Imagining new alignments.

When stockbrokers earn commissions based on sales, not portfolio performance, or when drug companies pay doctors to prescribe certain medicines, clients and patients may wonder: "Will the recommended stock or medicine do me any good? Or is this really about benefiting the service provider?"

Misaligned interests are common – and often costly. Take healthcare. Suppose an insured patient's co-pay is $40, whether they get a $200 prescription from Pharmacy A or a $285 identical prescription from Pharmacy B. With a fixed $40 out-of-pocket cost, the patient has no incentive to devote time and effort to finding, evaluating or choosing lower-priced alternatives. The result: without even realizing it, many patients default to higher-priced providers with no added benefit.

Multiply this (and similar examples) by 200 million buyers across numerous industries, and you have a longstanding, multi-trillion dollar problem. Are misaligned interests as inevitable as death and taxes? Or, can misalignment finally be addressed in a new and effective way?

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Digital tools enable new approaches.

As an inventor who specializes in business system innovations, I find digital technologies such as Big Data, the Cloud, mobile networks and others can be combined in unexpected ways to transform stubbornly persistent problems. This insight enabled me to start three companies, including Priceline, which now serve more than 50 million customers each.

Today, I'm focused on misalignment, especially in complex markets where the most cost-effective, high-quality options are obscured within a vast sea of substitutional choices.

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Here's how to align interests: "Discover It; Present It; Incent It."

Step 1: Use Big Data software to find appropriate, money-saving choices that serve both payers and buyers. Well-designed software can locate and score millions of potential options in seconds – including needles in a proverbial "haystack" of choices that buyers could never find themselves.

Step 2: Present customers with high-scoring options using simple, engaging graphics. Streamlined mobile and desktop layouts make it easy for buyers to quickly decide which choices they like — critical for rushed, mobile-based buyers.

Step 3: Use meaningful incentives to nudge behavior. Software can assign money-saving values to each purchase option. When a lower-priced option is chosen, the payer gets some of that value (in reduced costs), and the buyer gets some (in personal rewards).

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What makes "Discover, Present, Incent" a powerful approach? Look at the $165 billion spent on business travel at smaller companies.

Small to medium-sized U.S. companies currently pay an annual "misalignment travel tax" of tens of billions of dollars, perhaps more. Why? These smaller companies have no travel departments, no specialized agents to help them shop smarter and they get no volume discounts. Employees must select their own flights and hotels and then get reimbursed. All charges get reviewed, yet travelers naturally seek as much comfort and convenience as they're "allowed." That costs more.

Misaligned spending is just the start. Companies and travelers also pay far too much in terms of time and effort. When employees want to save time, they may buy their trip directly from their favorite airline or hotel website. That takes just five minutes.

But when employees want to save money, they must comparison-shop across brands, using either an Online Travel Agent or metasearch site. They might find lower prices, but they'll pay a high "frustration price" for their 30-60 minutes of shopping time. Many travelers would rather visit the dentist. Not surprisingly, most business travelers avoid comparison-shopping, if possible.

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My new company, Upside, reduces costly misalignments in business travel while saving time and effort, and providing 24/7 service.

By using the "Discover, Present and Incent" approach for small to medium-sized businesses, Upside excites employees to spend less on their business travel and rewards them when they do so.

Discover: Every night we ingest and pre-process three terabytes of travel data. Thus, in just a few seconds, we show travelers a handful of high-scoring purchase options that meet their trip needs and save money. We find and score every appropriate business travel option for the top 10,000 city pairs.

Present: Upside only sells flights and hotels bundled together in a one-price package. Since we never break out component prices, airlines and hotels are willing to provide us with deep discounts that do not undermine their "retail" prices shown elsewhere.

Incent: With Upside, travelers still get all of their miles and credit card points. But we add an extra incentive: free shopping at the traveler's choice of 50+ favorite stores, simply for buying flights and room together — and more rewards if they choose additional options we show them. Their reward can easily reach $100 to $500 on a free gift card to Amazon, Target, iTunes, Home Depot, etc. The less travelers spend, the more rewards they get.

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Aligning interests will transform trillion-dollar U.S. markets.

Misalignment may have finally met its match in the digital age. Business travel, healthcare and insurance, among others, are ripe for revolutions.

And, as Artificial Intelligence and Machine Learning spread, we'll see more sophisticated solutions: payers will spend less; buyers will enjoy new rewards; and suppliers will improve targeting and sales. With that kind of alignment, everyone wins.

— Jay Walker
Chairman and CEO
Upside.com

◣ UPSIDE
It's all about the upside.

Fifth in a series of essays imagining the future of business. @upsidetravel