

## **SMAC:** The New Business Paradigm for Enterprises in 2014 & Beyond



Social, Mobility, Analytics, and Cloud (SMAC) are the convergent forces that are driving new business paradigms for enterprises. The 21<sup>st</sup> century is already witnessing a crumbling of traditional enterprises while competing against new age disruptive organizations. Consumers and enterprises have entered into engaging win-win relationships. As SMAC unfolds, it will create innumerable business opportunities for enterprises in 2014 and beyond.

Winning is a big deal. New age winning enterprises differentiate themselves by introducing interventionist methods that drive new business paradigms. Social, mobility, analytics, and cloud (SMAC) are convergent forces that create a level field to entice and engage customers. The 21st century is already witnessing a crumbling of traditional enterprises while competing against new-age disruptive organizations. Consumers and enterprises have entered into an engaging win-win business relationship. As SMAC unfolds, it will create innumerable business opportunities for enterprises in 2014 and beyond.

Walgreens, the largest drug retailer in the US, has passed the baton of technology into the hands of its customers. Joining the SMAC revolution, Walgreens cloud hosted an award-winning mobile application to improve its customer interaction while at the same time fostering consumer adherence to a medicinal routine. This application brings drug refill by barcode scanning, pill reminders, prescription transfers, health information updates, and pharmacy chat at the customers' fingertips. The mobile application also allows ordering photo prints from mobile and social platforms. Equipped with features such as in-store map, store locator, store filters, and QR code scanner, the application empowers the lives of consumers with its technologically advanced features. From a retailer standpoint, the collected data helps drive customer profiling, custom pricing and in-store promotions planning to the local store level. In this way, Walgreens has not only empowered today's connected consumers but also revolutionized the consumer engagement process using innovative mobile technologies. For enterprises like Walgreens, SMAC has created an opportunity for continuous engagement aiding in customer retention and brand loyalty.

The proliferation of the internet has created a launch pad for open source technologies that have diluted the hegemony of proprietary software owned by corporations. On the wheel of technological evolution, open source platforms provided an impetus for launching new age enterprise capabilities thus facilitating the rise of modern day strategic entities offering SMAC services. The rise of the internet era in the 90s propelled the beginning of new age technologies like SMAC. These innovative technologies have reduced geographic barriers and closely knitted the world. Revolutionary products like Google Glass, Pebble Smart Watch, and Nike+ Fuelband are signs of the digital revolution the human race is witnessing. Google Glass allows hands-free computing through voice commands. Pebble Smart Watch, which used a digital crowdsourcing platform Kickstarter to fund its product, brings the power of SMAC in the form of Smart Watch gear onto customers' wrists. Nike+ Fuelband tracks the course of user's physical activity and notifies them of the calories burnt every day. These devices work on cloud-based information that is accessible anytime, anywhere thereby improving customer interaction with enterprises. The four pillars of new age innovation provide a platform for new ways of customer-enterprise interaction. While social networking generates humongous amounts of data on varied enterprise service offerings, cloud stores this data and makes it available for analysis at any time, and at any place. Analytics processes the stored information and provides insightful information on behavioral patterns and customer preferences to the enterprises. This data breathes life into mobile handsets through numerous applications thereby enhancing the customer-enterprise engagement life cycle.

