THE LOYAL BRAND

HOW THE SCIENCE BEHIND BEHAVIOR IS REVOLUTIONIZING BUSINESS IN THE 21ST CENTURY

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Foreword

The race is on for what will likely be the greatest rush in value creation for the brands that will rule the marketplace of the 21st Century. Value that will come from the ability to capture, connect, understand, and predict behavior in a way that creates an increasingly more intimate and frictionless bond of trust between individual consumers and brands.

The key for those companies which create the greater value will be to ability build their brand around each customer's individual behaviors by hyperpersonalizing every experience; offering bespoke services and products for each buyer.

In this new behavior-based business model loyalty will flow primarily from the brand to the consumer. Brand loyalty will no longer be solely the cult-like following of a brand.

Instead, these loyal brands will use detailed historical and real-time knowledge of each customer to build relationships of trust and respect. These relationships will form the bedrock for competitive advantage and customer retention.

Companies that do this best will own the customer relationship and will become the epicenter of a vast digital ecosystem that can be coordinated instantly to innovate on demand based on evolving customer needs.

Creating a loyal brand is fast becoming the single most critical factor in the success; it is the competitive battle field of 21st Century business.

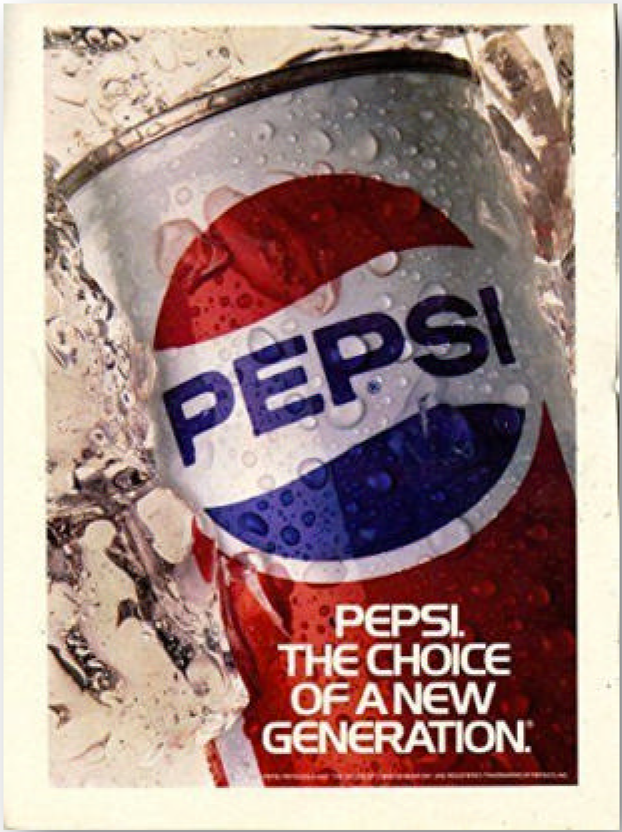
But unlike earlier trends this is not one that any company can afford to wait on. Once the loyalty of a brand has been established with a customer trying to dislodge it will be a nearly impossible task.

The echoes of the starters pistol are already fading, the starting line is behind you, the race is on!

It used to be that brands evoked a cult-like response from consumers. It was called "brand loyalty."

Turn The Brand Around

It used to be that brands evoked a cult-like response from consumers. It was called "brand loyalty;" the attachment to a brand based on a feeling of trust and loyalty to it because of familiarity. Although the company behind the brand never really knew the individuals who made up their market, and their many personal preferences and habits, brands did still evoke a broad sense of community that tied people to them. You were part of the youthful Pepsi generation, Nike's motivated Just Do It! crowd, DeBeers Diamonds Are Forever romantics. Each of these slogans spoke to something that drew us to the brand and helped us align our values with it, or at least with our perception of it.



Although we were loyal to certain brands, the brands could not be personalized to each consumer. Brands were designed so that they had the broadest possible appeal to the largest number of people. Companies made enormous investments in understanding these large markets through focus groups, demographics, sales analytics, surveys, and myriad metrics that provided at least a broad-based understanding of what consumers wanted. Companies were doing the best they could, given what they had for tools, to gain insight into their market's behaviors. But it was like trying to pick out someone's height and weight from a Google maps satellite image.

However, something extraordinary has happened over the past decade; we've been datafied. Today our behaviors as consumers are being captured in incredibly fine detail through our online and

Simply put, a loyal brand is one that understands your behaviors and their context well enough to be able to respond in real-time to your preferences, anticipate them, and build meaningful and personalized experiences

The Behavior is The Brand

offline interactions with the myriad digital devices that record us and our behaviors.

