How Competition is Changing the Nature of Competition

Professor Michael E. Porter
Harvard Business School

WOBI Strategy Series
What is Shifting the Basis of Competition?

• In today’s post-COVID world, competition has affected by several factors, which we will explore in depth:
  ○ Business Definition (How are business boundaries changing?)
  ○ Changes in the way we work and improve worker productivity & Digital Innovation
  ○ Shared Value and Corporate Purpose
  ○ The COVID-19 pandemic
Industry Structure

Industry structure determines the nature of competition and **average profitability** of industry rivals.

The drivers of competition are the **five forces**, or **industry structure**. Changes in the five forces are how industry structure **changes** and **evolves**.

The five forces are:

1. **Threat of Substitute Products or Services**
2. **Threat of New Entrants**
3. **Rivalry Among Existing Competitors**
4. **Bargaining Power of Buyers**
5. **Bargaining Power of Suppliers**

**Substitutes**

**Buyers**

**Suppliers**

**New Entrants**

**End Users**
Business Definition
Defining the Company’s Distinct Businesses

• **Business definition** reflects the five forces and is a major foundation of competition and strategy, common problem in many companies.
• Business definition is based on **two key factors**:

  - **Product Scope**
    - What **product groups** constitute distinct businesses?
      - Trucks vs. heavy trucks
    - How are products changing?
    - Each distinct business needs its own separate strategy

  - **Geographic Scope**
    - Is the business **local**, **national**, **regional** (e.g. Europe), or **global**?
      - Commercial aircraft vs. retailing
    - Geographic scope fundamentally affects strategy and configuring the value chain across geography
    - How is geographic scope of competition shifting?

• Broader changes in the economy are altering business definition in many industries
What Businesses Are We In?

Product/Customer Scope

- What groups of products/customers constitute a strategically distinct business?

How similar is industry structure?

How similar is the value chain?

Firm Infrastructure
- e.g., Financing, Planning, Investor Relations

Human Resource Management
- e.g., Recruiting, Training, Compensation System

Technology Development
- e.g., Product Design, Testing, Process Design, Material Research, Market Research

Procurement
- e.g., Components, Machinery, Advertising, Services

Inbound Logistics
- e.g., Incoming Material Storage, Service

Manufacturing
- e.g., Branch Operations, Assembly, Component Fabrication

Outbound Logistics
- e.g., Order Processing, Warehousing

Marketing & Sales
- e.g., Sales Force, Promotion, Advertising, Channel Management

After-Sales Service
- e.g., Installation, Customer Support, Complaint Resolution, Repair

Bargaining Power of Suppliers

Rivalry Among Existing Competitors

Bargaining Power of Channels

Bargaining Power of End Users

Threat of Substitute Products or Services

Threat of New Entrants

Buyers
What Businesses Are We In?

Geographic Scope

- What is the geographic scope of competition and competitive advantage?
  - Similarity of needs across geography
  - Ability to leverage key activities in the value chain across regions and countries

Local
- Differing local value propositions and separate value chains

National ("Multi-Domestic")
- Differing value propositions in different counties and limited value chain leverage across countries

Regional
- A common value proposition and an integrate regional value chain

Global
- A common value proposition and an integrated global value chain

Inbound Logistics
- E.g., Incoming Material Storage, Service

Operations
- E.g., Branch Operations, Assembly, Component Fabrication

Outbound Logistics
- E.g., Order Processing, Warehousing

Marketing & Sales
- E.g., Sales Force, Promotion, Advertising, Channel Management

After-Sales Service
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Firm Infrastructure
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Human Resource Management
- E.g., Recruiting, Training, Compensation Scheme

Technology Development

Procurement
- E.g., Components, Machinery, Advertising, Services
## Profitability of Selected U.S. Industries 2009-2019

