in an online blog may refer him to Dr. Smith at the University of Pennsylvania. Now, instead of accepting the "value" of what was told to him by the specialist at Crozer, thanks to today's technologies, this patient can receive (at least) a second opinion at another hospital in his area. In the end, the specialist at Crozer may have been right all along (or maybe not), but at least this patient will trust the value of his opinion more than he did initially as a result of looking further into his problems and therefore "co-creating" a greater value in the overall diagnosis. The authors also discuss how this co-creation of value and shift from company to consumer is not simply limited to consumers being able to research and network/discuss products, but it also involves many other factors. They explain how even though businesses do no control as much sole power anymore when it comes to a product's value, this is not necessarily a disadvantage to these companies when all is said and done. For example, Prahalad and Ramaswamy touch on the fact that increasing technology and today's trends have forced companies to ensure more transparency of information and increased customer involvement with their products. Such transparencies, such as the ability to track your Fed-Ex or UPS package all the way from its origin to its destination, provide a greater peace-of-mind and therefore overall satisfaction to consumers. Similarly, the authors use the example of how many businesses in the past would focus on cost as the most significant measure of value. As a result, companies like Ford typically went with the mass-production approach, using assembly-line techniques to produce, perhaps most infamously, the Model T. While this technique may have been effective in the past, co-creation of value and the shift from company to consumer has caused the customer to demand a more personalized experience that is more unique and fulfilling. While this has caused a definite shift in the way businesses must conduct their manufacturing processes, this again is not necessarily a negative change. For example, the book also cites Dell and BMW as examples of companies who have adopted "build-to-order" strategies in order to maintain cost efficiency while simultaneously satisfying the increased demands of consumers for more unique, customized products. Dell offers many build-to-order models of its computers that can be further customized very cheaply and easily at the time when the specific order is actually placed. BMW offers its Z3 roadster in "26 wheel designs and 123 consoles", yet the renowned German car company manages to deliver this highly-customizable vehicle to a local dealership in only twelve days! Overall, Prahalad and Ramaswamy claim that this shift from company to customer and co-creation of value has driven the creation of better products, newer and greater opportunities, and higher overall value. Whether it is due to increased research and networking capabilities held by consumers, the demand for higher customization and transparency, or shifts in other business trends, these changes are creating an end-result that amounts to better products and increased customer satisfaction. Because of these trends however, the authors emphasize that companies and their managers need to develop new business strategies in order to conform to this transition towards the "co-creation of value". Prahalad and Ramaswamy point out the increasing importance for management to be able to reach down to the level of the consumer and place themselves in these customers' shoes. Managers must also be able to adapt to change even quicker than before, as well as facilitate continuous knowledge creation. If this is not realized and maintained by businesses and management, the value (or lack thereof) of their products will rapidly fall by the wayside since so much of this value today is being determined not just by the company, but also by the consumer. Response/Opinion C.K. Prahalad and Venkat Ramaswamy make some pertinent and insightful points in "The Future of Competition". Value is indeed shifting towards the customer as advancements in technology have been providing consumers with abilities that they have never before held. I definitely agree with the authors' viewpoint about the shift from mass-production and high focuses on cost towards placing a heavier weight on customization and unique customer satisfaction. I particularly liked the reference to the Model T Ford in regards to assembly line production and how that method of manufacturing does not hold up as well in today's markets. In fact, I personally cannot think of any automobile website where you can't click on a "Build your \_\_\_ Now" button. Whether it is the BMW Z3 Roadster (mentioned in the book) or simply a Honda Accord, you can typically customize your vehicle today for options ranging from the transmission or exterior color to more in-depth choices like navigation packages, premium sound systems, Bluetooth capabilities, and so on. I also agree that customers are having much more of a say in the "value" of a product, given that they can heavily research brands and blog online with their peers about anything and everything. I personally think that

Facebook is an extremely valuable tool with regards to this "co-creation of value" argument presented in the book. Yes, there are many blogs and online communities that one can partake in when discussing a product and trying to obtain feedback. In fact, when it comes to online purchases, there is seldom a website that does not offer its customers' feedback and reviews for the public's view. However, I personally believe that Facebook is a more personal and highly effective example when it comes to product valuation. For example, if I wanted to purchase a new MP3 player but wasn't sure whether to buy an Apple or a Zune, I could go on Facebook and update my status with regards to this topic. If I logged off at that point and checked my Facebook again only a few hours later, I would likely have already received several comments from my friends. Without even actively reaching out to anyone, I can simply post my issue and I will likely receive feedback from at least a handful of credible people who I actually know and correspond with, rather than just random online bloggers. And if this feedback does not satisfy me, I can send out a mass-message to every one of my Facebook friends about mp3 players in about a minute. Overall trends are certainly increasing the involvement of consumers, and this does indeed seriously affect how products are valued. However, without sounding too negative or harsh, I personally don't feel as though I have learned anything particularly useful from their arguments. Yes, trends have changed and