Each day we interact with at least 250 of these discrete sensors that record our every movement. From webcams, to our automobiles, to our mobile phones, to our browsing and search history, to the vast array of devices that are connected to what's called the Internet of things, there is little about us that cannot be observed and captured. All of this creates a picture of who we are and what we like that probably rivals the understanding we have of our own behavior.

This knowledge is the ultimate power because it is who we are in our most private moments.

Onto this stage steps the loyal brand. Simply put, a loyal brand is one that understands your behaviors and their context well enough to be able to respond in real-time to your preferences, anticipate them, and build meaningful and personalized experiences. Most importantly Loyal Brands can act proactively to serve new needs and expectations. This goes beyond just making the promise that a product or service will meet expectations. By making promises you create anticipation, by delivering on them you build trust. This is key, because to allow a brand to be proactive in your daily life, you have to trust it!

Many online retailers such as Amazon have been toying with this concept by making recommendations based on past purchases or searches. For example,

The simple act of shopping at a retailer generates thousands of data points that describe every second of your shopping experience, from how long you stared at a can of dog food to how many Valentines Day cards you looked at before picking one out. The same is true for capturing your behaviors in nearly every other part of your life; your car, your home, even your bed are being equipped with sensors. Consider that 3.4 billion people worldwide now have smart phones and 80 % of them are never farther than three feet from their phone at any time day or night. The point is that our behaviors are all suddenly naked and fully exposed in ways we have barely begun to realize.

Loyal brands use the full depth and breadth of your digital journey to create an ongoing personalized connection with you as your behaviors change.

Building Bonds of Trust

recommending a product based on what others who bought a particular items have also purchased, But this is barely scratching the surface of the potential to tap into behavioral data.

Loyal brands use the full depth and breadth of your digital journey to create an ongoing personalized connection with you as your behaviors change.

This applies to online experiences but it can also apply offline. For example, identifying who I am the minute I step into a store or a hotel and then personalizing my experience based on my past purchases and preferences as well as my current patterns of behavior, the context of my current experience, and past life circumstances.

For example, GM's OnStar, the first foray into automotive telematics that digitized a car's performance and the driver's behavior, has enough information through onboard sensors, real time weather and traffic conditions, and prior accidents at any specific address, that they can determine with uncanny accuracy the likely injuries in an accident involving an OnStar enabled vehicle, which they can then pass on to first responders before they even arrive at the scene. It doesn't take much to see how that sort of capability creates a bond of trust that results in a loyalty.

Building a behavioral business may sound a bit far-fetched, even creepy, but all of the pieces are already in place.

Ignoring this trend will be like ignoring a tsunami. We are at the precipice of an era of hyperconnectivty that will give us unprecedented insight into the role behavior plays in the way we build relationships of trust and loyalty.

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A day in the life of a "connected consumer."*

Covisint - Frictionless Experiences

Adele is a very loyal customer of Clever Motors. But until recently Clever Motors has been nearly oblivious of her existence. Things are changing thanks to behavioral platforms such as those provide by Covisint, one of the largest providers of automotive sensors, tracking, and telemetry.

Now when Adele leases her new car, she can transfer all of her personal settings in the cloud from her older vehicle to her newer vehicle. This decreases the time she needs to set up her new vehicle and improves her satisfaction with the buying experience. She is also offered the capability of adding other drivers to the car that may have their own unique personal settings. Her husband, or son could be added by simply selecting them from her address book in the car — which also includes all of her Facebook contacts. She can set strict permissions for drivers. For example, Adele may want to only allow her son to travel within a specified radius from her home, or she may ask to be alerted when her son travels over the speed limit and restrict his ability to listen to music while driving. Adele also wants the ability to subscribe to certain services without having to re-enter the same information every time she adds a subscription. Her dashboard design, braking and acceleration patterns, even the ability to automatically turn on her home heating systems and lighting when she is within a certain proximity of her house is handled by Clever Motors.

> Whoever owns the trusted experience owns the customer.

And finally, when her lease expires and she turns in the vehicle to her dealership, she wants to ensure that her personal information is no longer accessible from that particular car when it's inevitably added back into the cloud by the dealership.

So, here's the question. Which is the loyal brand? Is it the car manufacturer, which simply provides the vehicle, or Covisint, which provides the personalized experience? Clearly it's Covisint, because it's the personalized experience that Adele values and trusts. Whoever owns the trusted experience owns the customer.

*Adapted from Covisint Use Case Leasing a New Car: Getting Personal, An Interactive Experience

Companies that ignore the trend towards loyal brands will find that playing catch-up with companies that have built a loyal brand will be nearly impossible

Catch Me If You Can

Companies that ignore the trend towards loyal brands will find that playing catch-up with companies that have built a loyal brand will be nearly impossible due to the intimate understanding their competitors have already developed with the buyer.