<table>
<thead>
<tr>
<th>Industry</th>
<th>ROIC</th>
</tr>
</thead>
<tbody>
<tr>
<td>IT Services</td>
<td>28.2%</td>
</tr>
<tr>
<td>Specialty Retail</td>
<td>24.0%</td>
</tr>
<tr>
<td>Household Products</td>
<td>20.3%</td>
</tr>
<tr>
<td>Aerospace &amp; Defense</td>
<td>20.0%</td>
</tr>
<tr>
<td>Air Freight &amp; Logistics</td>
<td>19.1%</td>
</tr>
<tr>
<td>Hotels, Restaurants &amp; Leisure</td>
<td>18.9%</td>
</tr>
<tr>
<td>Beverages</td>
<td>16.6%</td>
</tr>
<tr>
<td>Semiconductors &amp; Semiconductor Equipment</td>
<td>16.3%</td>
</tr>
<tr>
<td>Food &amp; Staples Retailing</td>
<td>14.0%</td>
</tr>
<tr>
<td>Food Products</td>
<td>13.7%</td>
</tr>
<tr>
<td>Auto Components</td>
<td>12.8%</td>
</tr>
<tr>
<td>Airlines</td>
<td>12.6%</td>
</tr>
<tr>
<td>Communications Equipment</td>
<td>11.0%</td>
</tr>
<tr>
<td>US Average</td>
<td>10.7%</td>
</tr>
<tr>
<td>Entertainment</td>
<td>10.7%</td>
</tr>
<tr>
<td>Electrical Equipment</td>
<td>9.4%</td>
</tr>
<tr>
<td>Chemicals</td>
<td>9.1%</td>
</tr>
<tr>
<td>Electric Utilities</td>
<td>7.9%</td>
</tr>
<tr>
<td>Construction Materials</td>
<td>7.8%</td>
</tr>
<tr>
<td>Automobiles</td>
<td>7.8%</td>
</tr>
<tr>
<td>Electronic Equipment, Instruments &amp; Components</td>
<td>7.1%</td>
</tr>
<tr>
<td>Household Durables</td>
<td>5.5%</td>
</tr>
<tr>
<td>Banks</td>
<td>4.5%</td>
</tr>
<tr>
<td>Biotechnology</td>
<td>-2.5%</td>
</tr>
</tbody>
</table>

Note: Return on Invested Capital (ROIC) is calculated by multiplying EBIT by one minus the tax rate, and then dividing by invested capital excluding excess cash

Source: Compustat (2020), author’s analysis
# Profitability of Selected Airline Companies

## 2009-2019

<table>
<thead>
<tr>
<th>Company</th>
<th>ROIC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spirit Airlines Inc</td>
<td>26.7%</td>
</tr>
<tr>
<td>Delta Air Lines Inc</td>
<td>20.2%</td>
</tr>
<tr>
<td>Hawaiian Holdings Inc</td>
<td>18.1%</td>
</tr>
<tr>
<td>Virgin America Inc</td>
<td>14.9%</td>
</tr>
<tr>
<td>Southwest Airlines</td>
<td>13.9%</td>
</tr>
<tr>
<td>Us Airways Group Inc</td>
<td>13.0%</td>
</tr>
<tr>
<td>Airlines Industry</td>
<td>12.6%</td>
</tr>
<tr>
<td>United Airlines Holdings Inc</td>
<td>12.6%</td>
</tr>
<tr>
<td>Ryanair Holdings Plc</td>
<td>12.3%</td>
</tr>
<tr>
<td>Airtran Holdings Inc</td>
<td>11.8%</td>
</tr>
<tr>
<td>United Airlines Inc</td>
<td>11.5%</td>
</tr>
<tr>
<td>Jetblue Airways Corp</td>
<td>10.3%</td>
</tr>
<tr>
<td>American Airlines Group Inc</td>
<td>9.7%</td>
</tr>
<tr>
<td>Alaska Airlines Inc</td>
<td>9.1%</td>
</tr>
<tr>
<td>Republic Airways Hldgs Inc</td>
<td>6.6%</td>
</tr>
<tr>
<td>Skywest Inc</td>
<td>5.3%</td>
</tr>
</tbody>
</table>

Note: Return on Invested Capital (ROIC) is calculated by multiplying EBIT by one minus the tax rate, and then dividing by invested capital excluding excess cash.

