

University Entrepreneurship.
25 Jan. 2010

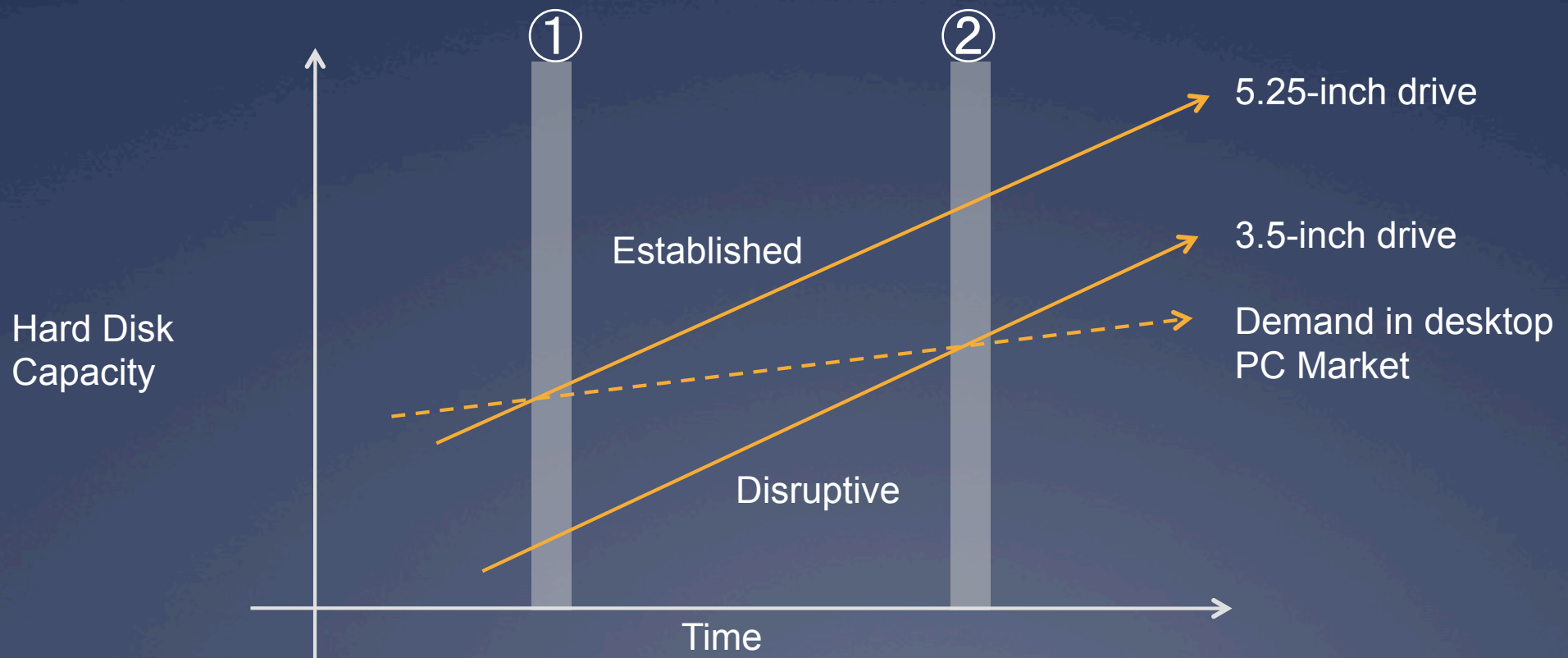
**Christensen's "the Inovator's Dilemma",
especially on chapter 9.**

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Performance oversupply and changing bases of competition.

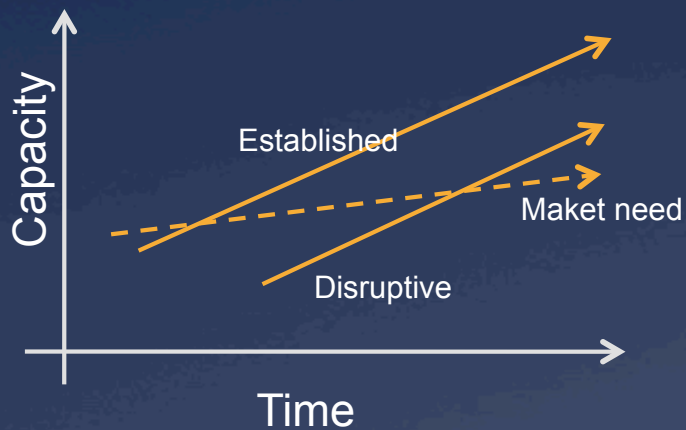
- What is “Innovator’s Dilemma”? Big companies, which have established technology, sometimes fail even though they keep good management.
- ① When the values produced by established technology of a big company is the same level as a market demand on a base of competition, there is no problem for them. The company usually endeavor to push up their established technology.
- ② However, once disruptive technology become to fill the market demand, the situation of competition will change rapidly. The market changes to choose other products based on disruptive technology, which are usually cheaper and simpler, then the base of competition also changes.