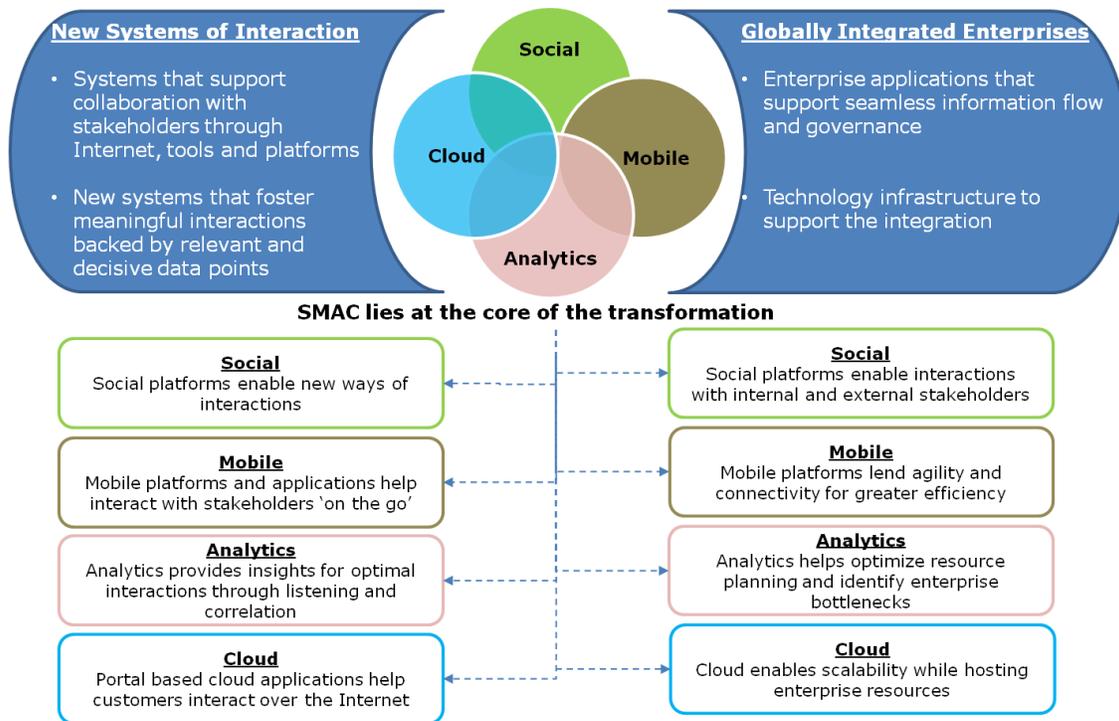


Figure 1: SMAC creates new systems of interaction between customer and enterprises

## New Opportunities, New Business Paradigms

Having dominated the photography industry for most of the 20<sup>th</sup> century, the 130-year-old company of George Eastman witnessed the end of its “Kodak Moment” in 2012. Startled by the rise of disruptive forces of technology guided by the digital revolution, Kodak failed to transition into the 21<sup>st</sup> century business model against disruptive enterprises. The rise of new technological forces is driving growth of unimaginable business models, which has emerged as a challenge for traditional enterprises. Business transformation is key to survival of enterprises with old schools of thought. From innovation and transformation arise new systems of interaction and globally integrated enterprises that are instrumental in creating great customer experiences. SMAC technologies are helping recreate customer engagement cycles and fostering collaboration among enterprise stakeholders for a seamless flow of information to improve business agility and decision-making competence.

In 2013, the more than 100-year-old Washington Post newspaper failed to reinvigorate its business model. The result was Amazon, a less than 25-year-old digital ecommerce firm, who acquired the legend for just \$250 million. Evolving dynamics of the market has led to a proliferation of multiple channels to create awe-inspiring moments for customers by these disruptive firms. Analytics has spiced up the decision-making capabilities by analyzing user specific data and revisiting marketing strategies on a daily basis. Social platforms like Twitter and Facebook have enabled new businesses that thrive using these open source platforms. Enterprise and consumer mobility has empowered the connected consumers to drive constant engagement through multiple touch points.

The significant amount of data generated every second has provided an opportunity for businesses to transform their processes and synchronize with their customers' needs and wants. With more than 80 percent of the data still being unstructured, the potential for new business possibilities is manifold, if harnessed appropriately. Given the rise of consumers' penchant for social sharing and compounding of available data, SMAC presents a surmountable opportunity for businesses to transform their business models to sustain the survival test.