product-valuation certainly does lie more in the hands of the customer than it did before. Yes, businesses must offer an increased level of customization today in order to satisfy their customers. However, it is not like this is anything new to the people reading this book. Businesses have recognized this trend and have adapted to it. As mentioned, companies like Dell offer mass-customized laptops; car companies offer tedious customization of almost every aspect of their vehicles, and so on. This same thing goes for thousands of other industries and products available today. Comcast offers customization of its cable plan to consumers ranging from basic cable to premium-channel packages; computer manufacturers allow you to choose everything from internal hardware such as the processor and video card to the external features of the computer itself, such as the color or size of a laptop; even Wawa allows you to build a hoagie from scratch on a customer-friendly, interactive touch-screen. Almost everything today is customizable, at least to some extent. Yet, companies did not need to read "The Future of Competition" in order to realize that this trend was occurring. Just as any other evolving trend or change in technology, companies and management adapt and conform to these transitions naturally, and those who do not fail to survive in the markets. Prahalad and Ramaswamy emphasize that managers must seriously re-vamp their strategic capital, and they point out that if management does not change with the times and have the ability to do so quickly, they will fall to the competition. Yes, this is true. But in my opinion, this is not news to the structure of a free market economy. It has always been such that those who refuse to change with the evolving markets go out of business. And obviously companies and managers have already been changing their strategies: we wouldn't be experiencing these trends and seeing thousands of companies transitioning towards customer-customization and an overall greater involvement by the consumer if management wasn't changing its strategies. The authors also make another interesting claim about advertising. Prahalad and Ramaswamy state that the power that advertising and marketing once had over sustaining a product or company's image is steadily shrinking. While I can see what the authors mean by this theory, in that the co-creation of value and customers' increasing abilities to research and talk about products would likely decrease marketing's ability to create or sustain a brand's image, I think that Prahalad and Ramaswamy are overstating the significance of their argument. Indeed, a consumer can blog, chat, and Facebook for hours to thousands of people about the quality of XYZ product. However, this still does not mean that advertising is losing its impact on shaping consumers' views of a company or its product's image. A very pertinent example that comes to mind is the recent advertising from the Big 3 American automakers (Ford, General Motors, and Chrysler), particularly over the past year. As you know, these three automakers were once extremely successful American car-makers who represented a huge portion of the American auto market. However, all three companies became virtually crippled during the recent recession, and two of the three (Chrysler and GM) were bailed out by the government. The workforce in the American auto industry was affected harshly by this occurrence, and the city of Detroit now has an alarmingly high rate of unemployment because of layoffs. Two years ago, many Americans became very skeptical as to whether or not they would purchase an American-made car, especially when many comparable Japanese automakers like Toyota and Honda offered reliable vehicles and seemed to be in much less financial distress than their American competitors. However, despite the fact that these automakers were lying on the verge of bankruptcy and having to borrow bailout money from Washington, they have been re-gaining the trust of many Americans over the past year or so, and much of this is due to advertising, at least in my opinion. While serious revamping of these automakers' business plans as well as new advancements in product design and RD helped to put the Big 3 back on their legs, it would be hard to argue that advertising did not have a lot to do with it. For example, Ford's friendly "Mike" (Mike Rowe from "Dirty Jobs") has been a popular figure in many of Ford's recent commercials. He displays the image of the blue-collar, hard-working American looking for a quality vehicle. Though Ford was in a serious financial bind along with Chrysler and GM when the economy crashed two years ago, Ford's advertising campaigns and use of Mike Rowe in their commercials became a big hit for Ford over the past year. You could argue against the effectiveness of Ford's ads, but the Ford Fusion was named 2010 Car of the Year by Motor Trend, and new Ford Fusions and Focuses have been all over the road lately. Though Prahalad and Ramaswamy may have some validity in claiming that advertising cannot sustain

brand-image as well as it used to, it is still very effective and can even transform wary and distrusting customers into happily satisfied purchasers. Overall, I certainly do agree with the authors of "The Future of Competition" and respect their valid points and insights. I think Prahalad and Ramaswamy are spot-on with regards to the transition of product value from company to consumer, and I like the way that they explain this through their "co-creation of value" argument. I also agree with their points about customers demanding increased transparency, customization, and reassurance when it comes to making purchases. However, I think that most of these points are more or less analysis of common-sense. New trends are always emerging in the markets, and managers must constantly keep up with the demands of their consumers, just as these consumers must change with the evolving business models of many companies. I think that managers realize this, and the idea of "changing with the times" has been in existence since the beginning of mankind. While I like the "co-creation of value" argument, I still think that it is simply a neat and insightful way of explaining what is just another chapter in American business trends. And finally, I understand what the authors are saying about advertising and how they believe it is losing its power over consumers, but I certainly don't agree with their argument, at least not nearly to the extent that they are trying to pitch. While I don't mean to sound critical or harsh towards these highly-acclaimed authors, and I do indeed agree with many of their points, I simply and honestly feel that most these "insights" go without saying.

