From Last Classes

Design Thinking: Customer' s needs drives everything

Business Model Canvas (BMC): how a company Creates value, Delivers value, and Captures value

Today

How will your BMC differ from your competitors' BMC?

What happens if your competitor copies your BMC?

How to make a BMC

that your competitors won't want to copy


เบียร์นี้ทำขึ้นในพระนคร ไม่มียาเคมิกัล
เจือปนเช่นกับเบียร์ที่ส่งข้ามทะเล
เบียร์ไทย
กำลังนิยมทั่วไป
FRESH
FROM
BREWERY
BANG KRABUE.
TELEPHONE No 736
暹羅啤酒
釀成
專用純正米料
並無化學混合

MK

Chang Broke the Rules

Chang broke the rules on WHO drank beer

Chang broke the rules on WHAT is beer

Chang broke the rules on HOW beer is sold

An Orthodoxy is what is commonly accepted, customary, or traditional

Orthodoxies are self-imposed rules, habits, or assumptions on how a company or industry competes

What Orthodoxies Can Be Broken?

WHAT is the product	WHO is the customer	HOW to compete
Attributes	Segments	Suppliers
Customer benefits	Interaction with customer	Distribution/ Retailers
Price		Production
		Mechanism for making money
		Competencies for success

SOUTHWEST AIRLINES

WHO is the customer?

- **American: Airline travelers (business travelers)**
- **Southwest: Air, car, and bus travelers**

WHAT do benefits do customers expect?

- **American: Assigned seats, food, and frequent flyer miles**
- **Southwest: No assigned seats, bring your own food, "green stamps"**

HOW are prices set?

- **American: Complex, multi-level pricing; matching or beating other airlines**
- **Southwest: Everyday low prices; competing with car travel**

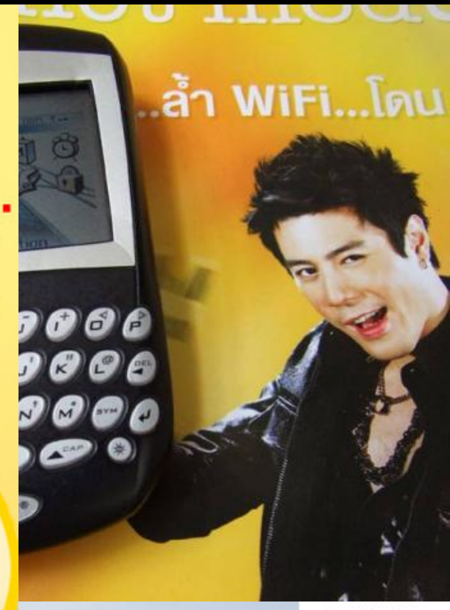
HOW to run the planes?

- **American: Hub and spoke, different size airplanes**
- **Southwest: Point-to-point with only 737s**

What "rules" did iPhone/iTunes break?

How did it break them?

What are some “rules” of the Thai telecom industry?



“I've played a Nintendo Wii.

I don't see it as a competitor.

It's more of an expensive niche game device.”

- Sony CEO Howard Stringer, 2008

Orthodoxies are deeply-held, sometimes unconsciously held, and often unquestioned

- **Barely thought of, never questioned, usually thought to be impossible to break (despite no attempts to break them)**

Orthodoxies are usually historical formulas for success

Orthodoxies are not inherently right or wrong – but the task of the innovator is to question them and challenge them to see what opportunities for growth result

Industry orthodoxies

Common industry rules

"The way to do business in this industry"

If most of the industry is looking in one direction, what opportunities lie in the other direction?

Company orthodoxies

Beliefs the company has about itself

"How we do things around here"

If you overturned those orthodoxies, what new opportunities present themselves?

What Makes a Good Orthodoxy

Orthodoxies are not laws of nature

- No magic! No Doraemon-toys! “Flipping” orthodoxies shouldn’t be impossible, or require unreasonable advances in science or technology

Orthodoxies are useful in coming up with new ideas

- Generate varied new thinking about customers, benefits, how to do business, etc.
- Not just a wish-list for new features

“The cinema is little more than a fad.

It’s canned drama.

What audiences really want to see is flesh and blood on the stage”

MK422

1. If the CEO of:		Chanel
2. Were hired to become the CEO of:		KFC
3. How would things change? Think about customers, products/ services, the way they do business, etc.		
4. What implicit orthodoxies does the current management of 2. have that keeps things the way they are… and prevents them from doing 3?		
5. <u>Overturn</u> these orthodoxies. What other changes could occur if we overturned these orthodoxies (without necessarily changing management to company 1)?		

