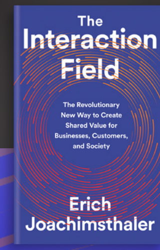
The Interaction Field

The Revolutionary New Way to Create Shared Value for Businesses, Customers, and Society

by
Erich Joachimsthaler

READING GROUP GUIDE



Introduction

Discussion Questions

Explain the concept of velocity as it relates to the interaction field.

When velocity occurs, what three things happen after and how does this affect value creation?

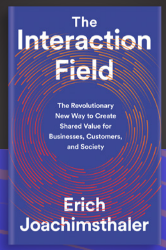
Chapter 1

Discussion Questions

What are some ways you can change your thinking and behavior to be better able to implement the interaction field in your company?

Do you agree that value chain and platform model companies fall short on their goal of value creation? Why or why not?

Glossary



TRADITIONAL VALUE CHAIN: The classic, asset-heavy organization. It is structured as a hierarchy and has organized its key activities along the value chain from sourcing to design, manufacturing, marketing, and sales.

> Ex) BASF, Deutsche Bank, Siemens, or Volkswagen in Germany; or GE, General Motors, or Procter & Gamble

PLATFORM MODEL: These companies are, above all, digitally driven, asset light, and quick to grow. They cross boundaries between industries and categories. They focus on the technologies and processes that enable online exchanges among interdependent groups of stakeholders. They feed on the data they collect from their customers and use it to grow larger still by selling more to more.

> Ex) FANGA group: Facebook, Amazon, Netflix, Google, Apple

INTERACTION FIELDS: Company is intentionally organized to generate, facilitate, and benefit from interactions rather than transactions. It is designed to facilitate communication, engagement, and information exchange among multiple people and groups — not just the company and its customers.

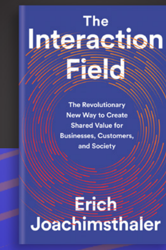
> See: John Deere (Chapter 2), Alibaba (Chapter 3), Lego (Chapter 4) etc.

VELOCITY: It is a new form of multidimensional, constantly accelerating, explosive and smart growth that goes far beyond the traditional measures of sales increase, profit, or market capitalization. A kind of unstoppable momentum and wild expansion.

Chapter 2

Discussion Questions

In what ways has a traditional value chain company like John Deere succeeded in implementing the interaction field into their business?



Explain who makes up the ecosystem, the nucleus, and the market makers for John Deere's interaction field model.

Glossary

NUCLEUS: The nucleus of participants is typically the company, like John Deere or GoPro, and the customers—anyone who contributes to the core interactions on a regular basis.

Ex) Lego's nucleus consists of fans of Lego who interact with the company and each other.

ECOSYSTEM: The ecosystem of contributors is composed of partners in the company's business activity. Data is shared between the nucleus participants and the ecosystem participants. They are built on relationships that have been established over years.

Ex) John Deere's ecosystem consists of independent seed producers.

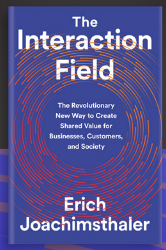
MARKET MAKERS: These are entities that exert influence and enable the velocity in the interaction field. There are many types of entities that can be market makers, and the types differ from one interaction field to another.

Ex) Alibaba's market makers are all consumers not directly linked to them, and services not directly related to them.

Chapter 3

Discussion Questions

The new type of consumer has been called an "interactive



participant". What are some other examples of companies not discussed who are working towards retaining this type of consumer?

Alibaba is used as a case study in this chapter. Discuss the company's journey and their version of the interaction field.

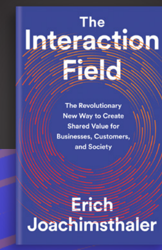
Alibaba has created a connected presence in multiple industries and services while also helping society at the same time – what other companies are as ambitious and multi-faceted?

Glossary

INTERACTIVE PARTICIPANT (PROSUMERS): Professionals at the art and practice of buying, highly skilled and confident purchasers. For them, every commercial interaction is both a personal solution and a social statement.

ALIBABA: A retailer, wholesaler, financial services company, and provider of media and entertainment services, logistics, and enterprise software. Describes itself as "an open, coordinated, prosperous e-commerce ecosystem."

CONSUMER EXPECTATIONS: As more companies develop the interaction field model, the new consumers will expect more and be ready to genuinely engage, participate, be heard, and access solutions that more perfectly solve their problems and fit with their social vision.