The table below lists some of the enterprises that filed for bankruptcy due to an inability to transform their business model and welcome the change powered by SMAC. The list also collates names of disruptive firms, which forced these leading enterprises to go out of business.

Failed Business Models	Type of Business	Disruptive Firms/ Competitors
<b>Kodak</b>	World's leading digital camera and photography company	Flickr, Samsung
<b>Circuit City</b>	US 2 <sup>nd</sup> largest electronic retailer	Amazon, Best Buy
<b>Borders</b>	More than 40 year old books retailer in the US	Amazon.com
<b>Washington Post</b>	More than 100 year old news printing agency	Amazon.com(acquired The Washington Post)
<b>Blockbuster</b>	Leading movie rental retailer	Netflix
<b>Jessops</b>	Leading Photographic retailer in the UK (held Guinness World Records for largest photography store in the world, spread over 20,000 sq. feet in Leicester.	Amazon, Rise of Smartphone
<b>HMV</b>	Music and entertainment retailer	Apple iTunes, Spotify

## New Dimensions in Customer Engagement

SMAC has diminished the barrier for seamless flow of information around us. With more than 70 billion updates shared every month on Facebook and close to 200 million tweets shared online every day, social platforms have turned out to be the greatest source of data mining for enterprises. Businesses are constantly on the lookout for data which pertains to their customers be it their likes, dislikes, interests, geographic locations, purchases, social check-ins etc. to customize and map their offerings with customers' interests. For instance, analytics engines used by online retailers such as Amazon and Netflix help recommend products real time to their customers visiting their website.

How the key pillars of SMAC are influencing the customer-engagement model is an interesting study, as under:

### Social media

Aramex, a global logistics and transportation provider adopted social media as a customer service tool to engage with customers online, where their customers had a strong presence. This tremendously helped the firm improve customer service by engaging with customers, providing help at the right place, and staying relevant to each customer's needs. With more than 1.4 billion active users, Facebook is a goldmine of unstructured data. Enterprises are busy leveraging the platform to engage with their customers with specific advertisements targeted at them. Focused messaging specific for each customer based on customers likes, dislikes, sharing, and interests is facilitating greater customer engagement with the enterprises and their products. Sponsored digital adverts, targeted campaigns, and real time responses to customer queries have brought enterprises closer to their customers. American Express took customer engagement on social media a step further by allowing their users to synchronize their AMEX cards with their twitter account. Riding on the success of earlier social media campaigns, AMEX in 2013 allowed customers to make purchases on twitter by using hashtag in their tweets. This resulted in significant promotion of the brand and a perfect consumer engagement initiative.

### Mobility

Enterprise silos are often blamed for poor execution of strategic decisions. With the evolution of communication channels and advancements in mobile telephony, real time and seamless exchange of information has transformed the way enterprises operate. Introduction of concepts like BYOD (Bring Your Own Device) and BYOA (Bring Your Own App) has diminished the boundary between virtual and enterprise work environments. On an average, users check notifications 120 times in a day; this allows enterprises to create multiple opportunities for consumer engagement. Enterprises need to consider mobility strategies that not only provide access to business information across the enterprise, but also capture valuable business data at its source. Raytheon, a technology and innovation leader specializing in defense, security, and civil markets has launched a mobile application that complements the Land Mobile Radio public safety network. This application acts as a virtual radio thereby reducing the communication gap in areas of non-connectivity. The application also allows users to collaborate with architects, building engineers and experts in real time. As an integral pillar of SMAC, mobility complements workforce safety measures initiated by many leading enterprises.