In this visionary book, C. K. Prahalad and Venkat Ramaswamy explore why, despite unbounded opportunities for innovation, companies still can't satisfy customers and sustain profitable growth. The explanation for this apparent paradox lies in recognizing the structural changes brought about by the convergence of industries and technologies; ubiquitous connectivity and globalization; and, as a consequence, the evolving role of the consumer from passive recipient to active co-creator of value. Managers need a new framework for value creation. Increasingly, individual customers interact with a network of firms and consumer communities to co-create value. No longer can firms autonomously create value. Neither is value embedded in products and services per se. Products are but an artifact around which compelling individual experiences are created. As a result, the focus of innovation will shift from products and services to experience environments that individuals can interact with to co-construct their own experiences. These personalized co-creation experiences are the source of unique value for consumers and companies alike. In this emerging opportunity space, companies must build new strategic capabilities; a new theory on how to compete. This book presents a detailed view of the new functional, organizational, infrastructure, and governance capabilities that will be required for competing on experiences and co-creating unique value.

From Publishers Weekly According to this turgid volume of business metaphysics, dwindling profit margins caused by intensified competition, a glut of commodity production and knowledgeable, web-empowered consumers will usher in "a new industrial system" characterized by "co-creating value through personalized experiences unique to the individual consumer." Under the new regime, headstrong consumers will "seek to exercise their influence in every part of the business system," and companies will accommodate them by, for example, allowing them to design their own individualized cosmetics and houseboats (an innovation whose benefits include "emotional bonding with... the company" and "a greater degree of self-esteem"). Rather than simply selling their products and services, companies will design "experience environments" that comfort the consumer in any contingency, such as General Motors' On-Star satellite communications system, which can summon help after an accident, open the car doors if the driver is locked out and direct motorists to the nearest Italian restaurant. Beneath the avant-garde terminology, the book mostly boils down to a medley of strategies to make business more consumer-friendly, like flexible pricing schemes, electronic gadgets that are easy to use instead of baffling, options and add-ons, meticulous market research and lavish customer service and support. But business professors Ramaswamy and Prahalad, coauthor of *Competing for the Future*, inflate this rather familiar "customer-is-king" approach to a level of abstraction and mystification—the health-care industry, for instance, is actually "a complex, evolving wellness space"—that is needlessly opaque and portentous. Managers who thought their job was to make or do something that people might want to buy will be scratching their heads over this book. Copyright © 2004 Reed Business Information, a division of Reed Elsevier Inc. All rights reserved. "...an excellent new book." -- *Fortune*, January 2004 "...an important book, full of disruptive ideas." -- *BusinessWeek*, March 1, 2004 "Intriguing." -- *Detroit Free Press*, 27 January 2004 "The book's many examples cast a convincing spell that co-creation is the wave of the future." -- *The Globe and Mail*, April 14, 2004 About the Author Prahalad is Professor of Corporate Strategy at the University of Michigan. A former manager in a multinational company. He received his D.B.A. from the Harvard Business School. Ramaswamy is the Michael R. and Mary Kay Hallman Fellow of Electronic Business and Professor of Marketing at the University of Michigan Business School.