Market Disruptions are Killing Your Company

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Are you next?

Article Summary

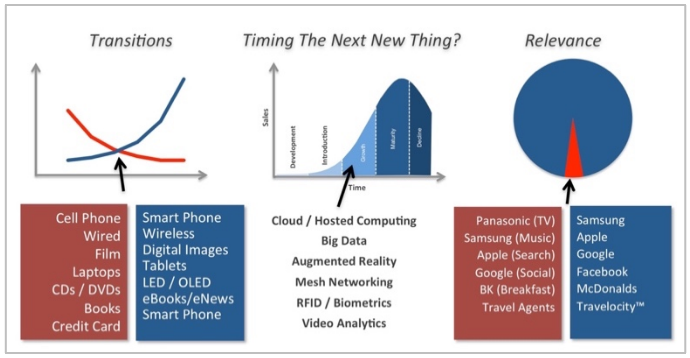
Integrating disruptive innovation thinking into your business models is critical to your survival. Global giants who once used to be considered the best in their respective industries – companies such as AT&T, Eastman Kodak, Motorola, and Panasonic to name a few, lost their balance when new innovative technologies disrupted their business models and technology competencies. Some were able to implement successful turnaround initiatives and face these market disruptions head on – against the odds. … and some … *did not*.

This article discusses how disruptive marketplace changes completely destabilize global market leaders, allowing scrappy startups to outmaneuver them, and steps you can take to avoid missing the next turn in your road.

Markets Are In Constant Transition

Here's why disruptive innovation is so important: fueled by perpetual rapid innovations in the underlying technologies, markets are in constant transition. Only those companies who adapt - or those willing to try - will survive. This is true for companies, biological ecosystems, governments, and true for individuals as well.

How many companies have you worked for failed to make the turn at an important technology or fundamental business model transition? I've had a ringside seat or have been in the ring with many of the global giants who once used to be considered the best in their respective industries. Companies like AT&T, Eastman Kodak, Philips, Motorola, and Panasonic. It is obvious in hindsight that we were not adapting fast enough to changes threatening the once disruptive products and services that they used to dislodge the previous leaders in those respective industries.



If you're not adapting - you're on your way out!

When you get to be a large successful enterprise you run the risk of getting caught up in a dependency trap - this is the mis-informed notion that successful products and services are considered too strong or valuable in the market to fail and therefore there is no need to potentially negatively impact the Revenue | Profit | Share | Genius Who Invented It (pick one or more).

Even those who attempt to “eat their own” through internal new development initiatives get caught in that trap. The Digital Imaging Group at Eastman Kodak appeared to be more threatening to Kodak’s established lines of business than its external competitors. Internal battles for funding and engineering support, as well as unreasonable / unrealistic business expectations undermined our development and go-to-market efforts to the point that we had no chance of becoming a viable disruption to the analog film industry – and we all know how that ended for Kodak.

Eastman Kodak ultimately failed because it didn’t understand what business it was in (preserving moments in time) and it would not / could not bring itself to disrupt the business model that once made it so successful (analog photographic film). It failed to make the transitions to digital imaging and then again to mobile phone integrated imaging – many smart senior leaders in the company just could not believe that film would ever go away – how wrong they were.

Similarly, Sony failed to understand that the best technology does not always win when they tried to introduce the BetaMax video recording format. Panasonic beat them with an easier to implement VHS video solution, but then even Panasonic failed to see the shift to digital streaming formats. In truth, neither of these former giants in Consumer Electronics had viable patents or IP for these enabling technologies, and so doubled down on analog recording formats that they did not have to pay royalties for.

Timing Your Own Disruption Is Everything

Disrupting your own current business practices with new innovations will ensure your continued success however you measure it (i.e. profitable sales, dominant market share, shareholder value, etc.), but timing, as in many things, is everything.

Timing new innovative introductions becomes complicated in the supersonic speed-to-market associated with mobile-social-enabled software applications, and ubiquitous cloud-based services. More importantly, product and service lifecycles have become hyper-compressed - minimizing the profit gathering / investment recovery stages of the lifecycle. "*Fast Follower*" strategies are virtually impossible to pull off under these conditions.

> *You don't have to be first to market with a disruptive technology, but you'd better not be last!*

Panasonic faced this dilemma when we attempted to launch a first to market disruptive cloud service model. Introducing small business cloud hosting business services for point-of-sale terminals, security cameras, and business communications threatened to disrupt some of the physical products Panasonic had previously developed for those applications. Panasonic wanted to be a "Fast Follower" - to wait and see how this emerging technology would unfold as opposed to leading the way. They were unable to catch up, missed owning critical IP for these new foundation platforms, and are now a relic in many of the markets they once dominated.

On the flip side, if you are too early the results can be just as devastating - as we learned from Apple when they tried to launch their first hand-held assistant (Newton) and at Philips when they tried to launch a Media-enabled PC two years before the Apple iPod. The technology foundations were not mature enough in both cases to ensure a superior customer experience and the market chose to wait.

Are You Next?

Are you confident that your company can survive with what you have now and in the pipeline for the next 3-5 years? Do you know what enabling technology will be the next disruption? Are you trying to create your own disruption? If the answers aren't "yes," or you don't believe this is going to happen to you, you might want to think about that again.

Developing the right product, for the right customer, and getting it into the market at the right time is a complicated, demanding discipline that many enterprises (large and small) don't have in place, or consistently follow. More importantly, most traditional product road-mapping exercises fail to consider enabling technologies beyond what you have in your IP vault.

Downing Goliath has – through years of deep-in-the-trenches practical product management experience – developed streamlined product and service assessment tools, as well as management processes that can help you properly address market transitions before they drive your business into extinction.

Contact us today and learn how we can help.

About Downing Goliath

Downing Goliath is a *marketing and sales process* consulting practice formed to help enterprises *[large and small]* think beyond traditional ways of engaging with your customers.

We consider every customer touch point and help you understand how effectively your company intersects with your customers' purchase decision-making journey ...

… *and how to make those encounters mutually beneficial.*