

How Smart Connected Products are Transforming Competition

Michael Porter and James Heppelman, Harvard Business Review, Nov 2014

Information technology is revolutionizing products. Today's products have become a combination of hardware, sensors, data storage, microprocessors, software and connectivity in myriad ways. Ongoing improvements in processing power, device miniaturization and network benefits are transforming competition.

Smart connected products are providing opportunities for adding new functionality and redefining the traditional industry/product boundaries. As a result, value chains are being disrupted. Companies have to reimagine the way they conceive, design, source, manufacture and service products. Smart connected products will force companies to ask themselves: What business are we in? Companies will have to find answers to 10 important questions:

- * What set of product capabilities and features should we pursue?
- * How much functionality should we embed in the product and how much should reside in the cloud?
- * Should we pursue an open or closed system?
- * Should we develop the capabilities internally or outsource it?
- * What data should we capture and analyse?
- * How should we manage ownership and access rights to the product data?
- * Should we partially or completely remove intermediaries from the distribution channels?
- * Should we change our business model?
- * Can we enter new businesses by monetizing the data available to us?
- * Can we expand the scope of the business?