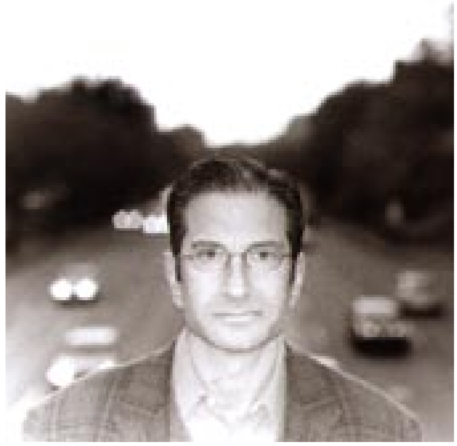
my view

By Jeffrey F. Rayport

Face forward



CALL OURS THE AGE of instant commoditization. In nearly every business sector, too many players with too many short-lived offerings are competing for too few customers. It's an old saw of the computer and consumer electronics industries—compressed product lifecycles, an accelerating Moore's Law, rapid-cycle commoditization—but now a dynamic that has afflicted the IT industry has taken hold of many diverse industries that depend on IT, including retail, transportation, hospitability, entertainment, and automobiles, to name a few.

Leading companies now must look to a new frontier of competitive advantage based not on *what* they sell but *how* they sell. It's a new frontier defined by the effectiveness and efficiency with which a firm orchestrates its interactions and relationships with its customers and markets.

A company mediates interactions through a portfolio of interfaces or touch points that connect it with its customers. Because most large-scale enterprises have deployed a plethora of interfaces—retail points of sale, call centers and VRUs [voice response units], sales forces, interactive kiosks, and Web sites—their interface investments are already committed.

To derive optimal returns, managers must explore ways to mediate customer interactions in better ways: Have they deployed the right interfaces (composed of people and machines) in the right places in the right ways—and do they have too many or too few? Have they optimized each of the interfaces according to customer segment preferences and needs? Have they understood the pathways their customers define as they flow through the interfaces in typical purchase or repurchase processes? Finally, have they aligned and integrated those interfaces into a coherent system?

Such disciplined analysis is the only way companies can achieve what we call "interface advantage" and transcend the tyranny of near-instant obsolescence of core product and service offerings.

Of course, you could argue that this is an old story. After all, many companies—industrial or otherwise—have long relied on service to compete. But something else is happening that endows this strategic challenge with dramatically new implications. That's the rising tide of what we call "front-office automation." As smart businesses find ways to substitute capital for labor in the front office, they are engaged in a reengineering effort that is analogous to the automation and process redesign revolutions that transformed agriculture in the 19th century, manufacturing in the 20th century, and corporate information processing only a few decades ago.

In recent years, new machines have emerged to play unprecedented roles in automating interactions with customers. Long ago, the ATM provided an alternative to bank tellers; as attractive as ATMs became to retail banking customers, few people developed affection for ATMs. These were efficiency machines. Contrast such emotionally neutral responses to how we feel today about Web sites such as Amazon.com; to consumer electronics devices like TiVo; to virtual agents like Amtrak's Julie or AT&T's Tellme. Each of these is a machine interface that's intelligent, interactive, distributed, and networked to the point that it elicits more than appreciation of a job well done. These are interfaces that consumers can and do engage with in meaningful, even emotionally fulfilling, ways.

Emotional responses to machines signal new possibilities for the roles machines can play in the front-line workforce. Affective technologies enable higher levels of performance for customers, while reducing the costs of each transaction or interaction. While past reengineering efforts focused on efficiency, front-office reengineering focuses on efficiency *and* effectiveness. Front-office reengineering embraces outsourcing of people and work; it also involves a novel challenge on the front lines of business. It requires that managers determine the intelligent division of labor between people and machines.

Only technology-savvy executives conversant with the languages of strategy, marketing, service, and technology will successfully orchestrate these new "interface systems" to deliver world-class customer experiences. Only they will hold the keys to establishing and sustaining their firms' interface advantage at this rapidly emerging new frontier of business competition.

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