For example, imagine these scenarios:

Amazon delivers a product to your house that you did not order but which your behaviors indicate you need. Don't like it? Just send it back with the next delivery drone. However, Amazon's bet is that they will be able to gather enough data about you to predict better than any other retailer what you're likely to need. Once they do the chances that you'll shop anywhere else drop dramatically.

Your mattress bills you for the quality of sleep you got the night before. Loyal brands align value with outcomes. This isn't a promise of performance; instead it's a guarantee of it. If an outcome is delivered you're happy and you'll gladly pay for it in small increments. You're no longer thinking about what kind of mattress you need, your loyal brand has figured that out and will make sure you don't lose any sleep over it.

Your kitchen appliances can adjust to your daily routine and schedule in order to proactively place orders with the grocery store and retailers in advance of your knowing you need something. But this goes well beyond just restocking bread, milk, and eggs.

Imagine that your media provider is able to track your viewing habits and online activity so that when you watch Gordon Ramsey making curried chicken and then you jump onto a web site that has recipes for the same entrée. Why couldn't Amazon place an order for you that includes all of the ingredients you'd need — of course, leaving out the ample supply of curry that it knows you already have in the spice rack.

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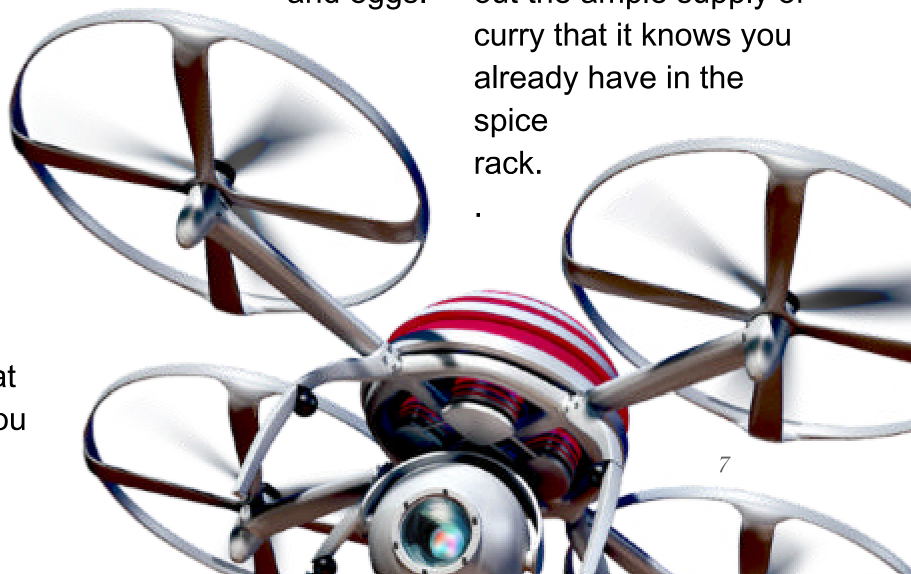
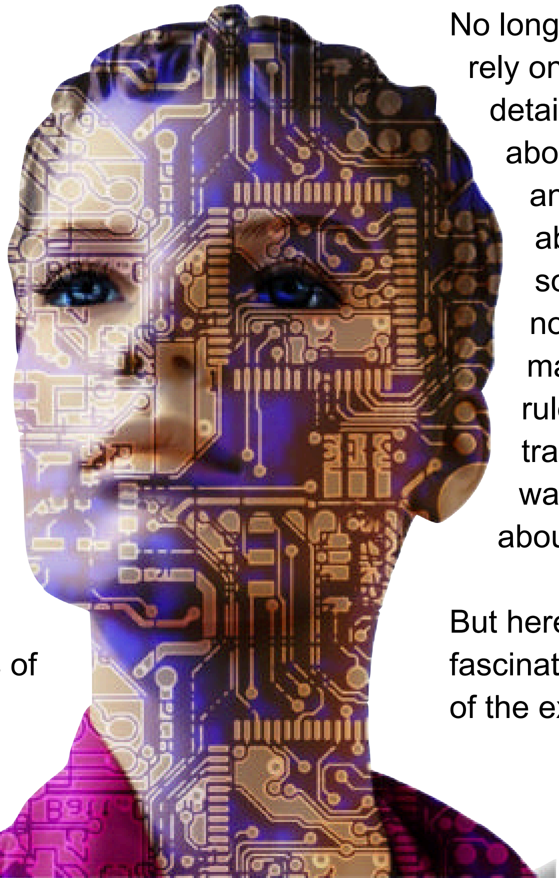


The big secret about Big Data was that we were trying to use the same old models of understanding markets as large nameless entities rather than as individuals

It's Not Big Data, It's Small Data

The challenge with all of these examples, until recently, has been that the information captured about each of us has resided in myriad separate repositories that weren't connected to each other. This vast treasure trove of information simply wasn't integrated in a way that allowed us to make any sense of it. And what's called big Data wasn't the answer.

