Know Thyself, “Act” on Thy Brand

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All companies have two things - products and competitors. Today, these are seldom the axis where success is determined. Globalization hastened by technology has created new supply, demand and purchase patterns profoundly disrupting every industry. Can incumbent companies innovate?

To thine own self be true, and it must follow, as the night the day, thou canst not then be false to any man. (Polonius to Laertes Hamlet Act 1, scene 3)

Disruption is when a company invents or extends a product that broadens the target market also known as a category. A classic example is the transistor radio. For 50-years, radio sets were a fairly stable and predictable category. In the 1950’s the new transistor pocket radio kicked off a radical category disruption. To post-war "boomed" babies flush with cash and music induced independence, “pocketable” would forever expand the audio listening category and drive new innovative disruptions forever.

Despite its negative connotation, disruption isn’t always zero sum. The transistor radio application was so unique other types of radio sales were not materially affected. Therefore, in the marketing sense, disruption can be a good or bad thing.

Michael Treacy and Fred Wiersema created a logical framework in 1977 to explain how successful firms focus and distinguish themselves in one of three areas translating as price, product or service.

The Discipline of Market Leaders: Choose Your Customers Narrow Your Focus, Dominate Your Market
Michael Treacy and Fred Wiersema, Addison-Wesley, Reading, Massachusetts, 1997 edition

'Value Discipline'	Basic Philosophy	Examples
1) operational excellence	-low or lowest price and hassle-free service	-Walmart, McDonald's
2) product leadership	-offer products that push performance boundaries	-Intel, Nike, 3M
3) customer intimacy	-delivering what specific customers want	-Airborne Express, Nordstrom

While the other two attributes can’t be ignored, firms that try to focus on more than one value discipline struggle, sometimes with disastrous implications.

Inevitably confusing market messages baffle the customer and undermine company credibility. More devastating are the conflicting internal messages that make their way externally to customers.

Severe consequences await companies that try to sell themselves under one value discipline but actually operate in another. This is depressing because it isn't deliberate but just not well thought out or executed well.

For centuries, companies have been successful distinguishing themselves in one of these value disciplines. They also have benefited from or been subject to product disruptions. This has made a consistent and stable playing field.

A New Framework

Technology has hastened globalization with profound impact on the playing field. Dodging or creating product disruption and excelling in one value discipline no longer guarantees success.

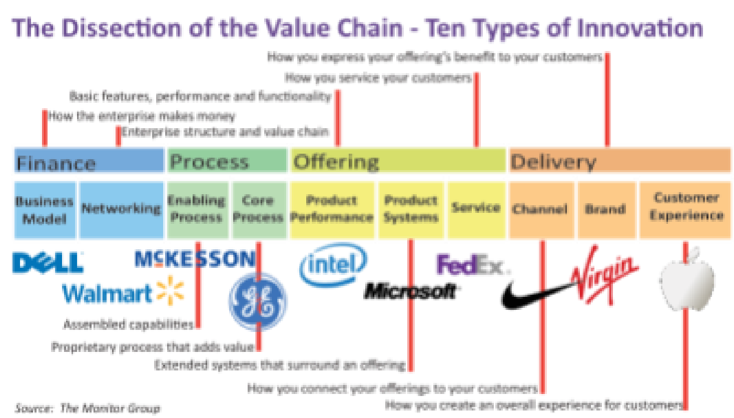
This techno-globalization has created positions up and down the supply chain for companies to exploit to new types of disruption. Companies have planted flags vanquishing incumbents and creating entirely new "Blue Ocean" business models.

They do this often selling identical products with identical pricing and customer experience.

The Monitor Group (*prior to acquisition and now marketed as "Doblin" an innovation practice of Deloitte Digital within Deloitte Consulting LLP, a subsidiary of Deloitte LLP*) expanded the Treacy framework illustrating new positions they refer to as "Ten Types of Innovation".

These are the new positions where companies can dominate and disrupt categories in new and unique ways.

The illustration shows these positions with examples of companies that either defined the category or, in some cases, drove an entirely new business model.



For instance, Walmart redefined "Process" exploiting it and disrupting the entire consumer packaged goods industry. Their massive process and distribution network is so effective they have become paternalistically benevolent to their suppliers influencing product configurations, manufacturing and packaging in no way any retailer ever has.

Apple disrupted two industries at once by creating a pocketable music ecosystem disrupting music players and record distribution. Branson attributes the closure of the last two Virgin record stores in June of 2009 to Apple’s music supply chain innovation.

Can Incumbent Companies Evolve?

While technology has indeed quickened the pace of change, disruptions of any magnitude don't happen overnight. *Why are incumbents so blindsided by these disruptors?* It is a matter of focus and comfort with what has worked in the past. Paying attention to the operationally sensible areas of price, product and experience draws attention and resources away from innovation.

How come, with their superior market positions and resources, incumbents are the last to disrupt their own industry? Quarterly measured companies rarely have the attention span to reinvent themselves. This is exasperated when a current revenue stream is risked potentially damaging their carefully cultivated ‘operationally excellent’ Wall Street profile.

Apple has an elevated market reputation in large part because of their reputation as a disrupter. However, all of those disruptions have one common trait, they are all blue ocean adventures going after new categories.

If a new initiative risked a current revenue stream or quarterly statement, would they be as ambitious? In this sense, Apple is the incumbent company sharing a room with companies like AT&T or Verizon relying on ‘operational excellence’ rather than disruptive innovation.

The ultimate test for Apple, like all companies comes taking on a fully charged opponent like Google who prefers blue ocean adventures with insatiable ambition to redefine and create new markets. How would Apple respond if Google were to offer their Pixel phone for sale for $200 and bundle in free unlimited lifetime voice, text and data service?

Do you want to retire at your company? Candidly consider the company’s place is in your industry. If you conclude your company looks like it is 1912 and they are singularly focused on making “the industry's best buggy whip,” embrace the notion you might not retire there.