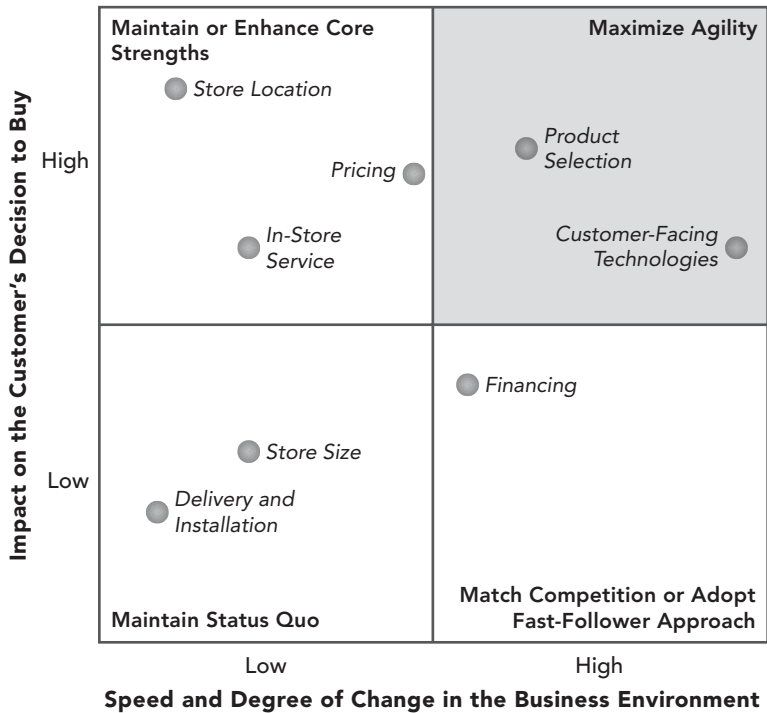


**Figure 1.1** Components of Agility



**Figure 1.2** The Setili Agility Framework (Appliance and Electronics Retailer Example)

**Table 1.1** Determining Where Agility Is Most Important in Your Business

Elements of your value-delivery system	Degree of impact on the customer's decision to buy (the y-axis—rate on 1–10 scale)	Degree of change in the business environment (the x-axis—rate on 1–10 scale)
1.		
2.		
3.		
4.		
5.		
6.		

**Table 2.1** Questions to Ask When Using Your Own Product or a Competitor's

To Discover . . .	Ask Yourself . . .
<b>Alternative solutions</b>	<ul style="list-style-type: none"> <li>• What problem was I trying to solve when I chose to use this product or service?</li> <li>• In what other ways could I solve that problem?</li> </ul>
<b>Enhancement opportunities</b>	<ul style="list-style-type: none"> <li>• What's really frustrating to me when I use this product?</li> <li>• What new problems does using the product create?</li> <li>• What could be eliminated or reduced?</li> <li>• What's missing?</li> <li>• How could the experience be faster or more enjoyable?</li> <li>• What undesirable variability occurs in the product or in how it's delivered? What problems come as a result?</li> <li>• What might I like to customize?</li> </ul>
<b>Adjacencies</b>	<ul style="list-style-type: none"> <li>• What other versions of this product would be nice to have?</li> <li>• What other products or services might I want when I am using this product?</li> <li>• What do I do right before and after using the product? (Is there a role for my company to play in these parts of the process?)</li> </ul>
<b>Ways to improve awareness and availability</b>	<ul style="list-style-type: none"> <li>• When might I want to use the product? Is it convenient to obtain it in each of these situations?</li> <li>• If I wanted to tell a colleague or friend about this product, how would I do so? What if I wanted to give a positive review or to talk about it online?</li> </ul>

