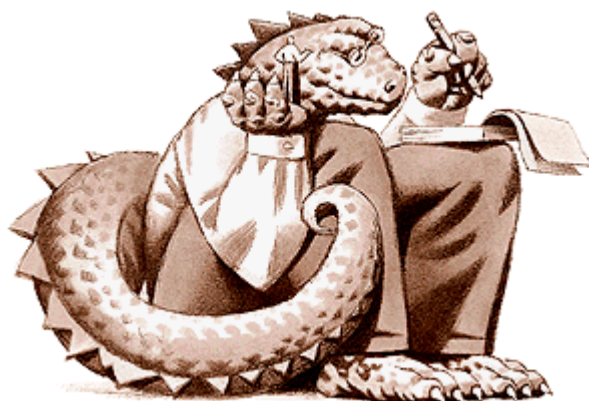


## The **Godzilla** Companies of the New Economy

By Kenichi Ohmae

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**Pointcast, not broadcast.** As the old "broadcast" model of marketing becomes outmoded, "narrowcasting" and "pointcasting" have grown more important. In narrowcasting, the customer database is used to find people who are statistically likely to be interested in a particular product or service. Supermarket coupons are increasingly narrowcast, printed in different arrangements to suit people by neighborhood. Most magazine advertising is narrowcast - an ad in Ladies'



Home Journal will not run in Fly Fisherman magazine. Direct mail is sent out to a segment of customers who are relevant to the product in question. But narrowcasting, at best, has a 2 to 3 percent hit rate.

In contrast, pointcast marketing can have a better than 50 percent hit rate. It represents a vast democratization of the traditional privilege of aristocracy - to be served and catered to on an individual basis. Using this model, marketers seek only customers who have already indicated they want a particular kind of product.

Dell and Gateway are well-known for their pointcast products, which are built according to a consumer's specifications. Soon it will be common for purchasers to design cars on computer screens, choosing not only predetermined options, but options provided by a variety of manufacturers: a Honda engine in a Toyota body with Ford seats and interiors. You might even be able to watch a car being assembled on a computer screen while your insurance and car payment terms are tailored to your finances. By 2001, consumers in the United States will spend \$100 billion on e-commerce, which means that one-third of consumer purchases could, in theory, follow the business-to-business model of Cisco, allowing customers to co-design everything they buy.

Pointcasting creates sophisticated relationships with consumers by developing an ever-growing knowledge base. One key to Amazon.com's success is that it really knows its customers; every time you sign on, it automatically gives you a list of suggested books, CD's and videos based on your past purchases. Amazon.com's banner advertisements are also tailored to individual customers, using information mined from the customer database. Another pointcast service, Bluemountain.com, creates and sends greeting cards, maintaining a database of addresses and important dates (e.g., wedding anniversaries), as well as preferences in card style and message, for each of its customers.

**The C.E.O. as C.I.O.** With the rise of electronic commerce on the new continent, there is nothing more important than technology. Nobody needs to explain the strategic implications of cyberspace to Michael S. Dell or Cisco's John Chambers. They both played hands-on roles in designing their companies' organization, management and information systems. If a company must be reorganized, as most large established companies must, the process should be led by a technologically savvy C.E.O., not a reengineering consultant.

In a transitional era like ours, the worst thing an aspiring **Godzilla** can do is base its

decisions on past or existing practices. You have to be able to design a company with nothing but the future relationships between the customers and your company in mind. The rest - vendors, subcontractors, wholesalers and retail chains - will fall into place if you have designed the corporate structure and management systems correctly.

This point came home to me during a conversation I had in the late 1980's with Walter B. Wriston, then the chairman of Citicorp (now a part of Citigroup Inc.). He mentioned that he had picked his successor, John S. Reed. I was surprised since I knew Mr. Reed's background was in technology, not banking. "Why have you chosen him," I asked, "when there are so many other potential heirs apparent?"

"The future of banking," Mr. Wriston replied, "is going to be determined by nanoseconds. It's a technology game, and it's very, very hard to teach bankers the technology. It's easier for a smart technology guy to learn banking, so I actually need this M.I.T. graduate."

Later, I had occasion to ask Mr. Reed whether Mr. Wriston had indeed picked him for this reason. Mr. Reed confirmed it and said, "I refused at first. I said I would not be a good C.E.O. of Citicorp because I don't know anybody in Washington. I don't know anybody in the industry. All I know is technology." But Mr. Wriston told him not to worry: "If you are the chairman of Citicorp, all the important guys will come to you, and you'll get to know them in two or three years. Time will solve that problem."

**Web-shaped organizations.** Rather than using pyramid-like hierarchies in which each person has a precisely delineated task, **Godzillas** organize around flexible platforms. The platforms are distinct, and the people do whatever is necessary to develop and use them effectively around the world and around the clock.

