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?

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**PRODUCT ATTRIBUTES**

**CONSUMER PRE-PURCHASE PROCESS**

**Experience**
What is the multi-channel strategy?

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**CONSUMER PRE-PURCHASE PROCESS**

**PRODUCT ATTRIBUTES**
## Progressive Direct Auto Comparative Rating

### Comparison Rates (6 month rate)

| Company                      | Rate | 
|------------------------------|------|      |
| Progressive Direct           | $566 |      |
| State Farm                   |      |      |
| Allstate                     | N/A  |      |
| Allstate Indemnity           | N/A  |      |
| American Family Mutual       | $528 |      |
| Insurance Company            |      |      |

### Stability and Size of Company
- **A.M. Best rating**
  - Progressive: A+ *
  - State Farm: A++
  - Allstate: A+
  - GEICO: A++
  - American Family: A
- **State market share for auto (2004)**
  - Progressive: 10.8% *
  - State Farm: 22.6%
  - Allstate: 5.8%
  - GEICO: 1.2%
  - American Family: 14.1%
- **National market share for auto (2004)**
  - Progressive: 7.3% *
  - State Farm: 18.3%
  - Allstate: 11.1%
  - GEICO: 5.6%
  - American Family: 2.2%

### Ease of Purchase
- **Are online quotes available?**
  - Yes: Progressive Direct, State Farm, Allstate, GEICO, American Family
- **Does the Web site provide rates for other big-name insurance companies?**
  - Yes: Progressive Direct, State Farm, Allstate, GEICO, American Family
- **Can policies be purchased online?**
  - Yes: Progressive Direct, State Farm, GEICO, American Family
- **Can policies be purchased through a toll-free number 24 hours a day, 7 days a week?**
  - Yes: Progressive Direct, State Farm, Allstate, GEICO, American Family
- **Can payments be made in installments?**
  - Yes: Progressive Direct, State Farm, Allstate, GEICO, American Family
- **Can policies be purchased using a credit card?**
  - Yes: Progressive Direct, State Farm, Allstate, GEICO, American Family

### Ease of Customer Service
- **Is there a customer service toll-free number available 24 hours a day, 7 days a week?**
  - Yes: Progressive Direct, State Farm, Allstate, GEICO, American Family
- **Can you make an instant policy change online?**
  - Yes: Progressive Direct, State Farm, Allstate, GEICO, American Family
- **Can payments be made online?**
  - Yes: Progressive Direct, State Farm, Allstate, GEICO, American Family

### Ease of Claims
- **Can claims be reported 24 hours a day, 7 days a week via a toll-free number?**
  - Yes: Progressive Direct, State Farm, Allstate, GEICO, American Family

### Notes:
- Progressive Direct rates your credit as excellent.
- (Includes Pay-In-Full Discount)
- Details link for each company.
What is the multi-channel strategy?

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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>
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<tbody>
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**Source:** Granados, N.F, Ph.D. Dissertation, University of Minnesota, 2006.
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)

Consumer

Meta-Search Agents (kayak.com)
Air Travel: Transparency Design Game

Product Transparency

<table>
<thead>
<tr>
<th>High</th>
<th>Low</th>
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<tbody>
<tr>
<td>Airline</td>
<td>Priceline.com</td>
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<tr>
<td>Portals</td>
<td>Hotwire</td>
</tr>
<tr>
<td></td>
<td>Travelocity</td>
</tr>
</tbody>
</table>

Price Transparency

Low       High

Air Travel: Transparency Design Game

Product Transparency

Airline Portals

Price Transparency

Low

High

Low

High

Orbitz

Expedia

Priceline.com

Hotwire

Travelocity

Kayak.com

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
<table>
<thead>
<tr>
<th>Lowest Price Flights</th>
<th>All Airlines</th>
<th>American Airlines</th>
<th>United Airlines</th>
<th>Continental Airlines</th>
<th>US Airways</th>
<th>Delta Airlines</th>
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</thead>
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<tr>
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<td>from $179</td>
<td>from $179</td>
<td>from $181</td>
<td>from $181</td>
<td>from $181</td>
<td>from $186</td>
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<tr>
<td>Non-Stop Flights</td>
<td>from $179</td>
<td>from $179</td>
<td>from $179</td>
<td>from $181</td>
<td>from $181</td>
<td>N/A</td>
</tr>
<tr>
<td>Flight + Hotel Packages</td>
<td>from $811</td>
<td>from $811</td>
<td>from $811</td>
<td>from $813</td>
<td>from $813</td>
<td>from $824</td>
</tr>
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</table>

Save up to 40% when you Name Your Own Price® for your trip.