**Table 2.2** Roles Customers Could Play in Your Business

What roles could customers play in our business?	Design or Customize	Make and Deliver	Refer, Review, Choose, Buy	Use and Maintain	Sell, Give, or Dispose of
<b>What are our objectives, and how will we measure success?</b>	Discovering new customer needs, promoting innovation, reducing inventory obsolescence	Reducing cost, enhancing customer relationships	Leveraging word-of-mouth advertising, matching products to customer needs	Improving the customer experience, reducing technical support and service costs	Improving sustainability and resale value, creating more reasons to buy
<b>What's in it for the customer?</b>	A creative outlet, the ability to get exactly what he or she wants	Lower prices, the fun of producing something	Sharing their views on products with others	Being seen as an expert; documenting what he or she has learned in using the product	Feeling good about reselling or recycling the product and about upgrading
<b>What structure or processes should we put in place to enable customers to engage?</b> (Examples)	<p><b>Dell's</b> IdeaStorm groups and prioritizes tens of thousands of customer feature requests.</p> <p><b>Walmart's</b> "Get It on the Shelf" program allows individuals and businesses to submit product ideas; customers vote on which ones they would like Walmart to carry.</p>	<p><b>IKEA</b> makes it fun and easy for customers to assemble their own furniture, thereby enabling very low prices.</p> <p><b>Belkin's</b> Wemo product, combined with the "If This, Then That" app, allows customers to create their own smart home solutions.</p>	<p><b>American Standard, Dell,</b> and countless others take advantage of customer-created video demos, tutorials, and reviews of their products.</p> <p><b>Salesforce.com</b> and others hold "live" events such as user conferences and workshops, in which customers rub shoulders, evangelize, and share ideas.</p>	<p><b>Google, Microsoft, Livescribe, Salesforce.com,</b> and others rely on user-generated content for technical support.</p>	<p><b>Best Buy</b> accepts "just about anything electronic" for recycling in its stores.</p> <p><b>Staples</b> buys back used printer cartridges, and <b>Home Depot</b> recycles Christmas trees.</p>

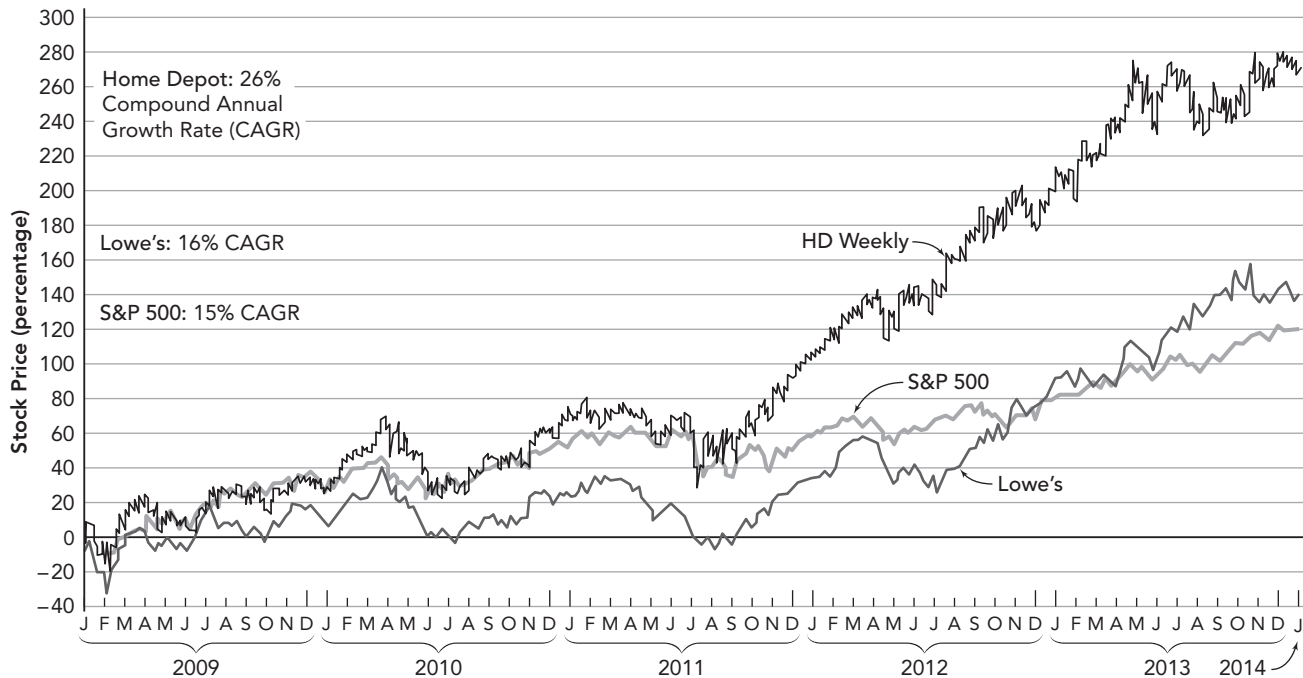


Figure 2.1 Changes in Stock Price, January 2009 to January 2014, Home Depot vs. Lowe's

