

THE DELTA MODEL:

Discovering New Sources of Growth and Profitability in a Networked Economy

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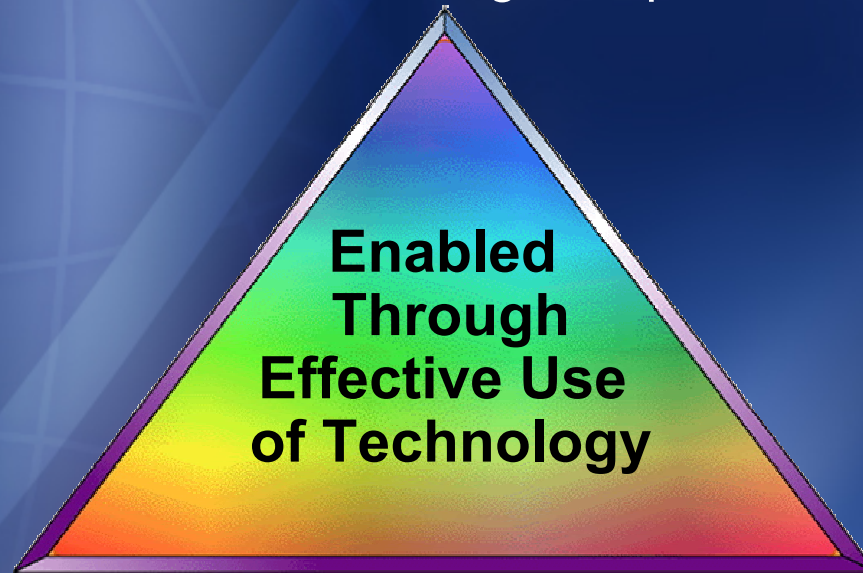
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The Delta Model –

Three Distinct Strategic Options

System Lock-In

- System Economics
- Market Dominance
- Achieving Complementor Share



Total Customer Solutions

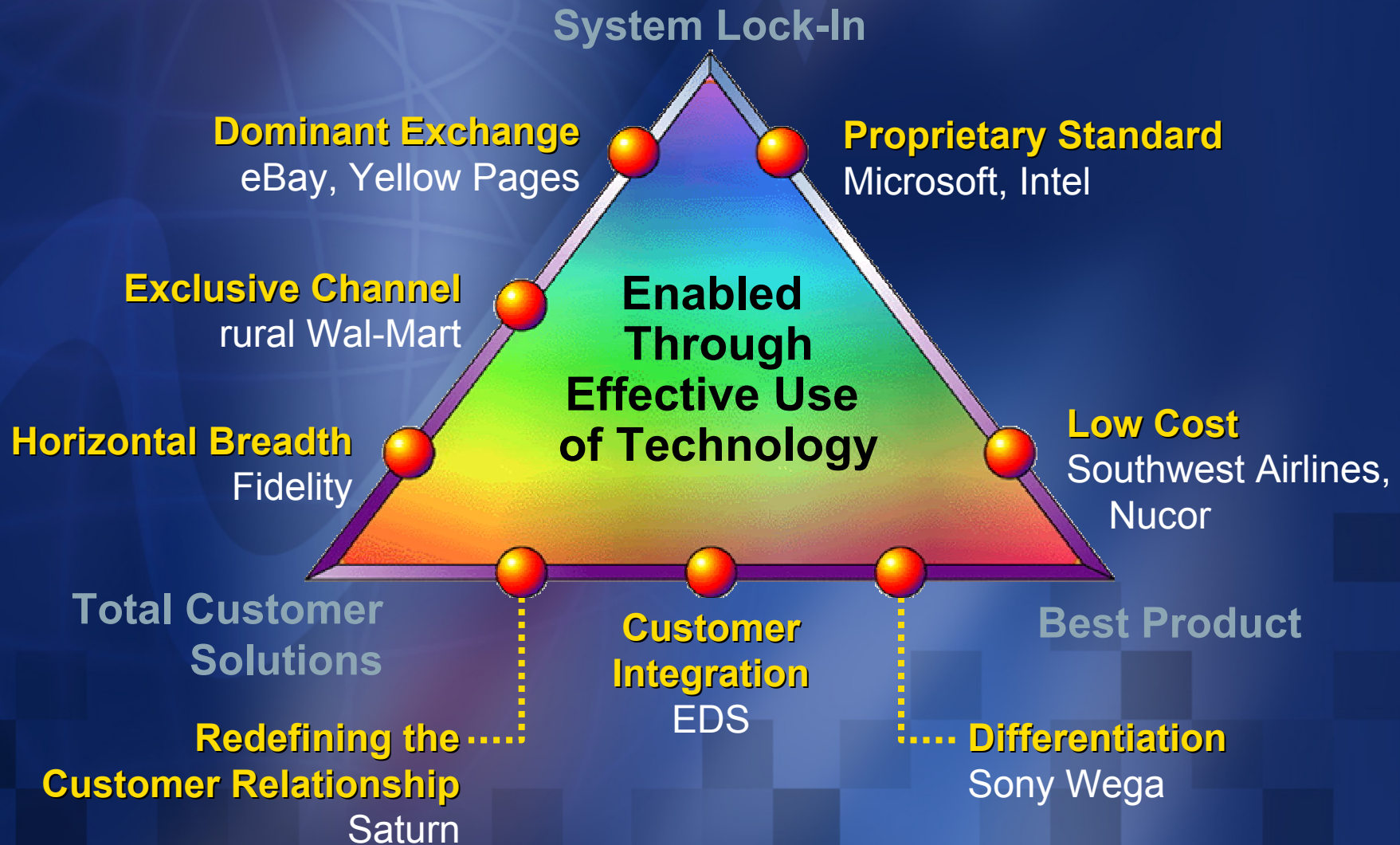
- Customer Economics
- Cooperation
- Achieving Customer Share

