**Data: three strategic questions for established players to survive**

*“Google will build cities and airports” (Larry Page, Google co-founder, 2014)*

We have long thought that the influence of digital players would remain limited to software, paperless content and information. It’s now clear that they are using their expertise in these areas to position themselves on non-digital markets. Whether it be transport, infrastructure management or banking, announcements and developments fill our news feeds on a weekly basis.

Google may not build cities, but is already playing a pivotal role in mobility, either directly or through its investments, while IBM is involved in water infrastructure management in several cities. Ever growing connectivity between infrastructure and objects means that the organization of physical flows comes as a result of controlling information flows. Big data is at the heart of this movement that is challenging the positions held by established players on these markets.

Through value sharing, new competitive landscapes and new positioning, data is changing the dynamic.

**Digital players create two kinds of pressure**

Today's competition between established players is tough. General Motors, Toyota and Renault jostle fiercely for leadership in the car industry. Two new levels of competition are now in the mix, creating additional pressure.

One is the pressure from new entrants that use digital and data either to become an intermediary, or to make new offers and new business models available (Booking.com and Airbnb for accommodation, Uber for mobility).

The other comes from search engines (Google, Baidu) that act directly by developing solutions for multimodal comparison (for example the Coord solution developed by Google to unify different transport solutions) and indirectly by financing new entrants (Google is a shareholder in Uber and Lyft). In this way they act as a catalyst by making competition more visible and opening up the range of possibilities for clients.

**Data is now a tool to modify the competitive landscape**

New digital entrants provide services that are constantly generating huge amounts of data. This is what differentiates them from established players. They are “data natives” that develop their strategic advantage by exploiting the data in three ways: offering a differentiated and highly successful experience, integrating steps upstream in the value chain and conquering adjacent markets without concern for industry borders.

First and foremost, these data can offer an experience or level of service considered to be superior. Based on its user data, Amazon’s search algorithm allows users to find products that are looking for quickly. The recommendation algorithm is based on the same data and allows users to find items they were not looking for but ones likely to interest them. Additionally, user data from the platform enable Amazon to fine tune its logistics with the aim of reducing delivery times.

The second advantage is that by using a vertical integration strategy, the data enable these platforms to position themselves upstream on the value chain. Netflix firstly established itself as a distributor of films and series and then in 2018 invested 8 billion Euros in the production of original content. Public transport itinerary calculator, Citymapper, which already manages a bus route in London, recently obtained a permit to operate taxis there. Netflix’s user data enable it to gather screenplay content for its productions, and the Citymapper user data allow it to rethink public transport.

Lastly and undoubtedly the strategy that is hardest to counter is how digital players use the data they collect in one industry to position themselves in another. Their goal is always to improve the service provided to the end-user. For example, Amazon has developed payment solutions and joined forces with crowd-funding platforms to help its sellers finance their cash flows. More recently, Amazon has increased its advertising offer, generating income of $4 billion in 2017.

We could exaggerate and conclude that distribution has in this case become marginal, or simply a means of growing income from related activities dedicated to other Amazon clients, like its suppliers for example.

We can however see new players shifting the competitive territory in at least two ways. Firstly from product to use (car vs mobility, product vs delivery), and secondly from one sector to another (distribution vs banking). It becomes difficult to respond to such shifts when they consolidate and join forces.

**Established players are acquiring new skills**

New players change value criteria and create new ones. The winners are able to rapidly capture high transaction volumes. In the face of these threats, established players have acted to defend their position.

One initial reaction is to position themselves on the same service as new entrants. For example, nearly all car manufacturers have developed (internally or by acquisition) mobility services. Toyota recently invested a billion dollars in Grab, the Uber of South-East Asia. Daimler purchased Chauffeur privé, a chauffeured car rental service platform. General Motors entered into partnership with Lyft, which has become a distribution channel for its cars. Renault on the other hand has opted for a different strategy by acquiring software solutions used by mobility platforms (iCabbi and Yuso).

These initiatives have been implemented so recently that it is not yet possible to evaluate their effectiveness. Accor however, in an attempt to position itself as a competitor to Booking.com by opening up its reservation platform to any hotel that wanted to use it, recently announced it had been closed to independent hotels. Becoming a platform is not that simple...

Beyond the strategies based on a service as such, some players are attempting to acquire an exclusive source of data, often as part of a coopetition approach. Audi, BMW and Mercedes have acquired Here, a collaborative map and navigation service, so as to free themselves from dependence on Google Maps and Waze (also owned by Google). SNCF, BlaBlaCar, Transdev and RATP (French public transport operator) announced their intention to combine data in order to create a multi-modal service offering however this is yet to become a reality.

**Three key strategic questions**

There are at least three strategic questions raised by the fact that data are progressively becoming the centre of gravity of new business models: allocation of resources between different models, understanding data-related resources and expertise, and building a single high value positioning based on non-digital competencies.

First of all, in this transformation, established players are required to manage several business models with different reasoning and demands (a product model vs a service/use model for example). How to organize the allocation of resources between these? Does one cannibalize the other? Is this a problem? Which structure to adopt? Is it preferable to separate activities to preserve their uniqueness? How to balance the right amount of synergy and complementarity?

Secondly, if data are becoming a key resource, how do we gain access to them and acquire the expertise to make the most of them? Is it preferable to develop systems designed to generate data flows, or should we enter into strategic partnerships with players who have access? Is it wiser to develop internal competence or to make acquisitions to integrate it?

Thirdly, above and beyond the data, which distinctive resources and skills are required to build a unique high value positioning, without imitating the strengths of digital players or getting dragged into their territory? Digital players do have reasons to position themselves on the connected car and driverless car markets. But a car without a driver remains a car, and the capacity to mass produce cars at an acceptable cost to consumers and at a level of quality and security that complies with regulatory requirements remains a capacity owned by the manufacturers.

The battle is therefore not over, it is in fact just beginning.