**Products**

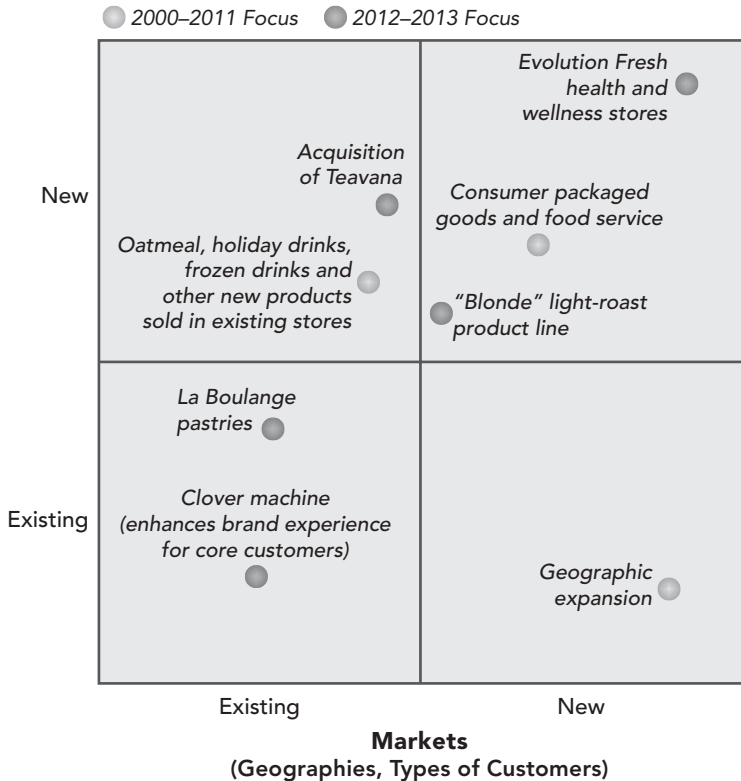


Figure 3.1 Starbucks Expansion Initiatives

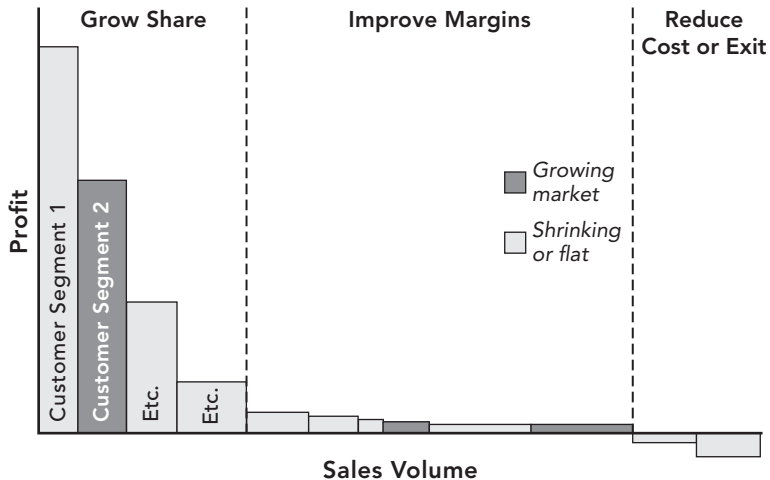
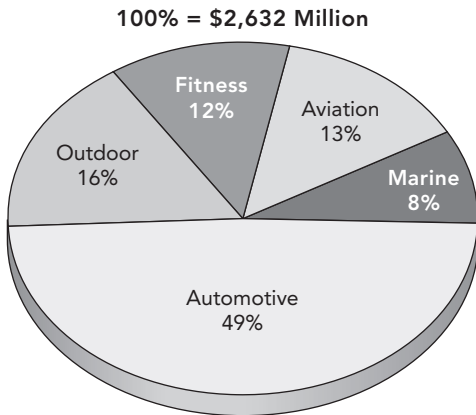


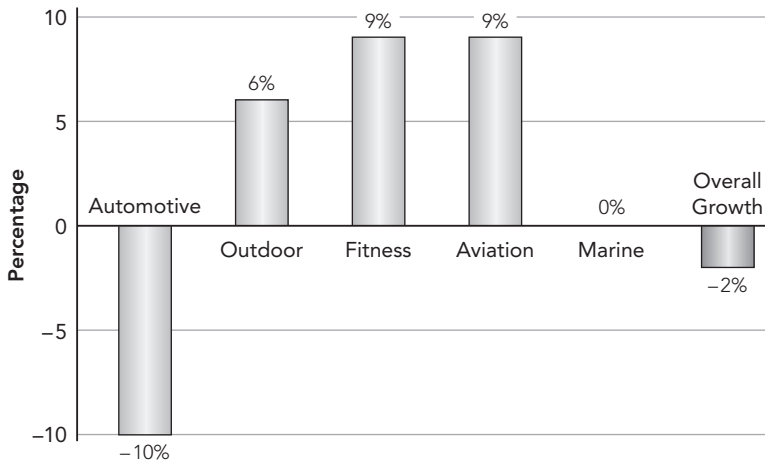
Figure 3.2 Profit and Volume by Customer Segment





**Figure 3.3** 2013 Garmin Revenue by Segment

Source: Garmin Ltd., 2013 Annual Report, <http://sites.garmin.com/annualreport/>.