Source: Compustat (2020), author’s analysis
Digital
WHAT IS AUGMENTED REALITY (AR)?

A set of technologies that superimposes digital data, images and control options onto a human's view of the physical world.
THE NEW PRODUCT CAPABILITIES WITH AR

**VISUALIZE**
Enhance the user’s ability to understand the physical world by overlaying relevant real-time digital information, or possible choices and future states.

**INSTRUCT/GUIDE**
Train or guide users to perform tasks via overlaying digital data and instructions, or enabling real-time expert guidance.

**INTERACT**
AR as an interface enabling control of the product, via overlaid graphics or natural user interfaces such as voice commands, gesture control, or sight tracking.

**SIMULATE**
Where needed, virtual reality adds a fourth capability to overcome practical constraints such as distance, time, size, and hazardous environments.

AR substantially enhances the capabilities and impact of smart, connected products.
AR ADVANCES THE CAPABILITY OF WORKERS

Smart, Connected People
<table>
<thead>
<tr>
<th>Marketing / Sales</th>
<th>Manufacturing / Operations</th>
<th>Service / Support</th>
<th>Training</th>
<th>Design</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Virtual Product Companions</td>
<td>• Maintenance Work Instructions</td>
<td>• Guided Work Instructions</td>
<td>• Knowledge Capture &amp; Transfer</td>
<td>• Collaborative Design Review</td>
</tr>
<tr>
<td>• Augmented Brand Experience</td>
<td>• Operator &amp; Assembly Work Instructions</td>
<td>• Service Inspection &amp; Verification</td>
<td>• Just-In-Time Training</td>
<td>• Fast Product &amp; Component Lookup</td>
</tr>
<tr>
<td>• Interactive Consumer Products</td>
<td>• Augmented Operator Manual</td>
<td>• Remote Expert</td>
<td>• Expert Coaching</td>
<td>• Augmented Design Review</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Customer Self-Service</td>
<td>• Safety &amp; Security Training</td>
<td></td>
</tr>
</tbody>
</table>

Survey of PTC customers, FY 2019 Q1-Q3. n = 78
AR and Product Differentiation

AccuVein®
AR REQUIRES ADDITIONAL STRATEGIC CHOICES

AR Talent and Resources
Should the company make AR design and deployment a core strength, or will outsourcing or partnering be sufficient?

Which Opportunities?
What is the range of AR opportunities, and in what sequence should they be pursued?

Shifting Communications Model
How will AR change broader communications with stakeholders?

Product Differentiation
How will AR reinforce a company’s product differentiation?

Operational Effectiveness
Where will AR have the greatest impact on cost reduction?
IMPACT OF AR ON COMPETITION

Differentiating the **Product** ↔ Improving Productivity in the **Value Chain**
FINAL THOUGHTS

• The Digital Transformation has enabled a new, expanding set of capabilities that have dramatically increased the efficiency of machines and products, as well as people
  – Enabling more effective training and guidance to address shortage of skilled front-line workers
  – Enhancing worker productivity through better collaboration with machines
  – Counterbalancing the shift to automation by empowering human workers

• Both IoT and AR change the competitive environment, requiring new strategic choices and organizational models. For example:
  – What product capabilities to pursue?
  – Change the business model?
  – What business are we in?
Changing How We Work
How Work is Changing?

• An important aspect of digital is how it is affecting the way that we work.

• The coronavirus crisis of 2020 has only accelerated these trends across all many business functions. Travel bans, lockdowns, and social distancing policies have disrupted business around the world, forcing companies to find new ways to work.