Best Product

- Product Economics
- Rivalry
- Achieving Product Share

The Triangle:

Options for Strategic Positioning



Delta Model Strategies

Delta Model Strategies		
Position	Definition	Comments
Best Product Centered on product economies		
Low cost	Focus on being the lowest cost provider in an undifferentiated product category	Since there is only one lowest cost producer, this strategy leaves very little space as a competitive position. It also tends to standardize the product offering, commoditize the customer, and intensify rivalry.
Differentiation	While maintaining effective production economies focus on key differentiation in the product features and functionalities such that the products are uniquely desired and command price premiums	The problem with this strategic position is that as soon as the differentiated product emerges, competitors tend to imitate them. A competitive advantage is therefore non-sustainable.
Total Customer Solutions Centered to customer economies		
Resolving the customer experience	A focus is placed on considering the full experience of the customer from the point of acquisition through to the complete lifecycle of ownership of the product	This positioning is based upon intimate knowledge of the customer base leading to an effective customer segmentation and a differentiated treatment of the customer base.
Horizontal Breadth	A complement of product and service offerings that fulfill the entire customer need set and extend beyond. The end strategy is to create	We are seeking a dominant position in view of the wealth of the customer
Customer Integration	The strategy seeks to effectively substitute for or leverage activities currently performed by the customer. It encompasses the development and all such resources a complete web of connections with the customer that enhance their ability to do business and to use your product.	The firm is regarded as a bundle of complexities that will be sought in the customer to enhance the customer economies.
System Lock-In Focuses on competitor economies		
Restricted Access	Significant barriers are in place that make it difficult for competitors to even compete for the acquisition of customers.	This is a difficult position to achieve and to maintain. Regulatory provisions tend to be required to maintain it.
Contract Exchange	With this strategy the company provides an interface between buyers and sellers that may have to operate across multiple time zones.	This is the most successful of all of the systems lock-in options. The firm enjoys a competitive edge.
Proprietary Standard	The customer is drawn to your product because of the extensive network of third party components that are designed to work with your product.	Only applicable in most industries. It can be achieved by the network of suppliers.

Best Product	Centered on product economies	
Low cost	Focus on being the lowest cost provider in an undifferentiated product category	Since there is only one lowest cost producer, this strategy leaves very little space as a competitive position. It also tends to standardize the product offering, commoditize the customer, and intensify rivalry.
Differentiation	While maintaining effective production economies focus on key differentiation in the product features and functionalities such that the products are uniquely desired and command price premiums	The problem with this strategic position is that as soon as the differentiated product emerges, competitors tend to imitate them. A competitive advantage is therefore non-sustainable.