Consider the "telephone service representatives" at the Gateway call center in Dublin. A call is first routed according to language: Swedish speakers get one rep, for instance, while speakers of Italian get another. Both of these reps have been trained to fulfill a variety of functions. First, they are operators who route calls to specialists as needed. Second, they are salespeople who suggest various options and then close the sale. Third, they are design engineers who can coordinate the optimal software/hardware combination to meet a customer's needs. Fourth, the rep drives the internal production process by designing the diagram that goes to the central computer in South Dakota, which then directs U.P.S. to buy the components and ship them to the appropriate assembly facility. U.P.S., working on Gateway's platform, brings these components (software, display, CPU, keyboard) from vendors to the depot nearest the customer. Finally, the rep handles customer service and cross-selling; if a customer has a problem, his or her call is routed back to the rep with whom the customer already has a relationship. Most of the jobs at **Godzilla** companies are similarly organized, revolving around customer relationships rather than specialized tasks or functions.

**Global Reach.** **Godzilla** companies conceive of their headquarters as existing in a virtual space that is equidistant from all of their customers. When they expand, they expand to all markets simultaneously according to what I call the "sprinkler" model. CNN, which entered 230 countries and territories almost simultaneously, is perhaps the trailblazer in this strategy.

The Internet has made it much easier to become simultaneously global and newly born. Before Amazon.com, book publishers were national by nature; a title published by a company in the United States would be published by another in Britain. But Amazon.com instantly did away with these conventions by making it easier, quicker and more convenient for the British to order American books online than it was to get them from their British publishers and bookstores. The power of borderless book-buying became clear in 1999 when Scholastic Inc. in New York was forced to move up the publication date of

its enormously popular "Harry Potter" children's series because tens of thousands of people were ordering it from Amazon.com's British Web site rather than waiting for the American edition. Other **Godzillas**, including Microsoft, Cisco, Gateway and Dell, were also born global. The key enabling platforms have been the availability of logistics (such as U.P.S. and Federal Express services) and credit cards, which make international purchasing as easy as purchasing at home.

**Growth through acquisition.** **Godzilla** companies have a number of advantages over Titans when it comes to acquisitions. First, because of their extremely high multiples, they have the resources to acquire the highest quality companies. Cisco has been able to acquire companies with excellent Internet network technology, and Global Crossing is expanding beyond its original business (running fiber-optic cables across oceans) by taking over several extremely efficient regional telephone companies. In five or 10 years' time, these **Godzillas** may grow to resemble the huge multinationals of today - except for the fact that they make better use of systems and platforms. Perhaps the most difficult aspect of a merger is integrating the new acquisition with the corporate parent. Typically, **Godzilla** companies select their acquisitions so carefully that they don't have these difficulties. Although Cisco has purchased many companies, it is said that on the day after the acquisition the employees in the new part of the company feel as if they have been working for Cisco for decades.

I once asked Cisco C.E.O. John Chambers what the most important element was in his decision to acquire a company. "It's not what the company does, or [its] technology per se," he told me, "it's the chemistry between our people and [its] people." When the C.E.O.'s on both sides have chemistry and there is a common vision of the company's long-term future, the integration can be very smooth. A company's rapid, **Godzilla**-style growth rate also makes a difference; if people on both sides have stock options in the newly merged entity, then the new corporation's potential for extraordinary growth gives all of them an additional incentive to make the merger work. Because **Godzillas** are organized in networks, they are able to grow with fewer distortions and internal rivalries than hierarchical companies, in which positions are limited as you are promoted. In a Web-shaped company, you simply add leadership positions as you grow.

**React to customers, not financial markets.** Vast quantities of money move swiftly and unpredictably throughout the economy of the new continent, which makes financial markets unreliable measures of wealth. In order to survive these oscillations, corporate leaders must think in five-to-10-year time frames, so that they can remain immune from the damaging effects of these short-term shifts. **Godzilla** companies have an innate feel for this. They constantly design and redesign their organizational channels while maintaining a clear sense of their overall direction. Can an established company actually follow these prescriptions and become a **Godzilla** on the new continent? Taking that path entails enduring an enormous amount of uncertainty and perhaps even sacrificing some of the strength the company possessed in the old world. It means, in effect, reshaping a dog to create a cat.

The problem facing old-world companies is that they must adjust their time frames. In the old continent, events take place more slowly, and actions require approval from people with vested interests in maintaining the system. On the new continent, events take place quickly and constant adaptation is needed. Making a transition like this one requires a company to think counterintuitively. Bill Gates has often said that he believes Microsoft could fall if he makes even one mistake, and he is right. Every night is a sleepless night on the new continent.

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