• There are two broad areas of work:
  • **Knowledge work** trades in information that is readily captured in digital files and databases.
  • **Frontline work** is work performed in the real world and that involve real physical work.
Knowledge Work

• When work is purely digital, location doesn’t really matter. Productive work can continue whether employees are in the office or working remotely.

• Work from home has addressed knowledge work.

• There is a trend toward a more distributed, mobile, and agile workforce as the knowledge work has become increasingly digital. The COVID crisis has accelerated the growth of knowledge work, bringing it to a new level and further emphasized these characteristics.
Frontline Work

• Frontline workers **cannot do their jobs from home** and require **knowledge and training** in order to do their work. This has traditionally come in the form of personal experience, training classes, paper documentation, mentoring, and face-to-face troubleshooting.

• **Digital technology is a highly powerful transformation of frontline work** by providing training, guidance and collaboration.

• Augmented reality (AR) enables frontline worker solutions through its ability to deliver needed **digital content** and **expert guidance** into the context of the **physical environment** where frontline work actually takes place.

• AR has the ability to be a real-time tool for **collaboration** between a remote expert and a frontline worker who needs input (e.g. Toyota repairs)

• AR is also breakthrough technology for **training** frontline workers, enabling the next generation of instructional content and processes. (e.g. Volvo and quality checks)
  
  • AR devices can “see the real world in the way the worker does,” creating the 3D web where instructional content is delivered via a 3D experience that mirrors and object or a workspace, rather than on a traditional flat web page.

• Capturing and digitizing the **expertise of experienced workers** is also a foundation for optimizing the overall productivity of frontline workers.
Shared Value and Corporate Purpose
The Role of Business in Society

- Societies everywhere are facing significant **social, environmental and economic opportunity** challenges
- Government and NGOs lack **sufficient resources and capabilities** themselves to fully address these challenges
- By far the **greatest resources and implementation capabilities** are in business
  - The question is **how**
- Business involvement in social issues has been **rising for decades**
- However, **concerns about business’ contribution to society** continue to grow, and the **legitimacy of business**, and **capitalism**, is declining
  - Many now believe that **profit** is taking away from society, rather than **enabling the ability to meet societal needs**

Shared value is an important **new dimension of competition**.

How **should** business be involved in social issues?

How do we **raise the bar** in business practice?
Evolution of Corporate Thinking About Social Impact

<table>
<thead>
<tr>
<th>Philanthropy</th>
<th>Corporate Social Responsibility (CSR)</th>
<th>Beyond CSR</th>
<th>A Corporate Purpose</th>
<th>Creating Shared Value (CSV)</th>
</tr>
</thead>
</table>
| • Donations to worthy social causes  
• Volunteering | • Compliance with ethical and community standards  
• Good corporate citizenship  
• “Sustainability” initiatives  
• Mitigating risk and harm  
• Improving trust and reputation | • Broadening corporate accountability  
– B-Corporations (2006)  
Building on Sustainability Benefit Broader Stakeholders  
– Conscious Capitalism (2013)  
• Serve all major stakeholders, not just shareholders (BRT) | • Addresses the question “why do we exist?” as a company | • Addressing societal needs and challenges through the business itself, with a business model |
# Corporate Social Purpose