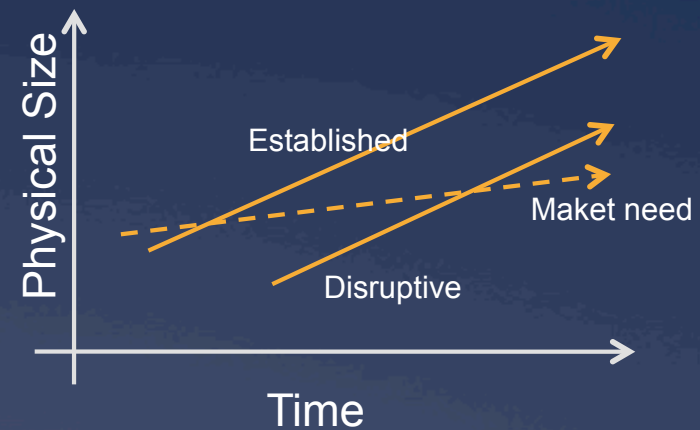
Changes in the bases of competition in the disk drive industry.

- In the disk drive industry, the bases of competition have been changing thorough Phase 1-4.

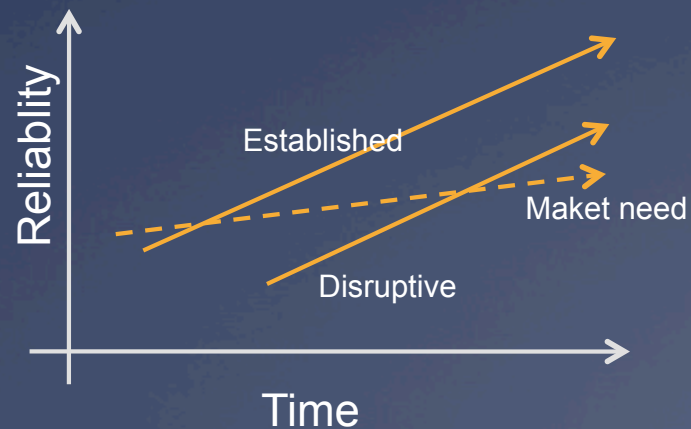
Phase 1: Competiton on Capacity



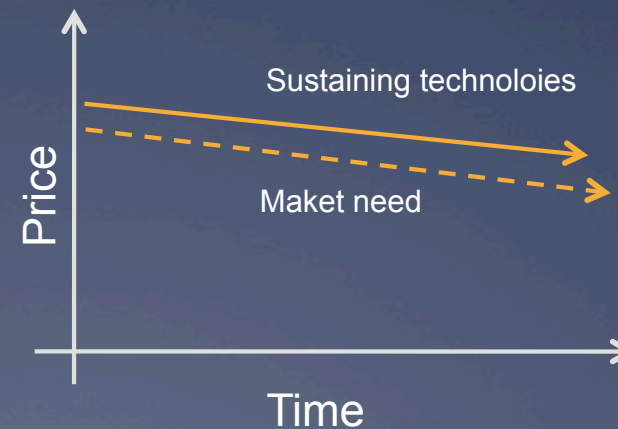
Phase 2: Competiton on Physical Size



Phase 3: Competiton on Reiability



Phase 4: Competiton on Price



Performance oversupply and the evolution of product competition

■ Windermere Associates of San Francisco.

- The buying hierarchy describes as typical the following four phases: **functionality**, **reliability**, **convenience**, and **price**.
- The factor driving the transition from one phase of the buying hierarchy to the next is performance oversupply.