The big secret about Big Data, the enormous repositories of data about large populations, was that it was rarely used in any meaningful way. We were trying to use the same old models of understanding markets as large nameless entities rather than as individuals with behaviors, motivations, quirks, and nuanced habits that evaded big data analysis. And it was all like driving by looking in the rearview mirror!



No longer. Loyal brands rely on small data, the detailed information about each of us as an individual. The ability to build solutions that are not bound by the mass marketing rules of the past is transforming the way we think about data.

But here's the most fascinating implication of the examples you just read; who owns the loyal brand in each case?

Consider our last example of the autonomous kitchen. Is the loyal brand your refrigerator, the grocery store, Gordon Ramsey? The most likely candidate is whoever or whatever best integrates all of this information throughout your and their digital ecosystem.

Today the best candidate are those who have the broadest access to your behavioral history, what you buy, how you use it, and how all of that changes over time.

Trying to close the door on the gold rush for behavioral data isn't going to happen. Instead, the question we need to ask as consumers and as businesses is, "How can we best use that data in a way that creates enduring value?"

The most successful, and new high growth, businesses – whether it's Tesla or Google, Amazon or Netflix, Uber or MoDe, Alibaba or Samsung, Nest or GE, Oculus or Oracle, or the Unicorns such as Uber and Airbnb – get the importance of building a loyal brand. They all reflect a new competitive reality – namely, that loyalty results from the ability to build entirely new behavioral digital businesses that are architected around customer experience and personalization. The first priority of these businesses is to get to know you, really know you.

If that sounds a bit far fetched then consider how aggressive companies which own your digital experience have been in providing technology at little to no cost in order to gain insight into your behaviors. There's a reason Google, Facebook, and Twitter are free.

If I asked you to share your email account with a stranger you would recoil in horror at the suggestions of it. Yet, you likely use gmail and freely give up your privacy to Google's engine which is busily tracking and analyzing your communications, and those of your colleagues, friends, and family—not for any nefarious reasons, but to add value by recommending products or services that demonstrate alignment with your behavior.

Trying to close the door on the gold rush for behavioral data isn't going to happen. Instead, the question we need to ask as consumers and as businesses is, "How can we best use that data in a way that creates enduring value?" The answer is understanding the seven forces that are shaping the future of loyal brands.

The ultimate goal for a loyal brand is to address a customer's needs without requiring them to spend any time or effort thinking about what their needs are.

The 7 Catalysts of Loyal Brands

There are seven catalysts at the heart of the transformation to Loyal Brands:

- **Hyperpersonalization**
- **Behavioral Businesses**
- **The Outcome Economy**
- **Customer Journeys**
- **Digital Ecosystems**
- **A Frictionless Economy**
- **Autonomous Devices**

The threat that these catalysts pose to every incumbent is that they create an ability to build an entirely new option for the customer at a cost that is far less than that of reengineering the existing friction-laden experiences they are accustomed to. Not only do loyal brands drive out baked in friction, but since they are built from the outset on a fully digital platform they quickly adapt to behaviors, which are

Hyperpersonalization
The ability to create highly personalized experiences for each customer based on deep understanding of his or her past, current, and predicted behaviors.

Behavioral Businesses
Building a business around the ability to capture and understand the many ways that customers express their evolving needs and wants.

The Outcome Economy
An economic model built on the premise that customers should pay for the actual value derived from the use of a a product rather than what is promised or perceived.

Customer Journeys
The use of behavioral patterns and Artificial Intelligence to predict future needs and behaviors.

Digital Ecosystems
The use of digital technology to orchestrate the many players and customer touchpoints in a way that eliminates the friction of transactions and experience.

The Frictionless Economy
A business model that leverages the other six catalysts in a way that virtually eliminates any barriers to a seamless and effortless experience for the customer.

Autonomous Devices
Connected devices that are becoming a vast web of autonomous entities which will soon be able to innovate and respond to our individualized needs with little to no human intervention.

This is the sort of trusted relationship loyal brands enable, one that until now a human has only been able to have with another human.

being captured with each new interaction between the customer and the brand. Since the customer experience improves dramatically the customer is drawn to the new experience allowing the brand learn more about the customer, and the cycle repeats. With each iteration of this cycle the bond of loyalty between customer and brand grows stronger and harder to break by a competitor. That's the value of a loyal brand, a highly individualized relationship with each customer that reinforces trust in the brand.

