
Leaders in Digital Merge the Physical and the Virtual



By Liri Andersson , Founder, this fluid world, and INSEAD Guest Lecturer

Organisations that treat “virtual” as real are moving ahead.

To thrive in the digital age, business leaders need to broaden their outlook and re-examine their metaphysical assumptions of how the world “is”. This includes the ingrained belief that the physical world is more “real” than the world created by the use of virtual or augmented reality technology.

Refusing to accept that the three are merging into a single reality limits a firm’s opportunities and its chance at keeping or capturing a competitive advantage.

Leaders who adopt a broad-minded approach to reality will find it expands their ability to innovate; become more relevant; better serve their customers; cut costs; grow and increase in value.

Here are six examples of how vanguard organisations are merging these realities and challenging traditional ideas of what constitutes a “real” experience.

1. **Expanding product range:** By June 2012, 15 million Facebook users were purchasing virtual goods on the company's online offerings such as FarmVille. While one could debate whether the game, aimed at people looking to create, build and nourish a farm virtually, is a real farming experience, there is nothing virtual about the **\$US1.26bn** it generated in less than six months, at a limited cost.
2. **Selling an experience:** Refusing to see the onset of virtual travel as a threat, Thomas Cook embraced the opportunity with its "Try Before You Fly" campaign, which allowed potential customers to experience New York City through Virtual Reality (VR). The technology led to a **190 percent** increase in New York excursions revenue during the campaign's first three months. When the remaining senses of touch, smell and taste are added to VR technology and the brain can be tricked into looking around and smelling the sea, feeling the water, hearing the waves crash and saying, "I'm on the beach", who is to say that that experience is not real.
3. **Broadening their footprint:** China's largest online grocer Yihaodian achieved growth by taking their business beyond online, yet avoiding the cost of building any physical stores. The retailer has opened **1,000 virtual stores** at key locations throughout China. The supermarkets are very much there, the fact that they can only be seen through a mobile screen does not make them less real to the people whose purchasing needs are being satisfied.
4. **Enriching customer service:** A handful of airports in the U.S. and around the world are employing Advanced Virtual Assistants (AVAs) to handle some aspects of their customer service. AVAs can work in multiple locations simultaneously, do not get sick, and are always available when you need them. Why? AVA is a hologram and her job is to help travellers with key information and directions, also known as e-care. As long as the assistance given to people by AVA is of value, it won't be perceived as any less real just because it's delivered by a hologram. With developments in **artificial intelligence** this assistance will be increasingly interactive and relevant to users.
5. **Developing the ability to tell their story:** **General Electric** sees virtual reality as an opportunity to overcome the challenges of operating in locations not many individuals can get to. The company uses the technology to allow people, often decision makers, to experience these environments

and bring them into the world of General Electric. The understanding generated by this activity is most definitely real.

6. ***Accessing rare capabilities:*** Augmented reality is not exclusively a gaming or marketing tool, it's also transforming the world of medicine, in both training and practical aspects. Using VR technology, a doctor in New York can operate on a patient in Syria from the safety of his Manhattan surgery, with the help of a locally based medical professional. Since almost two thirds of the world's population lacking access to safe and affordable surgery, this reality is potentially life-saving.

And this is just the beginning.

Recommendations to leaders

Capitalising on the opportunities brought about by virtual and augmented reality requires an attitudinal and behavioural shift within organisations. To position themselves for the change leaders should follow these recommendations:

- Embrace the merging of realities as an opportunity, not as a threat to your firm's core business.
- Accept that the only opinion of what is real that is worth considering is the one held by the person using or buying the product or experience you are providing.
- Use the concept of merging realities to complement or improve the management of your business, or its products, by adding layers to your processes, solutions, services and experiences.
- Challenge the business you are in by creating entirely new products and services based on alternative realities.

When it comes to the debate of physical, virtual, or augmented reality, the only thing an organisation needs to focus on is whether the value on offer is real, not the shape it comes in. For 21st century businesses, whether an experience is physical, virtual or augmented is beside the point – it's all real and highly valuable.

This is the first of a [series](#) of articles to help leaders navigate their way through today's digitally enabled business environment. Using

tangible examples, the articles illustrate how organisations and industries are adapting technologies and ideas in ways that put them ahead of the game.

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