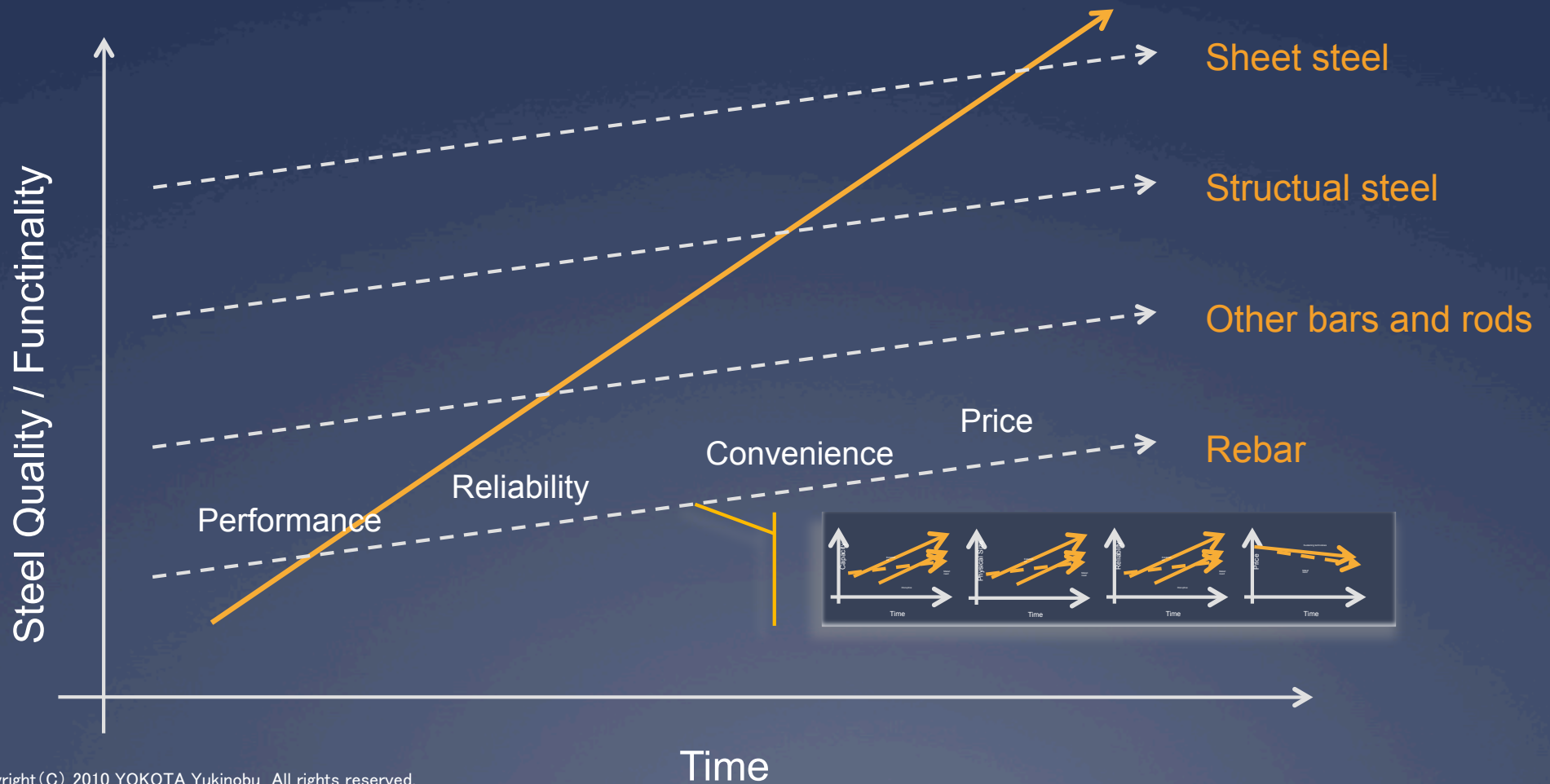
■ Geoffrey Moore, in “Crossing the Chasm”.

- Products are initially used by *innovators* and *early adopters* in an industry, customers who base their choice solely on the product's **functionality**.
- Markets expand dramatically after the demand for functionality in the mainstream market has been met, and vendors begin to address the need for **reliability** among *early majority* customers.
- Then, the basis of innovation and competition shifts to **convenience**, thus pulling in the *late majority* customers.

Preference

- Case: The progress of disruptive Minimill Steel Technology.
- This figure is useful to understand the concept of the next slide.

Quality of minimil-produced steel



Controlling the evolution of product competition.

■ Strategy options

- 1: Push upmarket toward higher-end customers.
- 2: Stay with customers, overcoming changes in the basis of competition.
- 3: Change the market's demand for functionality.



Controlling the evolution of product competition.

■ Strategy options

- 1: Push upmarket toward higher-end customers.
- 2: Stay with customers.
- 3: Change the market's demand for functionality.

■ There is no one best strategy. Any of three, consciously pursued, can be successful.

Strategy	Company	Overview
1	HP	<ul style="list-style-type: none">•HP pursuit of the first strategy in its laser jet printer business has been enormously profitable.•HP is also attacking its own position with disruptive ink-jet technology.
2	Compaq	<ul style="list-style-type: none">•Compaq aggressively fighting any upmarket drift by producing a line of computers with low prices and modest functionality targeted to the needs of the lower tiers of the market.
3	Microsoft, Intel, Seagate	<ul style="list-style-type: none">•Microsoft has used its industry dominance to create and successfully market software packages that consume massive amounts of disk memory and require ever-faster microprocessors to execute.

Contact

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