Delta Model Strategies

Delta Model Strategies		
Position	Definition	Comments
Best Product	Central or product economics	
Low cost	Focus on being the lowest cost provider in an undifferentiated product category	Success here is only one factor and production. This strategy makes very little sense as a competitive position. It also tends to lower the price of the product offering, which is the customer's and retailer's enemy.
Differentiation	While maintaining effective production economics focus on key differentiation in the product features and functions such that the products are simple, durable, and command price premiums	The problem with this strategic position is that as soon as the differentiated product emerges, competitors need to make them as competitive advantage is therefore non-sustainable.
Total Customer Solutions	Oriented to customer economics	
Redefining the customer experience	A focus is placed on considering the full experience of the customer from the point of acquisition through to the complete lifecycle of ownership of the product	This positioning is based upon an intimate knowledge of the customer base leading toward an effective customer segmentation and a differentiated treatment of the customer tiers.
Horizontal Breadth	A complete set of product and service offerings that fulfill the entire customer needs are customized and provided. "One-stop shopping for a unique solution."	We are seeking a dominant position in "share of the wallet of the customer."
Customer Integration	This strategy seeks to effectively substitute for or leverages activities currently performed by the customer. It is outsourcing in its extreme form and at least represents a complex web of connections with the customer that enhance their ability to do business and to use your product.	The firm is regarded as a bundle of competencies that will be brought to the customer to enhance the customer economics.
System Lock-in	Focuses on competitor economics	
Restricted Access	Significant barriers are in place that make it difficult for competitors to even compete for the acquisition of customers.	This is a difficult position to achieve and to maintain. Regulatory practices tend to be deployed to prevent it.
Downward Exchange	With this strategy the company provides an inferior (lowered) option and makes that a very hard to replace once it achieves critical mass.	This is the most successful of all of the system lock-in options. The first mover advantage is critical.
Proprietary Standard	The customer is given to your product because of the superior network of third party components that are designed to work with your product.	This option isn't available in most industries. It can be achieved the rewards are enormous.



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Delta Model Strategies

Delta Model Strategies		
Position	Definition	Comments
Centered on product economics		
Best Product		
Low cost	Focus on being the lowest cost provider in an undifferentiated product category.	Since there is only one lowest cost provider, this strategy leaves very little space as a competitive position. It focuses on maximizing the product offering, convincing the customer, and identifying costly competitors.
Differentiation	While maximizing effective production economies focus on key differentiation in the product that is not considered generic, competitors must make them. An essential and controlled price premium.	The problem with this strategy position is that as soon as the differentiated product emerges, competitors must make them. An important advantage is therefore non-sustainable.
Centered on customer economics		
Realizing the customer experience		
	A focus is placed on considering the full experience of the customer from the point of acquisition through to the complete lifecycle of ownership of the product.	This positioning is based upon an intimate knowledge of the customer base being based on effective customer segmentation and a differentiated treatment of the customer base.
Horizontal Search		
	A complete set of product and service offerings that fulfill the entire customer need and experience and provide "one-stop shopping for everyone."	We are seeking a dominant position in "what is the world of the customer."
Customer Integration		
	The strategy seeks to effectively substitute for or leverage activities currently performed by the customer. It is necessary to determine how and where the customer represents a complex web of connections with the customer that enhance their ability to purchase and to use the product.	This firm is regarded as "locked" competitors that will be brought to the customer to enhance the customer experience.
System Lock-In		
Focuses on complementor economics		
Restricted Access	Significant barriers are in place that make it difficult for competitors to even compete for the acquisition of customers.	This is a difficult position to achieve and to sustain. Regulatory practices tend to be deployed to prevent it.
Dominant Exchange		
	With this strategy the company provides an interface between buyers and sellers that is very hard to displace once it achieves critical mass.	This is the most accessible of all of the systems lock-in options. The first mover advantage is critical.
Proprietary Standard		
	The customer is drawn to your product because of the extensive network of third party complementors that are designed to work with your product.	This option isn't available in most industries. If it can be achieved the rewards are enormous.



System Lock-In	Focuses on complementor economics	
Restricted Access	Significant barriers are in place that make it difficult for competitors to even compete for the acquisition of customers.	This is a difficult position to achieve and to sustain. Regulatory practices tend to be deployed to prevent it.
Dominant Exchange	With this strategy the company provides an interface between buyers and sellers that is very hard to displace once it achieves critical mass.	This is the most accessible of all of the systems lock-in options. The first mover advantage is critical.
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The Challenge to Decommoditization:

**Transforming the organization
from best product to total
customer solutions, while seeking
opportunities for System Lock-In.**

Central Lessons

If the heart of strategy is the customer, an appropriate customer segmentation and a creative value proposition is often the most important critical step in strategic thinking. Be creative, be bold, be fast

The winning formula is to have the overall network as your primary scope. Don't play the game alone. It is not just you serving the customer. It is you, your critical suppliers and the key complementors. In a large, diversified corporation often the most important complementors are in your own firm.

From the Customer Segmentation to Strategic Agenda