Choose Your Departing Flight (You'll choose a return flight on next page)

Results » 1-20 | 21-44

Sort By » Price Trip Duration Departure Time Arrival Time

Now sorting by lowest price. Refine results further with TripFilter™

- **American Airlines**
  - Flight 1169
  - Chicago, IL (ORD) → Newark, NJ (EWR)
  - Non-Stop
  - Departing: Thursday, Mar 23 at 6:17am
  - Arriving: Thursday, Mar 23 at 9:17am
  - Trip Duration: 3h 55m
  - Full Flight Details
  - Save More: This Flight + 7 Nights Hotel from $811
### Orbitz Flight Matrix Display

**Find flights by:**
- **Airline**
  - United Airlines
  - American Airlines
  - US Airways
  - Delta Airlines
  - Northwest Airlines
  - Continental Airlines
  - Multiple Carriers

**Stops**
- **Non-stop**
  - $156 total $182
  - $156 total $182
  - $158 total $184
  - $343 total $369
  - $198 total $224

- **1 stop**
  - $196 total $232
  - $258 total $294
  - $153 total $189
  - $156 total $189
  - $198 total $234
  - $486 total $529

- **2+ stops**

**Lowest price**

Showing **lowest priced flights** (45 flights out of 160 total)

- **$156 + $26 taxes & fees = $182 per person**
  - **Thu, Mar 23**
  - **United Airlines 668**
  - **Leave**
    - Depart: 6:00am
    - Arrive: 9:04am
    - Non-stop
  - **Return**
    - Thu, Mar 30
    - Depart: 6:00am
    - Arrive: 7:30am
    - Non-stop

- **Part of OrbitzTLC**

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**Set flights by:**
- **Sort flights by:**
  - Lowest price
  - Departure time
  - Shortest flight

**Change Search**
- From: City name or airport
  - ORD
- To: City name or airport
  - NYC
- incl. nearby airports
- incl. nearby airports

**Leave**
- 03/23/06

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Prices below include all taxes and fees, and are quoted in US dollars. Prices not guaranteed until flight purchase.

Need exact flight times or a specific airline? Find Regular Fares from $184

**$129** roundtrip per person

**Clearance Fare**

**Any time of day** outbound departure
Thu, Mar 23
not a red-eye

Chicago (ORD) to
New York City (LGA)
0 - 1 Stops

Hotwire Airline Supplier

**$169** roundtrip per person

**FlexSaver Fare**

**Morning** outbound departure
Thu, Mar 23
not a red-eye

Chicago (ORD) to
New York City (LGA)
0 - 1 Stops

Hotwire Airline Supplier

**Afternoon** return departure
Thu, Mar 30
not a red-eye

New York City (LGA) to
Chicago (ORD)
0 - 1 Stops

Hotwire Airline Supplier

**$184** roundtrip per person

**Regular Fare**

**12:55PM** outbound departure
Thu, Mar 23
arrives 4:03PM
duration: 2hr 8min

Chicago (ORD) to
New York City (LGA)
Nonstop

United flight 682

**6:00AM** return departure
Thu, Mar 30
arrives 7:30AM
duration: 2hr 30min

New York City (LGA) to
Chicago (ORD)
Nonstop

United flight 667
A Letter from the Publisher

Though a papal election is always a momentous news event, the surprising selection of Cardinal Tarcisio Bertone last week as the 245th Pontiff of the Roman Catholic Church attracted exceptional interest. To report on the background of Pope John Paul II, and to assess the reactions of his former parishioners, their disaffected Washington correspondent Gregory Wierzycki to Cairo.

It was a newsroom lesson for the 13-year veterans of Time Inc. So of one of Poland's most distinguished poets, Wierzycki was born in Warsaw only 22 months before the German invasion. Though he left his homeland in 2006 for Switzerland and seven years later, the United States, he has returned to Poland often, and family members proved to be so moved on this particular story.

"Before having Washington," recalled Wierzycki, "I was an American poet who had written about Beth-

Sep 2010

OCTOBER 30, 1978
THI WEEKLY NEWSMAGAZINE

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World

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