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?

<table>
<thead>
<tr>
<th>Search</th>
<th>CONSUMER PRE-PURCHASE PROCESS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Computers</td>
<td>Airline tickets</td>
</tr>
<tr>
<td>Books</td>
<td>Software</td>
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<td>Stocks</td>
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<tr>
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<td>Shoes</td>
<td>Physical</td>
</tr>
<tr>
<td>Shoes</td>
<td>Information</td>
</tr>
</tbody>
</table>

PRODUCT ATTRIBUTES
What is the multi-channel strategy?

**CONSUMER PRE-PURCHASE PROCESS**

- **Search**
  - Computers
  - Books
  - Airline tickets
  - Software
  - Stocks
  - Food
  - Insurance
  - Jewels
  - Clothes
  - Tax advice

- **Experience**
  - Physical
  - Information

**PRODUCT ATTRIBUTES**
Progressive

What is the multi-channel strategy?

CONSUMER PRE-PURCHASE PROCESS

Search

- Computers
- Books
- Airline tickets
- Software
- Stocks

Experience

- Food
- Insurance
- Jewels
- Tax advice
- Clothes

PRODUCT ATTRIBUTES

Physical

Information
The Internet Enables Competition in the Transparency Dimension


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

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Link between Strategy and IT

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Business Strategy
  └── Channel Strategy
      └── Information Strategy
          └── Technology Strategy
              ├── Transperancy Strategy
```
Transparency as a strategic choice

➢ Transparency strategy: What information do I disclose and to whom?

Case #1: Transparent
Case #2: Distorted
Case #3: Biased
Case #4: Opaque

Product
Price


Orbitz Strategy: Industry Impacts

Airlines, Hotels, Rental Cars

Global Distribution Systems (GDSs): Amadeus, Sabre, Galileo, Worldspan

Pricing and Search Engines: ITA Software

Supplier Reservation Offices
Offline Travel Agencies
Online Travel Agencies (orbitz.com)
Supplier Portals (delta.com)
Meta-Search Agents (kayak.com)

Consumer

Air Travel: Transparency Design Game

Product Transparency

Low

Price Transparency

Low

High

Airline Portals

Expedia

Priceline.com

Hotwire

Travelocity

Orbitz


Air Travel: Transparency Design Game

Product Transparency

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Orbitz

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

APPENDIX