Chapter 4

Discussion Questions

Why was Lego Ideas so critical in helping Lego maintain their velocity of interactions?

Explain the concept of framing and the three ways companies can use framing to attract consumers who will add value to their field.

What is the role of the BIS and the implications of framing based on the Lego that can result in great initiatives like Lego ideas?

Glossary

FRAMING: About defining the purpose of the interaction field company and how it creates value for the participants in the nucleus, the ecosystem, and the market.

Ex) Lego frames around “free-play”.

GRAVITATIONAL PULL: Created by framing, the set of people that are attracted to become participants and the connections they have and are prepared to make with one another.

COLLECTIVE INTELLIGENCE: How shared intelligence emerges from the collaboration, collective efforts, and competition of many individuals.

VIRALITY: As people find value in a business offering, they voluntarily become advocates for it and encourage others to join. The basis is direct communication from participant to potential participant.

> Ex) Alibaba's vast offerings led to shares on social media which created virality.

Chapter 5

Discussion Questions

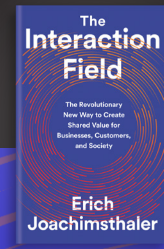
Discuss the two initiatives that Rühl implemented to modernize Klöckner into an interaction field company.

How would a marketplace like XOM Materials function in other industries like steel? In the industry your company is in?

Glossary

DIGITIZATION: The process of converting information into a digital format.

> Ex) Klöckner developed the service platform called Kloeckner Connect. This enabled Klöckner to leverage its tremendous corporate assets: its huge customer network — more than two hundred thousand around the world — its deep industry knowledge, and its trusted brand name.



Chapter 6

Discussion Questions

How does Vitality measure the quality of its interactions with customers? (Discuss in terms of meaning, value and reciprocity)

In the health care industry, it is mentioned that the market makers are one of the most important participants in the interaction field. Do you find this to be true in other industries? Why or why not? Consider who the market makers would be in each industry.

Where else is there an opportunity to knit together siloed data and create new value for customers and industry?

Glossary

MEANING: The degree to which the interaction expresses the intent of the business, their mission or purpose, or their brand. The quality increases as the meaning grows deeper.

VALUE: How much benefit the interaction brings to all participants.

RECIPROCITY: Characterizes the mutual benefit of an exchange.

Ex) Vitality: Patients voluntarily contribute their data in a quid pro quo. Vitality adds value to their data by making it easily accessible, manipulable, and understandable.

VITALITY: A health insurance program offered by Discovery Limited that offers "a great way to reduce chronic health risks" and to "decrease healthcare costs" while increasing plan membership and improving client retention.

FLATIRON HEALTH: An interaction field with the purpose of curing cancer. Sought to create something like a universal clinical trial—a system by which every cancer patient "participated" in research by having their data collected, aggregated, and analyzed alongside every other patient.

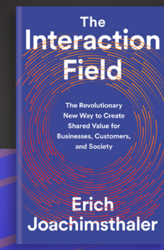
Chapter 7

Discussion Questions

Discuss the concept of the virtuous cycle, and how it was created in the company GoPro.

Think about the 4 steps to create gravitational pull. How can you take these steps within your own company? Most importantly, what consumer problem are you trying to solve?

Why is the concept of connectivity so important to building velocity?



Glossary

VIRTUOUS CYCLE: Created when a company takes advantage of three effects (network effect, virality and learning effect), velocity intensifies, and the effects build on each other and reinforce one another, which further fuels growth and ensures sustainability.

> Ex) GoPro has this in place because all participants and the company benefit when a user shares a video.

CONNECTIVITY: The number of links people have with others.

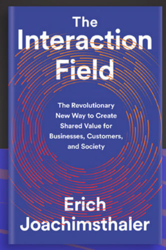
CONSUMER WILLINGNESS: Seven factors contribute to a consumer's willingness to share content about a brand or company: personal identity, expression, utility, social identity, conversation, information and affiliation.

Chapter 8

Discussion Questions

What are some ways to build an interaction field in a superfluid market?

What are some frictions you can identify within your industry? What are some high-level ideas on how to minimize these?



Glossary

SUPERFLUID MARKETS: Characterized by rapid change and extreme shifts in market dynamics, driven by changing consumer expectations, emerging competitors, and novel and disruptive technologies.

Ex) The automotive market is superfluid because it is in the midst of multiple disruptions and is reshaping itself in many ways—all in plain sight.

