

How Smart Connected Products are Transforming Companies

By Michael Porter and James Heppelman

Harvard Business Review, October 2015

Smart connected products are forcing companies to redefine their industries and rethink their strategies. The unprecedented data and capabilities of smart connected products are changing the way firms interact with customers. Virtually, every function in the value chain is being reshaped. In this new scenario, there is also a need for more intense coordination cross the different functions. New forms of cross functional collaboration and new functions are emerging.

Due to the growing importance of data, it is no longer appropriate to for each group to manage data by itself. The management, governance, analysis and security of data is developing into a major business function. The availability of data makes possible much finer segmentation. Data also makes it possible to put in place more sophisticated pricing strategies that match price and value even at the level of the individual customer.

The product is becoming a means of delivering value than the end in itself. Companies can remain connected to customers through their products. They can have a direct ongoing dialogue with customers and use the product as a window to know more about their needs and what makes them happy.