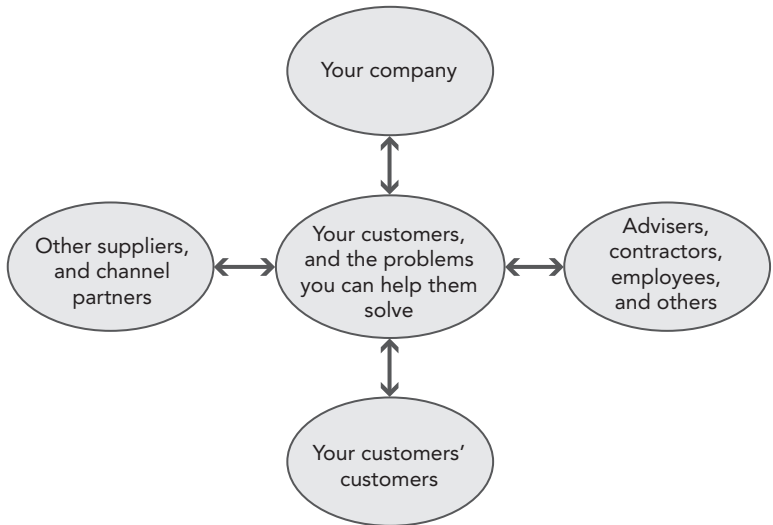
**Figure 3.4** Garmin Revenue, Compound Annual Growth Rate, by Segment, 2011 to 2013

Source: Garmin Ltd., "Financial Review," 2013 *Annual Report*, <http://sites.garmin.com/annualreport/>.

**Table 3.1** Using Data Analytics for Innovation, Operations, and Marketing

Type of Data	Examples, by Area of Focus		
	Innovation	Operations	Marketing
<b>Internal (company) data</b>	Use text analytics to mine call-center reports for product enhancement ideas	Optimize production levels based on analysis of customer demand	Analyze transaction and Web data to develop cross-sell and prospecting strategies
<b>Internal data combined with customer or channel data</b>	Combine sales information from multiple channels to identify emerging customer trends	Trigger after-sales service by monitoring sensor data from products as they are used	Develop geotargeted mobile ads, and adjust on the fly based on customer response
<b>Internal data combined with external data</b>	Mine data from social media, user support forums, and reviews to discern what customers want next	Employ geolocation data from cell phones, combined with weather data, to optimize inventory in each locale	Measure customer sentiment, and tailor marketing messages in real time

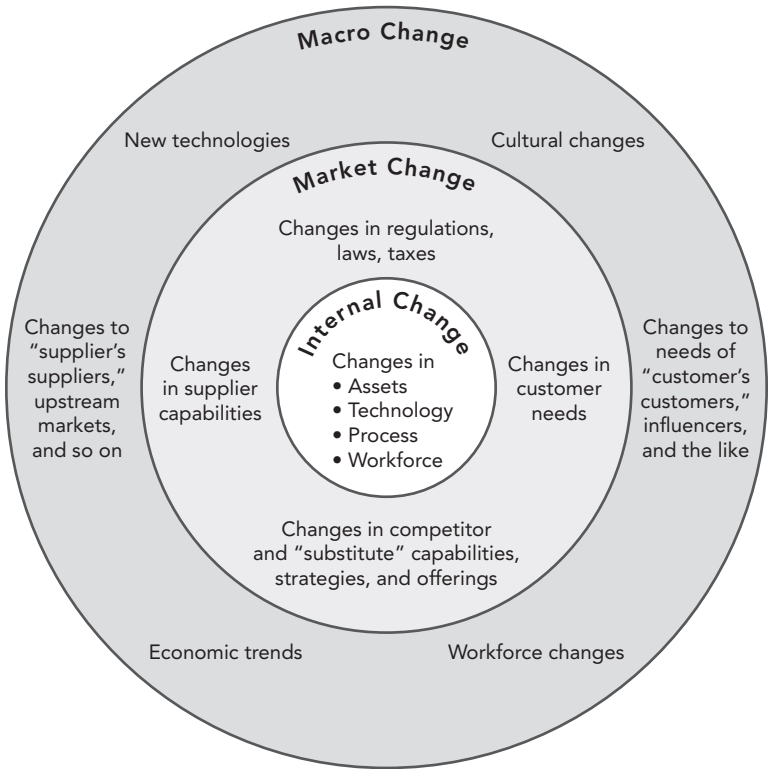
## What Is Changing in Your Customer's Ecosystem, and What Problem Can You Solve?