The ultimate goal for a loyal brand is to address a customer's needs without requiring them to spend any time or effort thinking about what their needs are. This may sound odd but it's the principle at the heart of how much of the world already works. The ABS (anti lock braking systems) in our cars is a prime example. It's there, we never learn how to use it, most of us don't even know what it is or how it works, but it's always ready to help and protect us. With advances in AI cars are already at the point where they can sense danger, predict accidents, and avoid them before they even happen. This is the sort of trusted relationship loyal brands enable, one that until now a human has only been able to have with another human.

Putting the customer at the center means building a business around each customer, one customer at a time.

The key to building a behavioral business that results in a loyal brand is to construct every aspect of it around the customer experience. Often that means annihilating the incumbent model which has been built around the constraints of markets where customers were at the center but as a homogenized commodity.

Putting the customer at the center means building a business around each customer, one customer at a time.

For instance, Uber and Airbnb didn't try to reengineer the existing industry for transportation and hospitality, which was built around a mass production model. Instead they created entirely new digital ecosystem that revolved around the customer experience, constantly learn and adapt to each customers behaviors in a way that starts to anticipate needs. The result is that in one fell swoop both were able to disrupt and revolutionize transportation and hospitality by developing loyal brands built on behavioral business models that focus on new value creation rather than simply tweaking the existing business models.

Loyal Brands will challenge all industries to rethink the way in which they do business and the direction from which competitive threats will emerge.

For example, imagine Google getting into the insurance business by using the basic tenets of a Loyal Brand. It can be argued that because of its access to so much of your digital footprint—through search, gmail, and docs—few people know you as well as Google. In fact there may be things you can't articulate about your own behaviors that Google can easily infer. It's hardly a stretch to see how all of this could easily provide as much if not more of a basis for determining your risk profile, longevity, and the state of your health than actuaries or demographics.

It's no surprise then that Google is trying as hard as it is to demonstrate that it "gets you" and understands your needs.

Of course, insurance companies will argue that their industry is far too regulated, complicated, and risky to allow a new player to enter the space. Cab companies argued the same thing about the threat of ride-sharing.

Incumbents will consistently discount the potential scope of the disruptive potential that a loyal brand can have…

Hyperpersonalization

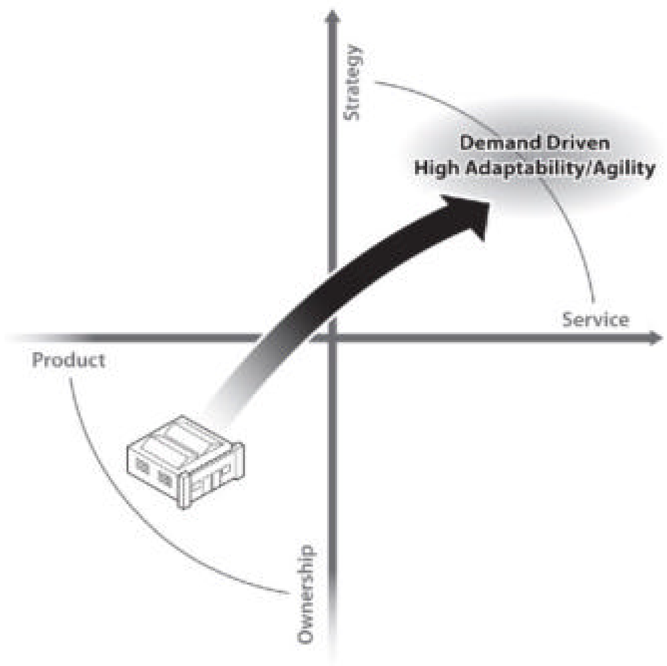
The point here is that incumbents will consistently discount the potential scope of the disruptive potential that a loyal brand can have because they fail to look at the catalytic trends that are driving the inevitability of the trend.

Which is why it's so critical to understand these seven catalysts and how they are already disrupting industries to become the foundation for the next generation of benchmark companies; and, in the process, changing the business tenets of tomorrow as radically as the industrial revolution changed business in the last century.

Let's look closer at how each of the seven catalysts is driving the shift to loyal brands.

Hyperpersonalization

Throughout the last century there has been a slow but steady shift from the notion of standardized products and clearly delineated organizational boundaries (think of the Ford model where the product was "any color as long as it's black" and where every supplier was owned or controlled by Ford) to networks held together by strategy where nearly every product is sold with a service or experience component. This is a fundamental shift from the industrial and information era models of brand loyalty to the behavioral model of loyal brands, which exists in the extreme upper right quadrant of the figure below.