BlackRock CEO’s Annual Letters to CEOs of Portfolio Companies

<table>
<thead>
<tr>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A Sense of Purpose</strong></td>
<td><strong>Purpose and Profit</strong></td>
</tr>
<tr>
<td>“Without a sense of purpose, no company, either public or private, can achieve its full potential.”</td>
<td>“Purpose is not a mere tagline or marketing campaign; it is a company’s fundamental reason for being – what it does every day to create value for its stakeholders.”</td>
</tr>
<tr>
<td>“It will ultimately lose the license to operate from key stakeholders.”</td>
<td>“Purpose is not the sole pursuit of profits, but the animating force for achieving them.”</td>
</tr>
<tr>
<td>“It will succumb to short-term pressures to distribute earnings and sacrifice investments in employee development, innovation, and capital expenditures that are necessary for long-term growth.”</td>
<td>“Profits are in no way inconsistent with purpose - in fact, profits and purpose are inextricably linked.”</td>
</tr>
<tr>
<td>“The company will remain exposed to activist campaigns that articulate a clearer goal, even if that goal serves only the shortest and narrowest of objectives.”</td>
<td>“When a company truly understands and expresses its purpose, it functions with the focus and strategic discipline that drive long-term profitability.”</td>
</tr>
<tr>
<td></td>
<td>“Purpose guides culture, provides a framework for consistent decision-making, and, ultimately, helps sustain long-term financial returns for the shareholders of your company.”</td>
</tr>
</tbody>
</table>
Statement on the Purpose of a Corporation

Business Roundtable

• Americans deserve an economy that allows each person to succeed through hard work and creativity to lead a life of meaning and dignity

• While each of our individual companies serves its own corporate purpose, we share a fundamental commitment to all of our stakeholders

• We commit to:
  - Delivering value to our customers
  - Investing in our employees
  - Dealing fairly and ethically with our suppliers
  - Supporting the communities in which we work, with sustainable practices
  - Long-term transparent value for shareholders
Making Purpose Matter

Corporate Social Purpose

- How to make purpose **powerful**: Linking social purpose to business action

Creating Shared Value (CSV)

- Profit is **not inconsistent** with positive social impact, **but synergistic**
- **Shared value** is addressing societal needs **through the business itself**, with a **business model**
- The **most advanced form of capitalism** integrates social impact into **core strategy**
Levels of Shared Value

1. Reconceiving Needs, Products, and Customers
   - Products and services that meet important societal needs
   - Creating new markets by designing and delivering products to unserved or underserved customers, and communities

2. Redefining Productivity in the Value Chain
   - Accessing and utilizing resources, energy, supplier inputs, logistics, and employees differently and more productively

3. Improving the Local Business Environment/ Ecosystem
   - E.g., improving available skills, local suppliers, supporting institutions, and business infrastructure in the locations in which the company operates
   - Enhancing communities and regions while making the company more productive

- **Every company** touches social issues / challenges
- Pursuing a shared value strategy starts with asking **two key questions**:
  1. What social issues does **my business** touch?
  2. What social conditions does **my business** depend on?
Shared Value Through the Product

TO DO THIS:

• Discovery pioneered the concept of pairing a health plan with a wellness incentive program, called Vitality, based on behavioral economics ideas.

• Combining health coverage with Vitality membership led to Discovery customers achieving better health results, which enabled pricing of health coverage at lower premiums.

• Discovery is one of the world’s fastest growing and most profitable health insurance companies globally.

• Discovery has also applied its shared value insurance model to other kinds of insurance and financial services, such as life insurance (better health), auto insurance (safe driving), and credit cards (vitality involvement creates cash back).

CORPORATE PURPOSE

To make people healthier and enhance and protect their lives.
Shared Value in Products and Markets

**Our Mission, Vision and Values:**

- We believe that now is the time to **reimagine money**, to **democratize financial services**, so that **managing and moving money is a right for all citizens**, not just the affluent.

- We believe every person has the **right to participate fully in the global economy**. We have an obligation to empower people to exercise this right and **improve financial health**.