**Figure 4.1** Your Customer's Ecosystem



**Figure 5.1** Identifying Change and Taking Action



**Figure 5.2** Changes in Your Business, Your Markets, and the World

**Table 5.1** Anticipating What Might Happen, and Assessing Impact and Uncertainty (Example)

Area of Change (Listed in order from “most macro” to “most internal”)	What Evidence Do We See?	What Might Happen?	Impact	Uncertainty
A growing number of customers want to use mobile technologies to research products and transact.	Orders placed via smartphone or tablet have increased 20% this year (but are still only 8% of sales); 100 customers per month use our mobile app without transacting.	We are likely to lose sales if we don’t improve our mobile app; if we develop a great app, we could build substantial loyalty and differentiation.	H	H
It’s increasingly difficult to find employees with the skills we need.	Five positions in engineering and two in inside sales have gone unfilled for more than six months.	More than half of our sales require some engineering involvement to close. Filling these roles is crucial.	M	L
New regulations may require package redesign.	Regulators are considering new rules, which may render current packaging inadequate.	If redesign is required, it will be complex—and may take 6–12 months. If we are not prepared, we could lose sales or increase development costs. If we do it well, we could gain share while other competitors are distracted.	L	L
More customers require shorter lead times, and rush orders are increasing.	Customers asked for less than 48-hour delivery on 20% of orders in Northeast region and 30% in Midwest (up from 5% and 12% last year).	This new customer requirement gives us an opportunity to stand out from competitors. However, we will lose sales if we do not add swing capacity or increase inventory levels.	M	M
A competitor is rumored to be developing an ultra-low-cost product line.	Two customers mentioned this to our salespeople in the last three months.	If this new product meets customer needs, it could hurt sales. But could we reinforce our “premium” positioning if the competitor goes down-market?	H	H

(Continued)

**Table 5.1** Anticipating What Might Happen, and Assessing Impact and Uncertainty (Example) (*Continued*)

Area of Change (Listed in order from "most macro" to "most internal")	What Evidence Do We See?	What Might Happen?	Impact	Uncertainty
A supplier is introducing higher-performance materials, but the cost will likely be 20% higher.	The supplier's R&D manager mentioned this to us last month (the product is not expected for 1–2 more years).	We have an opportunity to introduce a premium product, if customer demand is there.	L	H
Key salespeople are retiring.	Fifteen salespeople are retiring in the next 18 months; 10% of the sales force is likely to retire in next 3 years.	We risk losing sales if we don't transition our accounts effectively. At the same time, these retirements give us an opportunity to bring in fresh talent and to reduce selling cost.	H	L
Implementation of the new ERP system may disrupt business.	U.S. implementation will be complete in December and in Europe next year.	We will be short-handed in finance until implementation is complete, and may experience hiccups in the order-fulfillment process. However, the ERP will give us new capabilities to manage rush orders and cater to special customer needs.	L	L



**High Impact**  
(>\$10 million  
profit impact)

***"Just do it"***

- Plan for sales retirements  
(hire; transition accounts)

***"Assess strategic alternatives,  
then respond"***

- Develop best mobile  
interface  
in our industry
- Respond ●  
to potential  
low-cost offering  
by competitor

**Medium  
Impact**  
(\$5 million  
profit impact)

- Develop new recruiting  
sources and methods

Implement new ERP system;  
eliminate potential hiccups  
with order fulfillment ●

- Redesign packaging  
to meet potential  
new regulations

- Build capability to meet  
increased demand for  
48-hour lead times

Assess whether "premium"  
product offering using new  
supplier material is viable ●