FRICTIONS: A potential sticking point for a customer in their journey that is slowing down or completely stopping their progression.

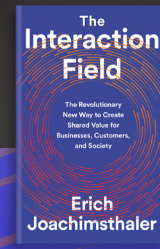
Ex) In the auto industry, frictions are road congestion, costs of mobility, environmental concerns etc.

Chapter 9

Discussion Questions

What mistakes did Burberry make in creating its interaction field?

Choose a business strategy enabled by technology that your company could develop. Explain it and the strategic direction your company could go into.



How could other companies in the fashion industry (think LVMH, Gucci, Etc.) develop their own interaction fields?

Glossary

BUSINESS STRATEGY: About where and how to compete, as well as what not to do and where not to compete.

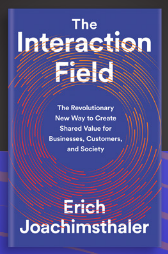
Ex) Burberry's business strategy was to evolve from a manufacturer of trench coats to a global fashion retailer, with a vision of becoming the first fully digital luxury company.

Chapter 10

Discussion Questions

Think though the essential elements of an interaction field (reciprocity, meaning, value). Answer the questions associated with each element in regard to your company.

In what ways can you redefine success in your industry/company?



How did Mars Petcare develop an interaction field in a stagnant industry like CPG's?

Glossary

MICROENTERPRISES (MES): Small business usually comprised of ten to fifteen people, charged with autonomous responsibility for their product.

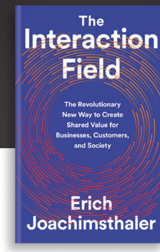
> Ex) Haier, an appliance manufacturer, restructured their business into more than 4,000 MEs, each conducting their own market research, setting their own ambitious goals for growth, and developing and strengthening the ecosystem in which their product lives.

Conclusion

Discussion Questions

Discuss the three eras of development and their characteristics. How will interaction field models define this new third era?

What are the opportunities and promises of the interaction field model?

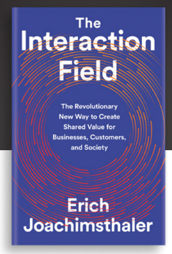


Q&A with author Erich Joachimsthaler, *CEO of VIVALDI*

Q: What drove you to want to write this book?

A: Technology has been converging to create a new source of competitive advantage – connectivity. The world has evolved toward the fourth industrial revolution. It has become increasingly more difficult to create competitive advantage in pipeline or value chain models. The traditional model of competition and disruption has become less and less effective. There has been a marked shift from supply-side economies of scale to demand-side economies of scale. I recognized this shift towards demand-side economies and wanted to understand it further. Consumers have become ever more demanding with rising expectations, as we live in a world of abundance. New business models have emerged (platforms, digital ecosystems) and they have grown faster and have created more value than traditional business models (pipelines). Some companies like FANGAs or Uber or Airbnb have created enormous value and become very successful. These are the trends of global connectivity that I saw 5 or 7 years ago that I knew would affect companies and brands and so I wanted to explore and understand it more.

Q: This book puts forward a new business model that can apply across all industries and companies. What was your inspiration behind the model?

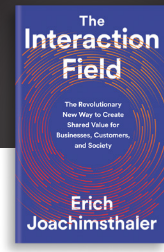


A: These new business models, particularly platforms and digital ecosystems, have created enormous value when they have been successful, but some also have failed. Many models also have not been built as startups or existing companies but as a stand-alone business. I felt that these models should become an integral part of an existing business and should be a means to transforming entire companies and industries. I also noticed that these are not just new business models, but that they affect everything the company does, its strategy (how it competes in a market and how it creates value and how it achieves growth) and every function from marketing, branding, innovation and customer experience – in short, how it connects with consumers and customers. Most importantly, these models change the fundamentals of markets – from a provider-to-consumer exchange (where value is created on one side of the market by the provider) to a situation where consumers are active participants in the value creation (value is created on both sides of a market).

These new business models are incredibly effective in capturing value and extracting value (e.g., Uber) but they are not always very effective in sharing out value, creating shared value (in the sense of stakeholder capitalism versus the old shareholder value maxime). Very good about creating value and growing fast but not sharing this throughout. There needs to be a healthier model.

Q: How did you come to develop it?