- As a leader in Financial Technology, we believe in providing **simple, affordable, secure and reliable financial services and digital payments** that enable the hopes, dreams and ambitions of millions of people around the world.
Shared Value in the Value Chain

- AeroFarms was founded to **reimagine agricultural production** to address the **issues of natural resource and land depletion** caused by conventional farming.
- AeroFarms grows food in **indoor vertical farms** using its patented aeroponic growing system that enables **faster harvest cycles, predictable results, superior food safety**, and **lower environmental impact**.
- AeroFarms’ food is produced using **95% less water** and **less than 1% of the land** used in traditional farming.
- Due to their smaller size, the vertical farms can be located close to population centers, **reducing transportation costs** and **lowering emissions by 98%**.
- Better control over the indoor growing environment also creates **superior flavor**.
- AeroFarms continues to grow and **raised $100 million in venture funding** in 2019.
Building an Agricultural Ecosystem

Yara International in Tanzania

• Yara is a world leading fertilizer company which serves smallholder farmers through custom product offerings and educational programs

• In 2009, Yara working with the Norwegian government, catalyzed a $3 billion cross-sector initiative (SAGCOT) to establish an agricultural cluster in Tanzania, involving:
  - NGOs: World Bank and USAID funded infrastructure
  - Local Government: upgraded infrastructure, and also changed policies, tariffs and tax structures
  - Partner Companies: invested capital and expertise in key suppliers, channels, processing, and infrastructure
  - Yara: trained farmers and agro-dealers, and also expanded its operations in the area with a new fertilizer plant and additional distribution warehouses

• The program has raised productivity for over 100,000 smallholder farmers, doubling yields and increasing net profit per hectare by 90%

• By 2017, over 1,200 new jobs had been created by partner companies operating in the cluster

• This allowed Yara to increase fertilizer sales volume by 50% and grow its market share from 35% to 52% in Tanzania
The Impacts of COVID-19 on Competition
Understanding the **Strategic Implications** of COVID-19

- Companies today have mostly been *playing defense*, but it is time to *play offense*, and think more deeply about the longer-term future of the business.

- To date, the disruptions of the COVID-19 Pandemic have led most companies to find new ways to support *employees*, modify *work locations*, shift to *digital* communications, review *HR* choices including *staffing levels*, and ensure *liquidity*, among other steps.

- However, the **impact of COVID** is varying dramatically across industries, geographies, and companies. For some companies, it will be a question of *survival*. Others will widely benefit because of *increased product relevance* and growth opportunities.

- Some companies will have to *reinvent themselves competitively* to grow and thrive.

- Responding to the crisis, companies have also *identified new opportunities to create value and deliver it*. Using digital technology designed to create *lower cost alternatives* to existing products and services (e.g. virtual workout classes).
Reexamining Industry Structure Analysis in COVID

Suppliers
- Who are the key supplier groups?
- How are the key suppliers being affected by the pandemic?
- What are the implications for sourcing structure and geography as well as cost and industry economics?

Competitors
- How is rivalry shifting? On what dimensions?
- Which competitors are thriving? Why? Which are challenged? Why?
- Can the company take advantage of M&A opportunities, including subsidiaries or diversified companies, that have become available due to the disruption?

Substitute Products or Services
- Are there emerging substitutes that are meeting needs in different ways?
- Could regulatory changes open up new substitutes?
- How will digital innovation affect products and services?

New Entrants
- Are there emerging or potential new entrants into the industry?
  - From other geographies?
  - From other related industries?
  - From other businesses that are connected digitally to your products?
- Are barriers to entry rising? Declining?

Customers / Customer Marketing
- What are the important customer segments?
- How are customer needs shifting?
- Which segments are growing? Declining?
- Which customer segments are most vulnerable to current circumstances?
- Are customers consolidating and gaining power?
- What is the medium and long-term trajectory of overall industry demand?

Channels
- Are traditional channels losing importance, clout, or impact on service/support?
- Are channels consolidating and becoming more powerful?
- How are sales and service networks being affected by evolving digital technology?