**Low Impact**  
(<\$2 million  
profit impact)

***"Assign resources, when  
available"***

***"Monitor, then decide"***

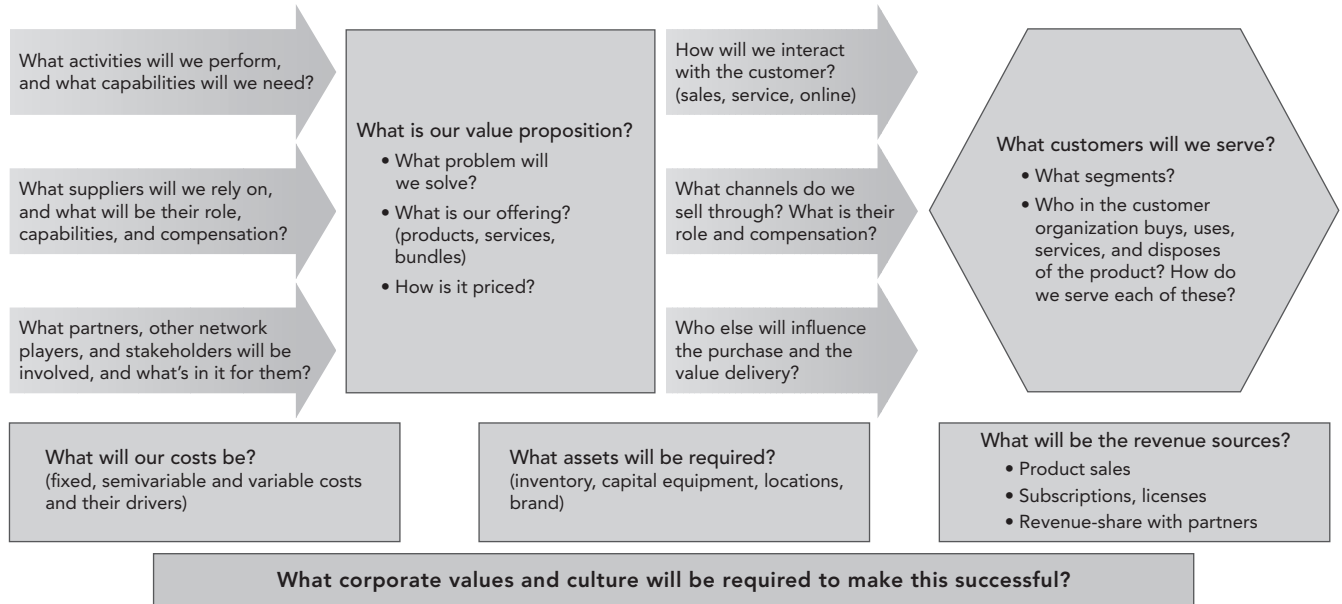
**Low Uncertainty**  
(we know what will  
happen, and when)

**Medium  
Uncertainty**

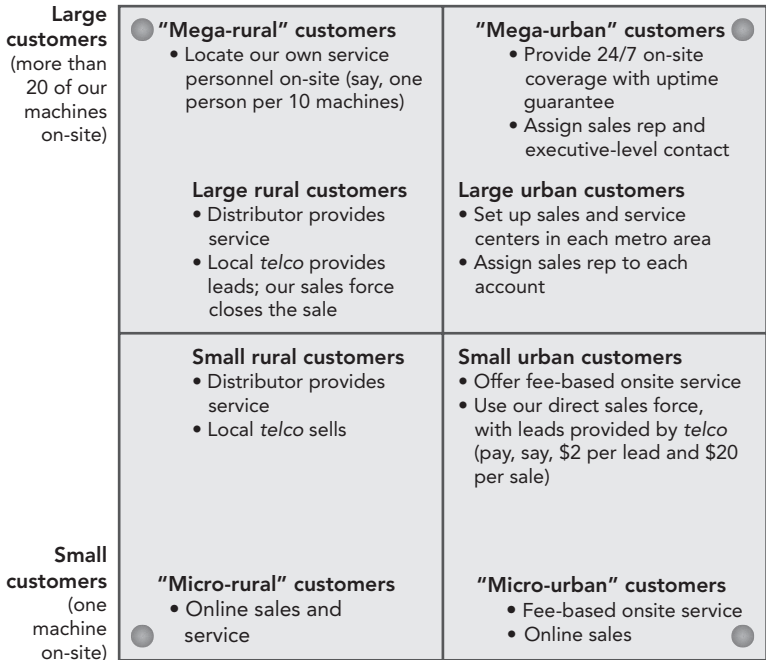
**High Uncertainty**  
(we do not know what  
will happen, or when,  
or how it will affect us)

**Figure 5.3** Prioritizing Our Response to Changes

- *What business models are attractive now, that may not have been under prior conditions?*
- *What new types of partners, suppliers, channels, and customers have emerged?*
- *How can we take advantage of the changes we see in technologies, customer needs and preferences, regulations, and the business environment?*