A: I began to notice how some existing companies and brands (vertically integrated firms, pipeline companies, with linear value chains) have used their existing assets and capabilities and developed complex business models that leveraged pipeline business models, platforms and multiple ecosystems. These mashups of different business models have transformed entire industries and create enormously new and shared value for everyone – themselves, customers, partners and industries and society. Based on my own experiences in working inside these companies, and based on what I learned from researching, studying companies and interviewing executives, I was excited to write these new types of firms and brand which I call interaction field companies. I decided to call it the



interaction field because of the network of connectivity that these companies created.

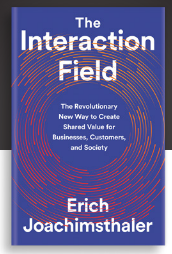
Q: You discuss many different companies in this book. Which do you think has done the best job of developing an interaction field and why?

A: Interaction field companies are rapidly changing today, I studied over 200 companies and brands in depths based on a selection of over 500 companies and selected a few to illustrate how far they have come to become interaction field companies, their approach to becoming an interaction field company and the successes they already have achieved. Companies like Alibaba, Discovery Vitality, Flatiron Health, Kloeckner, LEGO, Tesla, Mars Petcare, Haier are examples that come closest to interaction field companies.

Q: The book talks a lot about creating value for all who interact with the company. What do you see as being the area in a company/industry where the most value can be gained with interaction fields?

A: Traditional boundaries or walls of industries or categories are increasingly disappearing; this is a phenomenon of the industrial revolution. Is Apple a computer company or an electronics company or a music company, is a simple example. Is there really still a car industry or is the new industry mobility? Boundaries do not just disappear, they merge. Since everything connects, it is easy to cross boundaries today.

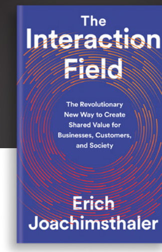
The solution is that value is not created in disruption anymore, but in collaboration, participation and engagement. This creates enormous opportunities for companies to redefine themselves and identify and create new values and competitive advantage. Companies no longer compete against



other companies, even the traditional model of disruption where competition's main objective is disrupting an incumbent firm in an existing industry is dated today. The opportunity now is to create collaboration, participation and engagement by a much larger number of participants that connect and create shared value. Tesla for example provides its EV technology around batteries and even the Autopilot to automotive competitors. The opportunities can be created when companies or brands decide on designing an interaction field (define interactions, the architecture and governance) in such as way that the value and volume of interactions (I call velocity) is maximized across the entire interaction field.

Q: Many new companies being created today are still following the traditional value chain or platform models. What are some of the biggest reasons you caution against this as it relates to their long term and sustainable growth?

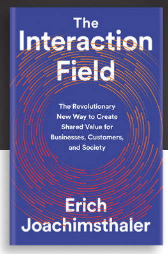
A: Value chains will always be important, even platform business models will be important. These business models however have been optimized and maximized over the years and even globally through digital technology, and it will be increasingly harder to create new value from these models (it is as hard as pressing water out of a stone). The traditional models are dated because they are built on the foundation of competition, disruption and even exploitation of resources. The world today and in the future will not be sustainable through this model of competition and capitalism, a new model is needed and that is the interaction field model. Never in history has value creation shifted from the supply side to the demand side. This did not happen in the first, second or third industrial revolution. But today, we have the unprecedented opportunity to create such demand-side value. The nature of this new form of creating value by companies or brands is much more open, flexible, and inclusive than existing models. Interaction companies are incredibly agile, changing and dynamic. This makes interaction field companies successful in a world that is on fire today and a world where we cannot see around the corners and what will be in just six months from now.



About the author

Erich Joachimsthaler

Erich Joachimsthaler is the Founder and CEO of VIVALDI, one of the largest independent global strategy and business transformation firms, with offices in the US, Europe and Asia. He has lectured and held faculty positions at many of the world's leading business schools, including Harvard Business School, INSEAD, Yale, Columbia, Dartmouth and Duke. He is the author and co-author of more than a hundred articles published in highly respected journals as well as of two award-winning books-Brand Leadership and Hidden in Plain Sight. Joachimsthaler has been featured in *USA Today*, *The New York Times*, *Wall Street Journal*, and on CNBC, among others, and writes regularly for *Harvard Business Review*. In 2017, he was voted a Top 25 Influencer of Chief Digital Officers, and he was inducted as the 2017 Fellow of the ISBM Institute for his lifetime contribution in academics, thought leadership and practice in B2B marketing, strategy, and digital innovation. He lives in New York, NY.



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