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Themes Affecting Competitive Positioning in a Post-Covid World

Target Customers
- Many existing customers and channels are experiencing financial hardship, and some will be less profitable/less attractive.
  - A lasting recession will have longer-term impacts on customer confidence and purchasing power, especially in lower income brackets
- Some new customers are adopting digital products and services, including traditional customers

Needs Uniquely Served
- Customers are expecting high levels of customer service and special accommodations during the crisis
- Companies are finding new ways to meet customer needs at home through virtual offerings (e.g., telemedicine, at-home delivery, appointment-only shopping, and more)
- Opportunities around product and service customization have the potential to create new markets (e.g., remotely accessible medical devices).
- Some of the new models will improve convenience and value for customers, and become the new normal

Relative Price/Cost
- The crisis has had an overall negative impact on both discretionary and conspicuous consumption. A polarization of demand across price points has emerged as customers shift to value and responsible consumption.
  - Premium brands are facing challenges in the short-term as consumers forgo non-essential purchases or look for inexpensive alternatives
- Companies are offering deep and extended discounts that may affect consumer price expectations longer-term
## Finance & Investors
- Companies are seeking **added liquidity** and **backstops**.
- Moving away from **buybacks**, and rethinking **dividends** (but not necessarily eliminating).
- More **flexibility** from investors and capital markets.

## Human Resources
- Companies are considering **more flexible work policies over the long-term**, including work from home and staggered scheduling.
- Reconsidering the **geographical distribution** of workers as populations may move away from urban centers.
- The need for more **IT talent** as digital enablement (e.g. AR) becomes more important in the workplace.

## Technology Development: Digital Transformation
- Companies are investing to incorporate **powerful new digital capabilities** across the value chain as digitization continues.

## Supply Chain and Procurement
- Companies are re-evaluating the **geographical distribution of suppliers**, including reduced dependency on individual suppliers and locations (e.g. China).
- Companies are adapting supply chain algorithms to incorporate new higher demand uncertainty and manage future risk of disruption.

## Manufacturing
- Reconnecting manufacturing with **end-markets** to increase adaptability and protect against the risk of future disruption.
- Increasing deployment of **digital transformation** to reduce cost and improve resiliency.

## Marketing and Sales
- Digital products and services allow for greater **customer and process data collection**, which will grow customization and end-user focused capabilities.
- Increasing use of **digital marketing** channels to adapt to (e.g. direct to consumer, social media).
- Creating new kinds of marketing content (e.g. politically-focused ads, social media videos) to **reflect current concerns and values**.
- **Digital technology** is being integrated into physical stores (e.g. online order capabilities).

## Service Delivery
- Expanding **service levels**.
- Introducing or expanding **remote service offerings**.
- **Customer service** has taken on new importance. Risk of failure to respond to expectations for superior (and safe) service has implications for customer loyalty and trust.
Takeaways for Competition in COVID-19

● In many cases, a **shrink to grow** approach may be necessary, as companies may need to restructure and recalibrate in order to position themselves to grow.
  ○ Eg. Levi’s shrinking stores and expanding online

● **Emerging growth themes:**
  ○ Home equipment, activity, and consumption, often digitally enabled.
  ○ **New digital substitutes (often to traditional methods)** are gaining traction and are likely to stick (e.g. telehealth, online fitness, etc.)
  ○ A shift toward **value, convenience**, and **responsible consumption** being drivers of consumer behavior and demand.
  ○ Capitalizing on, and taking advantage of **M&A opportunities** and industry **consolidations**.
  ○ Avoiding certain geographies like China, and large metros in the U.S.

● Businesses and supply chains will need to evolve to become **more agile and resilient** in order to better address volatility over the coming period. Where possible, global supply chains may need to **move closer to home**.

● **Radical acceleration of digital innovation and transformation**, including smart connected products, augmented reality, digital support work, and others. This will become table stakes.

● Anchoring the business and the brand around a **compelling and authentic social purpose** will be essential to customers and to mobilizing employees. This will also reveal growth opportunities with customers.

● Traditional channels (e.g. brick and mortar) are losing relevance in some industries, as the **shift to e-commerce and online platforms has accelerated**.