**Figure 6.1** Setili Thought-Starter for Business Model Innovation



**Rural customers**

**Urban customers**

**Figure 6.2** Checking the Endpoints and Filling the Whole Space (Example)

**Table 6.1** Using Walmart as an Exemplar (Example: Industrial Products Company)

Walmart Characteristics	Example	Benefit	How Can We Apply This to Our Business?
Culture of austerity and efficiency	Bare-bones offices and strict 15-minute meetings with vendors	Low cost is a way of life for employees. This helps keep expenses from growing every year.	We send mixed messages. The executive suite is gold-plated, but we ask the plants to cut costs every year. We should consider high-visibility ways to cut headquarters cost (without cutting back on staff).
Very consistent brand focus on low prices, decade after decade	Walmart really stands behind its tagline "Save Money, Live Better." For example, prices on produce are often 30% lower than in other stores.	People build the habit of shopping at Walmart due to the low prices. The focus on price allows Walmart to reduce labor costs, because shoppers don't expect much service.	We've positioned our brand in three different ways over the last 10 years. Let's settle on one and stick with it. Then we can design our business systems to make sure we deliver on the brand promise, instead of vacillating each year on priorities.
Success with store brands	Ol' Roy dog food is the best-selling dog food in the world.	High profit for company, low price for customer—good combination!	We could offer product on a private-label basis to distributors in geographies we don't plan to serve. This would allow us to increase sales with no investment in sales and marketing.
Rigorous procurement processes, demanding of vendors	Clothing sizes are consistent across different brands and manufacturers.	Size standardization is a unique benefit versus other department stores.	Our customers are confused by the way product specification parameters vary from product to product. Some of our competitors have simpler systems for specifying products. Customers would buy more if we could create simpler ways for them to specify and order products.

(Continued)

**Table 6.1** Using Walmart as an Exemplar (Example: Industrial Products Company) (*Continued*)

Walmart Characteristics	Example	Benefit	How Can We Apply This to Our Business?
Invest in infrastructure to reduce cost	Walmart has invested in world-class information technology and logistics systems.	These have been critical to Walmart's success as low-price leader.	Our IT and logistics systems are good, but our sales and customer service costs are still worse than average for our industry. Should we invest to bring these costs down?

<b>External</b>	<p><b>Develop external capability</b></p> <ul style="list-style-type: none"> <li>• Qualify suppliers and establish partnerships</li> <li>• Co-develop solutions with suppliers and partners</li> <li>• Build sales and distribution channel</li> <li>• Observe competitor capabilities</li> </ul>	<ul style="list-style-type: none"> <li>• Test customer acceptance             <ul style="list-style-type: none"> <li>◦ Price points, demand</li> <li>◦ Preferred features and ways to buy</li> </ul> </li> <li>• Observe competitor response</li> </ul>
<b>Internal</b>	<p><b>Develop internal capability</b></p> <ul style="list-style-type: none"> <li>• Process and operational</li> <li>• Technological</li> <li>• Talent and skills</li> </ul>	<p><b>Validate and build commitment among senior leadership and employees</b></p>
	<b>Capabilities</b>	<b>Acceptance</b>

**Figure 7.1** Creating a Learning Strategy: Objectives of Initial Steps, Experiments, Trials, and Pilots

**Table 7.1** How Can You Employ New Technologies to Reduce Risk and Create Breakthroughs?

Questions to Ask Yourself	Your Answers	Tesla Example
<p><b>CURRENT LIMITATIONS AND OBJECTIVES:</b></p> <p>What objectives could you potentially achieve, or what limitations could you overcome, through technology advancement?</p> <ul style="list-style-type: none"> <li>• Cost</li> <li>• Performance</li> <li>• Speed and flexibility</li> </ul>	<p>1. _____</p> <p>2. _____</p> <p>3. _____</p> <p>4. _____</p>	<p>The battery technologies that incumbent auto companies were using provided insufficient vehicle range.</p>
<p><b>POTENTIAL SOLUTIONS:</b></p> <p>What technologies, or technology enhancements, could potentially be employed?</p>	<p>1. _____</p> <p>2. _____</p> <p>3. _____</p> <p>4. _____</p>	<p>Tesla saw potential in the small lithium-ion battery, which could be both less dangerous and less expensive than batteries used by other electric vehicle manufacturers.</p>
<p><b>RISKS:</b></p> <p>What risks do these potential new technologies present?</p>	<p>1. _____</p> <p>2. _____</p> <p>3. _____</p> <p>4. _____</p>	<p>To commercialize the small lithium-ion battery, Tesla had to figure out how to wire thousands of AA-size cells together within the car, and how to keep each cell cool.</p>
<p><b>DEVELOPMENT PATH:</b></p> <p>What development and learning will be required to employ these technologies?</p>	<p>1. _____</p> <p>2. _____</p> <p>3. _____</p> <p>4. _____</p>	<p>Tesla developed an initial version of its battery technology for the Roadster, then improved on this design in the Model S, bringing costs down to one-half the Roadster level, on a per-kilowatt-hour basis.*</p>

\*Kevin Bullis, "How Tesla Is Driving Electric Car Innovation," *MIT Technology Review*, August 7, 2013, <http://www.technologyreview.com/news/516961/how-tesla-is-driving-electric-car-innovation/>.

