You are reading article 5 of 6 in our series focusing on Return on Experience. For part 4, read here.

8 + CAPCO

Those Who Dare, Win

The advantages companies have historically relied on to defend themselves—scale, capital, brand loyalty—are not the fortifications they once were, while competitors can easily replicate operational efficiency. To survive and thrive in today's competitive market, there is one option: embrace risk. Decision-makers often consider if they can afford to take 'the risk.' The real question is, can they afford not to?

Businesses, like people, tend to be risk-averse—and historically with good reason. Ever since the emergence of the corporate model in the early 19th century, the more you had to lose, the more caution you exercised. If nothing else, barriers to entry would keep you safe long enough to adapt to any fundamental shifts in the market.

But these are not times that favor a watch-and-wait approach, because the incumbents of tomorrow will not be the incumbents of today. They will be the companies that make themselves most valuable to customers.

If the job of the C-suite is to decide the business's next move, then there is no 'neutral' option: waiting and allowing competitors to move first is a move in itself. All decisions carry a risk—they bring benefits if they're right, and costs if they're wrong. In fact, the riskiest path of all, as we have already seen across countless industries, is to leave disruption to the start-ups and venture capitalists.

But does this mean companies should embrace risk blindly? Of course not. So how to decide which road to take?.

First of all, companies need to gain a deep understanding of their current standing in the market. What do customers like about the experience? What frustrates them? What about the competition—who is leading and why? Benchmarking and comparative analytics can help build a comprehensive picture of the competitive landscape.

But 'where things are now' is only the beginning. More important is: 'what's next?'

That means any boundaries companies assert to suit their internal mindset will introduce friction and dissonance, and the experience will suffer. On the flip side, the convergence of physical and digital space presents companies with tremendous opportunities for new kinds of engagements that can deliver unprecedented value for customers.

In designing experience, the focus must always be on creating substantial, non-incremental value for customers, because marginal improvements do not win attention or earn the love of customers. Companies should instead seek to develop uncommon value. To do this they must first gain uncommon insights: What do people really need? What would they want if all obstacles disappeared? What is the competition not noticing, or not paying enough attention to?

Gathering and making sense of these uncommon insights, combined with a deep understanding of the competitive landscape, will put companies in a strong position to identify the opportunities to provide valuable new experiences.

But don't expect the best ideas to always be obvious.

What seems obvious in retrospect was not always so. Take the Apple Store, for instance. It went against the retail trend of the day and was thought by many experts to be an expensive mistake. Imagine being the first to take hundreds of iPhones out of blister packs on the wall and let people play with them on tables. Only now, with the benefit of hindsight, is it safe to say that the cost of the program pales in comparison to the value it helped accrue for the Apple brand.

The lesson of the Apple Store is that going against the trend can be a smart play—changing an industry standard presents a huge opportunity to deliver new value to customers.

In doing so, risk must unquestionably be monitored, managed and mitigated. But don't seek the path with no risk because that path doesn't exist today.

Instead, seek the right risk.