For nearly the last 100 years companies have been attempting to understand mass markets as though every person who made up a market was subject to the same motivations, needs and desires.

Behavioral Business

Loyal Brands reflect not only the emerging competitive mandate to understand the highly personalized needs of each customer, but also the ability to coordinate an ever increasing web of suppliers to meet quickly evolving needs of individuals.

Where markets in the 20th century followed mass production to achieve certain patterns that optimized scale and efficiency, segmentation and broad-based demographics, those of the 21st century follow patterns of orchestrating capabilities from different actors to meet the needs of an individual.

Behavioral Business

Our actual behaviors are often vastly different from our perceived behaviors, which is why companies have been steadily moving away from focus groups. In fact, the founder of the modern focus group, psychoanalyst Ernst Dichter, who immigrated to the US in 1938 from Vienna, once said, "You would be amazed to find how we mislead ourselves, when we attempt to explain why we behave the way we do."

For nearly the last 100 years companies have been attempting to understand mass markets as though every person who made up a market was subject to the same motivations, needs and desires. We've so bought into this notion of a "marketplace" that we simply accept that if a product or service doesn't meet our individualized needs then clearly it is we, the consumer, who should adjust our needs. After all, a brand cannot be all things to all people.

The flaw in the mass market model is only clear when you are able to contrast it with the ability to truly understand each consumer. That sort of understanding was simply not possible to scale. You could either be a small business that worked with each customer or a large business that worked with large stereotypes of customers.

Behavioral business change that drastically by allowing a company to scale while maintaining intimacy with the behaviors of each customer. Missing this shift may be one of the most limiting factors to competition for businesses of all sizes as loyal brands become the expected norm.

In an outcome-based economy companies create value by delivering meaningful and quantifiable business outcomes, not just promises of outcomes.

The Outcome Economy

The Outcome Economy*
One of the most profound drivers of loyal brands and behavioral business is the ability to sell products as experiences and services rather than as devices. This shift is enabled by the ability to monitor how a product is used throughout its lifecycle, allowing companies to deliver value based not on promises and expected results but actual outcomes as measured in the real use of a product.

In an outcome-based economy companies create value by delivering meaningful and quantifiable business outcomes, not just promises of outcomes. For example, Rolls-Royce's no longer sells aircraft engines but rather assumes the responsibility for "time-on-wing." Airlines do not buy engines; they pay for engine availability or, you might even say, for lift power.
Here's an example that's much closer to home and which we already hinted to earlier. When you buy a mattress for $500-$5000 you will use that mattress for 10-20 years while it's useful life is only 5-10 years. In an outcome economy the manufacturer doesn't sell mattresses but rather the outcome of great sleep by charging a fee based on how well you slept. The quality of sleep (your behavior) is measured by sensors built into the mattress.

Far fetched? Only because you're accustomed to buying a mattress as a device and not as an outcome. In this case the

*The Outcome Economy: How the Industrial Internet of Things is Transforming Every Business Joe Barkai May 2016 ISBN: 1530381460

Understanding the behavioral breadcrumbs that I leave behind will be the digital equivalent of a gold rush for the coming decades.

Customer Journeys

brand learns about your habits and sleep patterns and expresses loyalty by making sure that the mattress you sleep on is the best possible mattress to deliver the desired outcome of restful sleep.

However, you can already start to see how a mattress company will need to become part of a much larger ecosystem of providers who also play a role in healthy sleep. In an outcome-based economy loyalty is measured by how well a products can deliver on the outcome, no matter how many providers are involved. It's a radically new framework for how businesses work together to serve the customer.

We're already seeing the foundation for this being poured in the automobile insurance industry with onboard sensors are used to determine risk based on driving patterns. Imagine that someday you pay for car insurance by the ride based on your behavior rather than by the month or year.

The outcome economy is being driven by the IoT (Internet of Things) of sensors that give products the ability to communicate real-time behavior, providing irrefutable insight about how products are used and are performing. The real opportunity is to use behavior to project forward; mapping out the journey that has yet to take place.

Customer Journeys

See if this sounds familiar. You call customer support and an automated attendant asks you to enter your account number before transferring you to a live rep. What's the first thing that the rep will ask you? "What's your account number?" of course! I'm always amazed by how companies that I am very loyal to hardly know me. In today's world my digital journey with many of these companies include numerous online, web, mobile, and in-store interactions. This provides an incredible amount of information through which to understand my behaviors and my preferences, but, more importantly, with which to predict my future behaviors.