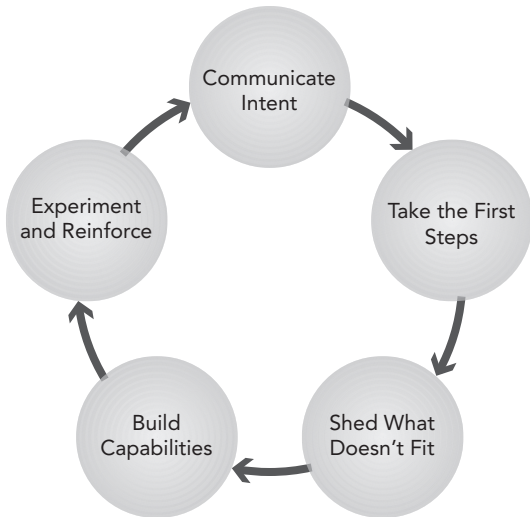
**Table 7.2** Developing an Action Plan to Address Customer-Demand Risk

What Might Keep Your Customers from Buying?	Your Action Plan	Tesla Example
<p>Cost-related concerns (for example, costs related to buying, using, or disposing of your product)</p> <p>1. _____</p> <p>2. _____</p> <p>3. _____</p>		<p>Tesla addressed customer concerns about resale value through a buy-back program.</p>
<p>Value-related concerns (for example, ease of use, performance, value in use)</p> <p>1. _____</p> <p>2. _____</p> <p>3. _____</p>		<p>Tesla allayed worries about range by installing Superchargers along major travel routes.</p>
<p>Marketing and channel-related concerns (for example, do customers know about your product and its benefits? Is your product available when and where they need it?)</p> <p>1. _____</p> <p>2. _____</p> <p>3. _____</p>		<p>Tesla had no dealer network, so the company elected to sell direct-to-consumer, online and via company-owned retail stores located in shopping malls.</p>



**Table 7.3** Example: Market-Entry Strategy Assumptions

Assumptions	Controllable or Uncontrollable?	How Might We Test This?	Who Is Responsible, and by When
This country market consumes \$100 million in our product category each year.	Uncontrollable in the short term	Get data from trade association. Validate with customer interviews.	Smith – December 15
We can gain government approval to establish a plant on a leased site.	Partially controllable	Meet with government officials to conduct preliminary review of documentation. If denied, reconsider whether market entry is viable.	Forsythe – January 20
The cost of producing our product in this market will be equal to the cost in the United States.	Partially controllable	Get quotes from raw material suppliers; assess labor costs and shipping costs.	James – February 28
We can hire and train five local salespeople within six months.	Controllable	Engage a recruiter to identify candidates. Assess level of talent and what salaries will be required to attract qualified individuals.	Liu – March 15
We can achieve 10% market share in two years, with margins similar to what we earn in the United States.	Controllable	Focus initially on one geographic region and one segment of the market. If we can achieve 5% market share within six months in that small focus area, while holding price on par with U.S. levels, we have a good shot at reaching 10% share within two years. If not, consider exiting the market or revising market entry strategy.	Chen – June 15 (interim update on March 15)



**Figure 8.1** Turning a Strategic Corner: The Setili Cycle of Change

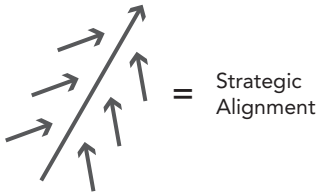
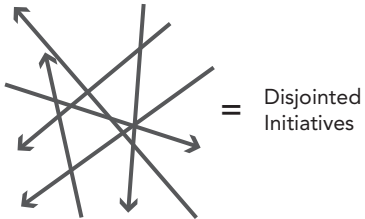
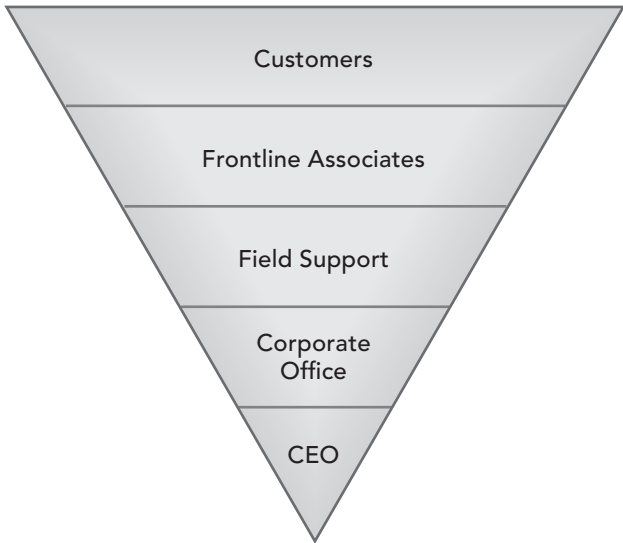


Figure 8.2 Unclear Versus Clear Intent



**Figure 8.3** The Home Depot Inverted Triangle