

Embrace Changing Market Dynamics

A FOUNDATION FOR FUTURE PLANNING



About the Author

Matt Carinio
Senior Business Analyst

Matt Carinio is obsessive about uncovering the simple nuances that drive social and technological trends. After graduating with a degree in International Business from Cal Poly San Luis Obispo, Matt launched his career in the technology industry by chance and spent the next 12 years defining client service practices and later R&D ad serving technologies at Yahoo!. Now part of the LEVEL Strategy discipline, Matt transforms big ideas into action. By always questioning the status quo, Matt is able to keep LEVEL clients ahead of the curve. He believes strategic ideas usually don't happen in front of a computer or at one's desk. Spending time with his family and on outdoor activities provide him time for uninhibited creative thinking.

About LEVEL

LEVEL delivers integrated marketing and product development for global brands. Through the interplay of branded content, technology platforms and connected devices, we design a total user experience that amplifies the relationship between brand and consumer. Our methodology is proven; our behavior is adaptive.

Introduction	02
How Should Manufacturers Address this Competitive Challenge?	03
Exercises: Thinking in New Ways	04

EMBRACE CHANGING MARKET DYNAMICS

Introduction

The evolution of technology, device interfaces and content distribution has created an ecosystem inundated with new competition for consumer electronics manufacturers. Adaptation to the landscape and the ability to take an innovative look into the future begins with understanding how certain components of your business have changed.

Let's start by looking at an example that illustrates where this transformation has taken root: the purchase of a new smartphone. Previously, the factors driving this decision were somewhat straightforward; choose a suitable carrier and a pick a great looking phone. Increasingly, consumer choice is influenced by device look and feel, the usability of the operating system and interface, technical specs,

the availability of content, quality of the app store, cloud services or backup options, processor speed, carrier coverage and a myriad of other factors.

The purchase decision now involves software providers, retailers, semiconductor manufacturers, content providers and other verticals trying to get closer to the customers and their wallets. Furthermore, the brands that were once just service, software or content providers are extending their role in the product ecosystem and creating products that put them in the device manufacturer's category. These choices are changing the way consumers make device purchase decisions. The figure below illustrates the convergence of industry verticals across the consumer electronics ecosystem.



How Should Manufacturers Address this Competitive Challenge?

Hyper-competition and new market entrants cause any brand to reevaluate their position and future strategy. At the end of the day, success will come from meeting a customer need better than other competitors. As those needs shift and new solutions are introduced, there are certain components of a product ecosystem that will not go away, but will only adjust with the market.

- **Customer Insights**
- **Business Strategy**
- **Content**
- **Product Integration**
- **Sustainability**
- **Growth**
- **Differentiation**

As you launch new products and move to create sustainable advantage, don't leave out any of the following components from your go-to-market strategy:

Customer Insights | The heart of any product's success is customer need. Through observation and analysis you can gain deeper understanding of customer challenges that help to establish a direction for existing products or, more than likely, create truly innovative new product ideas. Insights about a consumer and their challenges should be a driving force throughout the product development process, lifecycle management and marketing. It's easy to know and understand a target audience when the product was built up around that segment's needs from the start.

Business Strategy | Worthwhile products fit into a longer-term strategy for integration with other product lines, creating overall brand differentiation or otherwise enhancing the brand on a larger scale. The insights that inspire a product direction should be grounded in an understanding of where your brand is evolving, whether the market for your solution will exist for very long or is large enough and how you can fulfill business objectives.

Content | Consumer electronics are gateways to content. Content strategy incorporates the type of content made available (user-generated, premium and developer), content discoverability, payment methods and access across devices. Seamless interactions and relevant content are especially important at launch, when users

are most skeptical about product value. Think through these elements early to leave time for developing partnerships with premium providers and building systems that inspire developers or consumers to create content.

Product Integration | Look at your existing and future product portfolio and find ways to support your brand promise through better functional integration, the ability to share content or management/integration software. Identifying the potential for integration ahead of development and launch will enhance your value proposition, influence product planning and improve the customer experience.

Sustainability | As technological hardware, software and services rapidly evolve, a once innovative product can become obsolete. Sustainable advantage can be planned into a product or marketing program at an early stage by thinking ahead for the customer. Think about what challenges customers will have after the next stage of a market evolution. For example, now that we all have multiple gateways to content and nearly unlimited content variety, discoverability and saturation might become a challenge.

Ask yourself, is the product we are developing something that society is asking for or something that we are telling them they need? If it meets the current need, do we know how to evolve the product as needs change?

Growth | Anyone who is not a current customer can be a future customer. Market-leading companies continually identify opportunity before the opportunity necessarily exists, ensuring growth potential. To do this, start with an understanding of how your product will inspire further innovation. Knowing what you know about your own product strategy, think about how consumers needs and behaviors will change, and how other forward-thinking businesses will respond to that change. Throughout these changes, your target audience will evolve or expand. Knowing where that change will come from early on gives you time to create an audience and build a product ecosystem that is ready to meet that future need.

Differentiation | True differentiation occurs across product and marketing touchpoints. Make sure your product strategy continually exceeds expectations. Don't make a decision without uncovering whether the customer needs it and whether it will create differentiation. Gesture-based technologies, pricing models, energy efficiency, data safety, security and ease of use are all factors that, when marketed effectively, can set one's company up for success with a clear, differentiated value proposition.

As market factors like competition change, brands that consistently understand the shifting dynamics and can design solutions accordingly will have a sustained strategic advantage. To help identify ways in which your industry, brand or customers are changing, try using the following exercises:

Exercise 1: Tomorrow's Competition

Outside industries entering a new market often create a strong shift in industry direction. What other industries or types of businesses do you see converging with your core product offerings in the next 18 months? What is driving the convergence?

Exercise 2: If / Then Mapping

What will leading products look like in the future? Map it out. Start thinking about it. Here are instructions:

01. On a piece of paper, write down the brands you see as your core competition.
02. List the top 3-5 things that each competitor is doing that are innovative. (This could be based on new products they've recently announced, technology they are developing or a recent marketing campaign.)
03. Now it gets tricky. Looking at the direction each competitor is going, use a tree diagram to start mapping out how consumer behavior may change. Will consumers demand more from a product category? Will they start interacting in new ways based on new product capabilities?
04. Make a clear but simple list of all the possible changes you identified in consumer behavior. Use the list to think about how your brand and others will have to adapt your own products to meet and exceed the new expectations of consumers.

This exercise is called "If/Then Mapping" because we are speculating that "If" consumers change their behaviors "Then" leading companies will respond with certain products or services. It's a good way to strategize competitor moves before they happen.

Exercise 3: May I Make an Observation?

Customer expectations for your brand are influenced by everything they experience day-to-day. Pick your favorite bar, supermarket, retail store or restaurant and do the following:

01. Choose a subject (employee or patron) and watch them for a moment. What is their need at that moment? Are they a shopper looking for the cheapest product? Or is it someone just trying to relax on a date? Is it a clerk trying to do several things at once?
02. Now let's get creative. How could that person's needs be met in a way that exceeds their expectations or makes their job easier? Is there something the store staff could do? Could improved signage or an online tool make their experience better?
03. Sketch out a scene of your idea(s) above, drawing in your solution.
04. Now get back to business and answer the question, "Are your ideas viable?". Will the experience be enhanced in a way that will lead to more customers or more satisfied customers who shop more frequently? Create a list that shows how the idea will help meet business objectives and a list of how it might also be a barrier to objectives like revenue or inventory management.

"Brands that consistently understand the shifting dynamics and can design solutions accordingly will have a sustained strategic advantage."