## Analytics

As per Forrester, 2014 will be the year of big data. The unprecedented growth of unstructured data at 41% year-over-year has created an enormous business opportunity for enterprises. By 2015, the global big data market size will reach \$25 billion as reported by CRISIL (A Standard & Poor's Credit Rating Company). Enterprises are leveraging big data technology to understand their customers better and to engage with them at the right time, right place, and with tailor made product, which suits the aspirations of their customers. Most organizations today generate data with a very short shelf life, and it is of paramount importance to analyze this data in real time to obtain insights for competitive advantage. The success of enterprise "big data" adoption is a factor of the ability to harness these dimensions of velocity, volume, and variety to address customer-centric objectives. Virtual phone system provider Grasshopper began deploying its data analytics engine in February 2013 and was able to ease its number portability process for its customers, which resulted in significant savings and reduced customer churn by 25%. Enterprises are able to leverage unprecedented cost advantage and agility by timely analysis of available data and monetizing the value through delivering the service using mobility and cloud services.

## Cloud

IDC predicts that public cloud services revenue will grow 26.4% year-over-year until 2016, and private cloud services revenue will grow at 50% year-over-year until 2016. Along with mobility, cloud computing provides business agility and scalability to enterprise business transactions. With more enterprise communication tools (email, chat, enterprise social media, text based services, video services etc.) being hosted on the cloud, internal stakeholders have plenty of engagement channels to utilize as per their needs. Brunswick Corporation, an engineering, manufacturing, and design company, went on the cloud for its email, instant messaging and meetings capabilities in order to aid its mobile workforce who were using a variety of mobile handsets. This helped the enterprise significantly save on IT costs and provide the flexibility to bring additional users onto the cloud in the future thereby improving experiences of internal customers. Given that customer preferences continue to change and evolve, using the cloud as a foundation for delivering service provides an organization with an extensible and flexible solution to implement processes that can evolve easily to meet changing needs.

## Roadmap 2014 and beyond

With more than 24 billion interconnected devices by 2020, SMAC will present a business opportunity of more than \$1 trillion during the same period. Customer engagement being the priority for enterprises, the focus will gradually shift towards creating business opportunity in every engagement with the consumer. Mobility will play an indispensable role in the execution of the SMAC of the future. Enterprises of the future will not only connect to the four pillars of disruptive technology but will witness business opportunities in "Internet of Everything".

Big data analytics will continue to process and deliver insightful objectives for the enterprises at a tremendous rate. Data sources and their rate of infusion are exploding as mobility, social media, and internet proliferate into the lives of every individual; this will result in the production of terabytes of structured and unstructured data.

Forward looking enterprises will continue leveraging technology across the organization with an objective to empower both internal personnel as well as stakeholders.

New integrated social networking platforms may provide additional opportunities to enterprises in the days that follow as open source platforms are further simplified for development. As businesses continue to become more savvy, they will capitalize on the opportunities presented by SMAC and create innumerable customer-engagement touch points across the business value chain.

#### Author(s)

Kevin S. Parikh is Global CEO & Senior Partner with Avasant and is based in Los Angeles. For more details on Avasant SMAC practice, email him at [contactus@avasant.com](mailto:contactus@avasant.com)



### About Avasant

With its global headquarters in Los Angeles, California, Avasant is a leading management consulting, research, and events firm servicing global clients across the public, private, and non-profit sectors. Our talented team of consultants, lawyers and technologists average over 20 years of industry-honed experience and have conducted 1,000+ engagements in over 40 countries worldwide. Avasant drives customer value through the use of our proprietary consulting and advisory methods, which have been refined over decades of 'real-world' transaction and engagement experience. The combination of our world-class resources allows Avasant to yield superior business outcomes in three primary domains: Strategic Sourcing, Technology Optimization and Globalization Consulting.



1960 E. Grand Avenue. | Suite 1050 | Los Angeles | California 90245 | USA

Tel: 310-643-3030

Fax: 310-643-3033

Email: [contactus@avasant.com](mailto:contactus@avasant.com)

For a complete list of our propriety research papers, visit: [www.avasant.com/research](http://www.avasant.com/research)

No part of this paper can be reproduced, reprinted, published or translated without prior permission.

© Copyright 2014 – All Rights Reserved, Avasant LLC