Transparency Strategy and the *I*-role of the CIO

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THE PROBLEM
Challenge

- The T of IT:
  "The Internet, per se, will rarely be a competitive advantage."
  - Porter, HBR, 2001

What is the multi-channel strategy?

<table>
<thead>
<tr>
<th>Search</th>
<th>CONSUMER PRE-PURCHASE PROCESS</th>
<th>Experience</th>
</tr>
</thead>
<tbody>
<tr>
<td>Computers</td>
<td>Airline tickets</td>
<td>Physical</td>
</tr>
<tr>
<td>Books</td>
<td>Software</td>
<td>Information</td>
</tr>
<tr>
<td>Stock</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Food</td>
<td>Insurance</td>
<td></td>
</tr>
<tr>
<td>[Jewels]</td>
<td>[Tax advice]</td>
<td></td>
</tr>
<tr>
<td>Clothes</td>
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Source: [www.bluenile.com](http://www.bluenile.com), accessed April 1, 2004
What is the multi-channel strategy?

**Search**
- Computers
- Books
- Airline tickets
- Software
- Stocks

**Experience**
- Food
- Insurance
- Jewels
- Tax advice
- Clothes

**Physical**

**Information**

**PRODUCT ATTRIBUTES**
The Internet Enables Competition in the Transparency Dimension

Leisure vs. Business

Relative Price Elasticities – Leisure vs. Business


The Challenges

- The T of IT:
  "The Internet, per se, will rarely be a competitive advantage."  
  Porter, HBR, 2001

- The I of IT:
  "The great paradox of the Internet is that its very benefits—making information widely available; reducing the difficulty of purchasing, marketing, and distribution—also makes it more difficult for companies to capture those benefits as profits."
  Porter, HBR, 2001

  - The positive effect of product information
  - Price information can lead to price erosion

THE LESSONS
IT Strategy: Information and Technology Strategy

The I of IT: INFORMATION STRATEGY
➢ Transparency: Differentiate from competitors by strategically disclosing or concealing information.
   • Blue Nile, Hotwire, Orbitz

The T of IT: TECHNOLOGY STRATEGY
➢ Develop, use (smartly), or patent digital and search technologies, in line with the i-strategy.
   • Orbitz developed, Blue Nile and Hotwire used

Link between Strategy and IT

Business Strategy

Channel Strategy

Information Strategy

Technology Strategy

Transparency Strategy
Transparency as a strategic choice

- Transparency strategy: What information do I disclose and to whom?

<table>
<thead>
<tr>
<th>Case #1: Transparent</th>
<th>Case #2: Distorted</th>
<th>Case #3: Biased</th>
<th>Case #4: Opaque</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product</td>
<td>S₁ S₂</td>
<td>S₁ S₂</td>
<td>S₁ S₂</td>
</tr>
<tr>
<td>Price</td>
<td></td>
<td>S₁ S₂</td>
<td>S₁ S₂</td>
</tr>
</tbody>
</table>


Orbitz Strategy: Industry Impacts

Airlines, Hotels, Rental Cars

- Global Distribution Systems (GDSs): Amadeus, Sabre, Galileo, Worldspan
- Supplier Reservation Offices
- Offline Travel Agencies
- Online Travel Agencies (orbitz.com)
- Pricing and Search Engines: ITA Software
- Supplier Portals (delta.com)
- Meta-Search Agents (kayak.com)
- Consumer

OFFLINE + ONLINE
Air Travel: Transparency Design Game


SUMMARY

- Develop a transparency strategy and an IT strategy that supports the business strategy.

- Understand the long-term trends in the industry to strategize accordingly
  - Transparency developments
  - Technological developments

APPENDIX
### priceline.com

**Depart** Thursday, March 26, 2009
- **From**: Chicago, IL (ORD)
- **To**: New York City, NY

**Return** Thursday, March 30, 2009
- **From**: New York City, NY
- **To**: Chicago, IL (ORD)

<table>
<thead>
<tr>
<th><strong>Airline</strong></th>
<th><strong>Lowest Price</strong></th>
<th><strong>Non-Stop</strong></th>
<th><strong>Flight + Hotel Packages</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>AA</strong></td>
<td>$179 (Round-Trip Flight)</td>
<td>$179</td>
<td>$301</td>
</tr>
<tr>
<td><strong>Delta</strong></td>
<td>$189 (Round-Trip Flight)</td>
<td>$189</td>
<td>$311</td>
</tr>
</tbody>
</table>

**Choose Your Departing Flight**
- **Sort By**: Price, Trip Duration, Departure Time, Arrival Time
- **Choose Departure**

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### ORBITZ and 51™

**Find flights by**
- **Airlines**
- **Price**
- **Stops**
- **Sort flights by**
  - **Lowest price**
  - **Departure time**
  - **Shortest flight**

**Showing lowest priced flights**
- **From**: Chicago, IL (ORD)
- **To**: New York City, NY
- **Leaves**: Thursday, March 26
- **Returns**: Thursday, March 30

<table>
<thead>
<tr>
<th><strong>No stops</strong></th>
<th><strong>$156</strong></th>
<th><strong>Non-Stop</strong></th>
<th><strong>$156</strong></th>
<th><strong>US Airways</strong></th>
<th><strong>Delta</strong></th>
<th><strong>Northwest</strong></th>
<th><strong>Continental</strong></th>
<th><strong>Southwest</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Round-Trip</strong></td>
<td><strong>Total</strong></td>
<td><strong>$312</strong></td>
<td><strong>Total</strong></td>
<td><strong>$312</strong></td>
<td><strong>Total</strong></td>
<td><strong>$304</strong></td>
<td><strong>Total</strong></td>
<td><strong>$314</strong></td>
</tr>
<tr>
<td><strong>1 stop</strong></td>
<td><strong>$189</strong></td>
<td><strong>Total</strong></td>
<td><strong>$278</strong></td>
<td><strong>$189</strong></td>
<td><strong>Total</strong></td>
<td><strong>$268</strong></td>
<td><strong>Total</strong></td>
<td><strong>$268</strong></td>
</tr>
<tr>
<td><strong>2+ stops</strong></td>
<td><strong>$210</strong></td>
<td><strong>Total</strong></td>
<td><strong>$210</strong></td>
<td><strong>$210</strong></td>
<td><strong>Total</strong></td>
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**Deeper Discounts**
- Below published fares, even last minute. Be flexible, save more.