Understanding the behavioral breadcrumbs that I leave behind is the digital equivalent of a gold rush. A diverse set of companies, from IBM to Salesforce, to Thunderhead, are offering new tools that can map customer journeys and use them to make decisions that provide a highly personalized understanding of each

Understanding the behavioral breadcrumbs that I leave behind will be the digital equivalent of a gold rush for the coming decades.

Digital Ecosystems

customer's current and future behavior.

Journey maps use data to understand customer behaviors, thereby creating a behavior driven business that responds to the real rather than the perceived needs of customers. Other players, such as Moveable Ink, use the context of the customer's interactions, for example recent buying behavior and even current location and weather, to determine what your likely next steps will be. Google is doing something similar with Now, it's predictive search.

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Digital Ecosystems

One of the greatest opportunities in how we build and scale loyalty is coming from the emergence of a new model for how all of the pieces of the customer journey are orchestrated; it's called a Digital Ecosystems. Simply defined, a digital ecosystem is an orchestrated set of capabilities across digitally connected businesses and consumers that creates entirely new value in a time frame and at a cost that's significantly less than what an incumbent in the same industry can keep up with.

Digital ecosystems form a platform on which you can easily do business, but only if you can plug into that platform. Take for example Apple's App Store. If you can work within the digital ecosystem of the App store then you have the potential to realize tremendous value, not just initially but through in-app purchases with are nearly frictionless for customers.

The ecosystem business model is to commerce what telecommunications was to globalization. Both create a universal platform on which you can build unimagined new value and both are absolutely critical if you intend to compete. The difference is that digital ecosystems involve much more than just superficial connections; they cut deeply into nearly every aspect of how a business builds products, services, and customer experiences— to the point where the very notion of organizational boundaries begins to disintegrate.

Digital ecosystems deliver value across domains, industries, and technologies. The fundamental principle behind them, is that individuals have personalized needs that a commoditized offering will always fall short of.

With more computing devices projected by 2100 than there are grains of sand on all the world's beaches, we are moving towards a hyperconnected reality that will breed entirely new categories of datafied products and services.

Datafication

Datafication

Datafication is the foundation of loyal brands since it provides the ability to understand and predict behaviors through the availability of massive amounts of real-time data about individuals in context. Again, don't confuse this with Big Data, which is great for broad-based analytics but doesn't help to take action in the instant that an opportunity exists for an individual.

Datafication gathers data from multiple sources such as point of sale transactions, sensor arrays, social media, web sites, and mobile apps in order to develop a context-aware view of a customer that can be acted upon in milliseconds.

Some of the best examples of context-aware apps today are real-time GPS, such as WAZE, that factor real-time traffic patterns, weather, and road conditions into the best route just for you, and then continuously adjust that route in the moment.

Companies such as Confluent are using a form of datafication called "streams" to gather context-aware data from multiple sources in order to help brands such as Priceline, eBay, Capital OneNetflix, Uber, and LinkedIn make real-time decisions and recommendations to users.

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The Frictionless Economy

The most opportune markets for disruption and the advent of loyal brands are those that have the greatest organic friction. That's because markets such as healthcare, education, insurance and banking have all evolved organically over time; none of them were ever really architected, they just sort of incrementally and haphazardly grew. The risk that loyal brands presents to these industries is what I call "uberization:" or the

The real threat for companies is not an existing competitor but rather one which is not playing by the same rules and which can build an entirely new relationship with the consumer without the friction of the current marketplace.

The Frictionless Economy

re-creation of these industries as entirely new frictionless platforms.

In the same way that Google might do this with the insurance industry, there are may areas where over regulated and incredibly complex industries have become their own worst enemy when it comes to any sort of radical improvement. Education, Health care, financial services are all encumbered by enormous bureaucracy that present a significant challenge change and ultimately erode and stress the relationship between the brand and consumers.

The real threat for companies in these industries is not an existing competitor but rather one which is not playing by the same rules and limited by the same constraints, and which can build an entirely new relationship with the consumer without the friction of the current marketplace.

Frictionless markets will make the industrial revolution look like a speed bump on the road towards automation. Imagine supply chains that are self-organizing, AI controlled marketing and advertising, predictive models for not only how factories operate but what they actually produce. Far fetched? Not really! Companies such as GE and E2Open are already creating autonomic engines that drive markets and reconstitute supply chains without any human intervention.

At the outer edge of loyal brands is the concept of products and devices that are not only loyal but which actually own themselves.

Autonomous Devices and Products

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At the outer edge of loyal brands is the concept of products and devices that are not only loyal but which actually own themselves.

This is one of the most profound yet also one of the hardest concepts to grasp because it falls so far outside of our current frame of reference. Yet, we are already starting to see the building blocks of this sort of future in the way that technologies such as blockchain are reshaping the concept of currency in a digital world.

