

Editor's Comment

"Partnership"—the ever-tighter marriage between general management and IT—is a word being bandied about with evermore frequency. In the Senior Editor's opinion, the effective implementation of this partnership will be more important in the next decade than in the past decade. Partnership calls for not just different business practices, but for different research coalitions in the academic world as well, if the full potential is to be achieved. The following four examples are offered to illustrate this need.

New cross-industrial coalitions are being established between formerly disparate industries. An example is the new joint marketing program offered this past summer between Citibank and American Airlines. Members of the American Airlines Frequent Flyer program were barraged by a mass mailing campaign followed by individual telephone calls for a new Citibank Mastercard. For filling out the Mastercard application and using the card once, the person received 5,000 American Airlines Frequent Flyer miles. Further, for the indefinite future each dollar spent using the credit card produces one mile of frequent flyer credit. For Citibank this had produced a flood of new (heavily upmarket) customers. For American Airlines it has strengthened consumer interest in an already powerful marketing program. This program is fundamentally driven by marketing managers who recognize new perspectives for both their products and how to reach the marketplace, and is made possible by the ability to cost effectively pass data files between different firms.

The ability to provide *differentiable service* to one's preferred distribution outlets puts great pressure on other sources who try to provide this service. The transformation in automobile servicing is a good case in point. Automobile manufacturers are more frequently putting chips into engines, which record key performance data on the car's operation. The company's dealers are then provided with expensive hardware and software to read and interpret this data, thus providing their customers with better service. Local garages, which service many different types of cars, cannot afford to make this investment for every different type of car, and are being slowly squeezed out of business. The car dealers, who operate in a highly cyclical business, get a greater share of car service volume through their bays, thus creating a better shield from the inevitable vicissitudes of new car sales volume. The car manufacturers get more stability in their dealer network. Again, the technology is important, but it supports a different vision of what it takes to compete in this industry.

The very *nature of the service* being sold is changed. A West Coast fuel oil sales operation has been growing for the last three years in excess of 200% per year by the use of the following system. In the past they simply sold gasoline to customers at filling stations. Today in this commodity business, they have achieved important differentiation through a combination of market segmentation and use of technology. They are interested only in selling to corporate truck fleets. Each driver in the fleet is given a plastic card with a personal identification number. When he needs fuel, he goes to a series of 24-hour self-service stations (reserved for corporate customers only). He inserts the card, and keys in his personal identification number and odometer reading. The gas pump is activated; the tank is filled, and the amount of the transaction is stored electronically. Twice a month the fleet owner gets an itemized report on each vehicle's transactions, including data on miles per gallon. This data permits analysis of unusual transactions, poor performing vehicles, etc. The system also avoids the necessity of drivers having to be issued either cash or credit cards, both of which offer significant potential for abuse by the driver. By using technology to strip off the information content of individual gas transactions and repackaging them, the company is now using gasoline as the vehicle for selling management control to their customers, a highly attractive, hitherto unavailable product. Customers are willing to pay an \$.08 per gallon premium for this service, which generates highly attractive returns for the fuel oil distributor. The system's effectiveness stems from its keen insight into the real needs of a commercial fleet owner.

A new development is the establishment of *coalitions of competitors* for reaching common distribution points and assessing whether these coalitions are profitable for the individual participants. An excellent example of these issues and their complexities is provided by the insurance industry today. At great expense, a number of large insurance companies have developed electronic links to the offices of general insurance agents to facilitate the preparation of policies, processing of

claims inquiries, etc., thereby differentiating themselves in the eyes of the agents by providing a higher service level than can be provided by smaller competitors. This has led to a third-party facilitator, IVANS (Insurance Value Added Network Service) who wants to provide these services for *all* sponsoring insurance companies, thereby *eliminating* this as an area of differentiable service. Small insurance firms find this an attractive neutralizer for a competitive element. Larger firms, however, find IVANS to be a genuine threat to the benefit stream of their capital investments. IVANS's ultimate future, therefore, is unclear at the present time, less for technical reasons than for complex business competition reasons.

The linking theme through all these applications is the word "partnership." In each case a complex business strategy is being executed through the application of technology. IT brings the technology, and general management brings the keen insight on the marketplace and the needs of the customer. Many things *can* be done by technology. However, whether they can be done in ways that make money is an entirely different issue.

For the IT researcher the implications are clear. Extensive cross-functional *joint* research is needed among colleagues of many disciplines. Some types of research are the exclusive domain of the IT researcher. Other equally important *joint* work needs to be done with marketing, business policy, and production colleagues. This work is so important that it must not be sidetracked by institutional departmental boundaries and rigidities. To do so is to suboptimize the research contribution and, perhaps in the end, to surrender the field to others.