However, blockchain is not just about digital currency. That's the least of it. Blockchain provides a definitive and indestructible record of the stake you have in something. It's an indisputable and unalienable right that will be available to anyone who has access to the Internet.

Notice that I said stake and not ownership. Blockchain radically alters our very notion of ownership by shifting the focus from hiding, hoarding and protecting ideas to exposing, sharing, and distributing them. By doing this it democratizes economic value flow at the most granular level. If you have a stake in one thousand value creating entities you then have a potential revenue flow from each one. Your employer becomes the blockchain!

When you have a stake in something it becomes an asset and you want to protect it, grow it, and leverage it. Think for a minute about what the greatest assets of our time are--knowledge, information, ideas; these are the gold rush of the 21st Century. And all of these flourish in a climate of collaboration rather than one of ownership. In many ways you could even say that ownership is now stifling innovation. When companies spend more on protecting intellectual property than on R&D something is clearly not right.

Blockchain will do for the 21st Century economy what Patent Law did for the 20th Century but at a level of granularity and precision that will allow every human who contributes to a good idea to protect their stake in it, while also allowing these ideas to build on each other at a rate and scale unimaginable in the past.

. . . connections are just the start. The real opportunity is in how these machines are evolving into new forms of intelligence. Forget "lights out" manufacturing and think "lights out innovation!"

Autonomous Devices and Products

For example, what if instead of being driverless cars were actually autonomous entities in which many people had a stake? The car exists as an independent entity, not unlike a public corporation, which has many owners. The blockchain makes that possible by allowing this sort of collaborative model of shared ownership to exist with complete trust.

In fact the car could ultimately take care of its own maintenance and you could move your stake from car to car based on which ones perform best.

You no longer own a car; instead autonomous cars vie for your business. Think of this sort of like the stock market in a wildly distributed fashion but without the need for the banks and brokerage houses that are needed to ensure trust in the current model of a marketplace. As these devices begin to leverage the power of the blockchain along with the pervasiveness of the IIoT (the Industrial Internet of Things) once disconnected dumb machines will form communities that innovate autonomically. And their connectivity will far surpass that of person to person, and person to machine connections by several orders of magnitude. Today there are 10 billion user computing devices in the world but more than 100 billion connected devices.

But connections are just the start. The real opportunity is in how these machines are evolving into new forms of intelligence. Forget "lights out" manufacturing and think "lights out innovation!"

As you read this someone somewhere is thinking up a way to build a business to put you out of business. Your choice is not how long you'll wait it out to determine the merits of a loyal brand, but rather how long you'll wonder why you didn't earlier.

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The Loyal Brand

It never fails that the greatest innovations are the same ones we most often discount the fastest. I can imagine a scene in which the first wheel was met with head scratching, confusion, and comments along the lines of, "Sure, it's a cool idea but it's going to keep rolling away on us! Square wheels are so much more predictable."

Innovation is easy to ignore because we don't recognize it until we experience it. That is certainly the case with loyal brands. We've been conditioned to buy into the notion of brands as one size fits all products and services. And it made perfect sense at a time when scale could only be achieved by mastering the science of mass production to mass markets.

That's changing dramatically. As you read this someone somewhere is thinking up a way to build a business to put you out of business. They are or soon will be building a loyal brand which will put the customer at the center of a vast digital ecosystem which can be reconstituted within nanosecond to suit the particular needs of that customer based on his or her behavior—past, present, and future.

No doubt that you'll see it happening, the same way Kodak saw digital photography —which it invented in its own labs—overtake the tried and true model you've become so attached to. But this will be a business that will scale faster than you could ever have imagined. And it will create relationships with its customer (and yours) that will be nearly impossible to take back.

Your choice is not how long you'll wait it out to determine the merits of a loyal brand, but rather how long you'll wonder why you didn't earlier.

The bottom line is that the better you understand loyal brands and the drivers that are behind their evolution, the more likely you will be to benefit and profit from this revolution in how we will think, innovate, and create the businesses of the next one hundred years; a century that will make the economy of the last one hundred years look as though it was running on square wheels.

Tom Koulopoulos is the founder of Delphi Group, a 28-year-old Boston-based thought leadership firm providing advice on innovation practices and methods to global 2000 organizations and government.

He is also the author of 10 books, the former Executive Director of the Babson College Center for Business Innovation, a professor at the Boston University Questrom Graduate School of Business, and a columnist at [inc.com](inc.com)

His work has been praised by luminaries such as Peter Drucker and Tom Peters, who called his writing, "a brilliant vision of where we must take our enterprises to survive and thrive."

According to the late Peter Drucker, Tom's writing "makes you question not only the way you run your business but the way you run yourself."

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