Bangkok Bank

Lays

Organic vegetable grower

Vitamin pills

Harnn/Thunn spa products

Mistine

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2. Were hired to become the CEO of:

3. How would things change?

Think about customers, products/services, the way they do business, etc.

4. What implicit orthodoxies does the current management of 2. have that keeps things the way they are… and prevents them from doing 3?

5. Overturn these orthodoxies.

What other changes could occur if we overturned these orthodoxies (without necessarily changing management to company 1)?

Summary of Orthodoxies

Understand what your competitors think

- Who their “best” target customers are
- What products sell
- How to make money

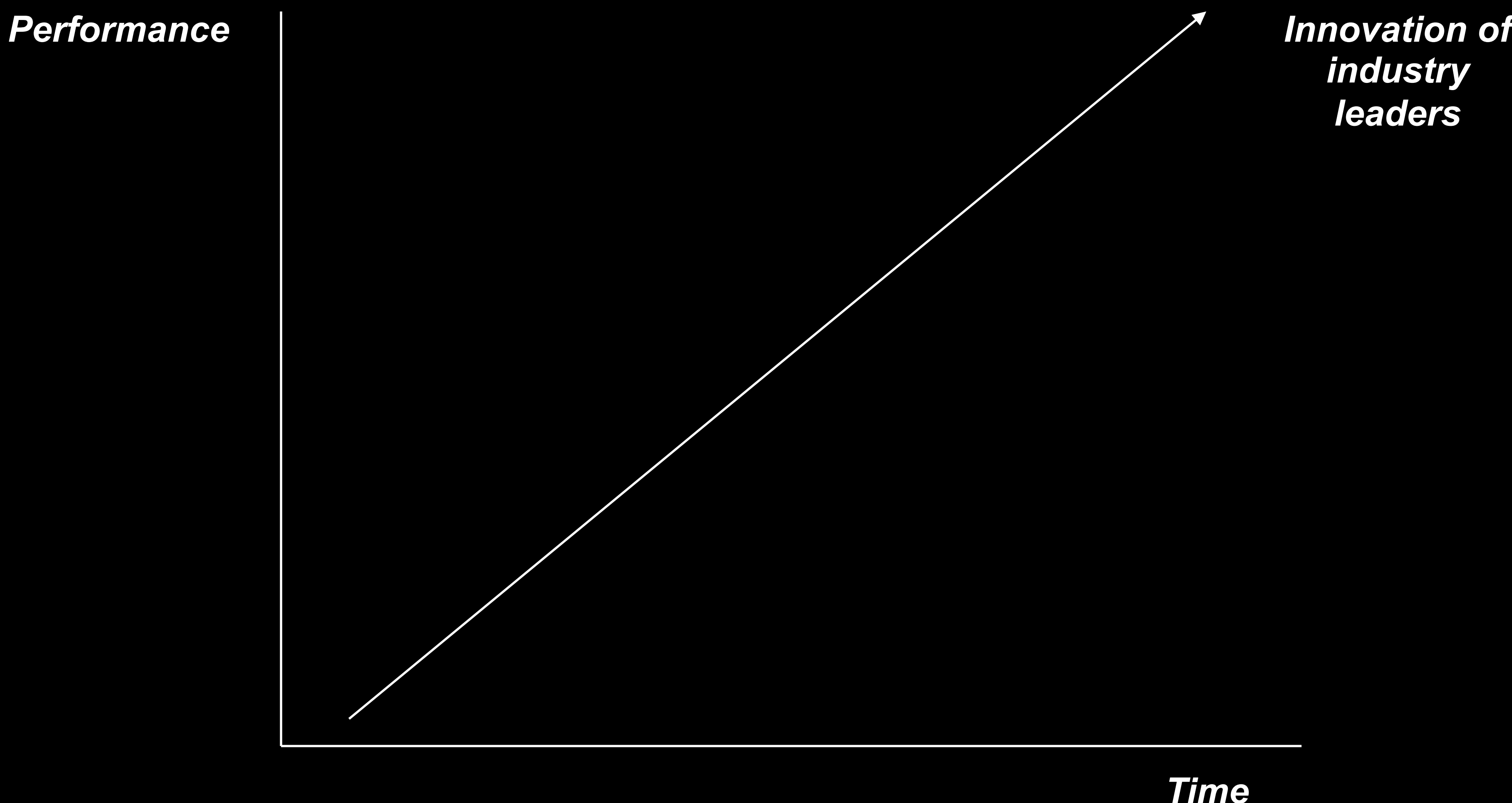
Understand why

Do the opposite

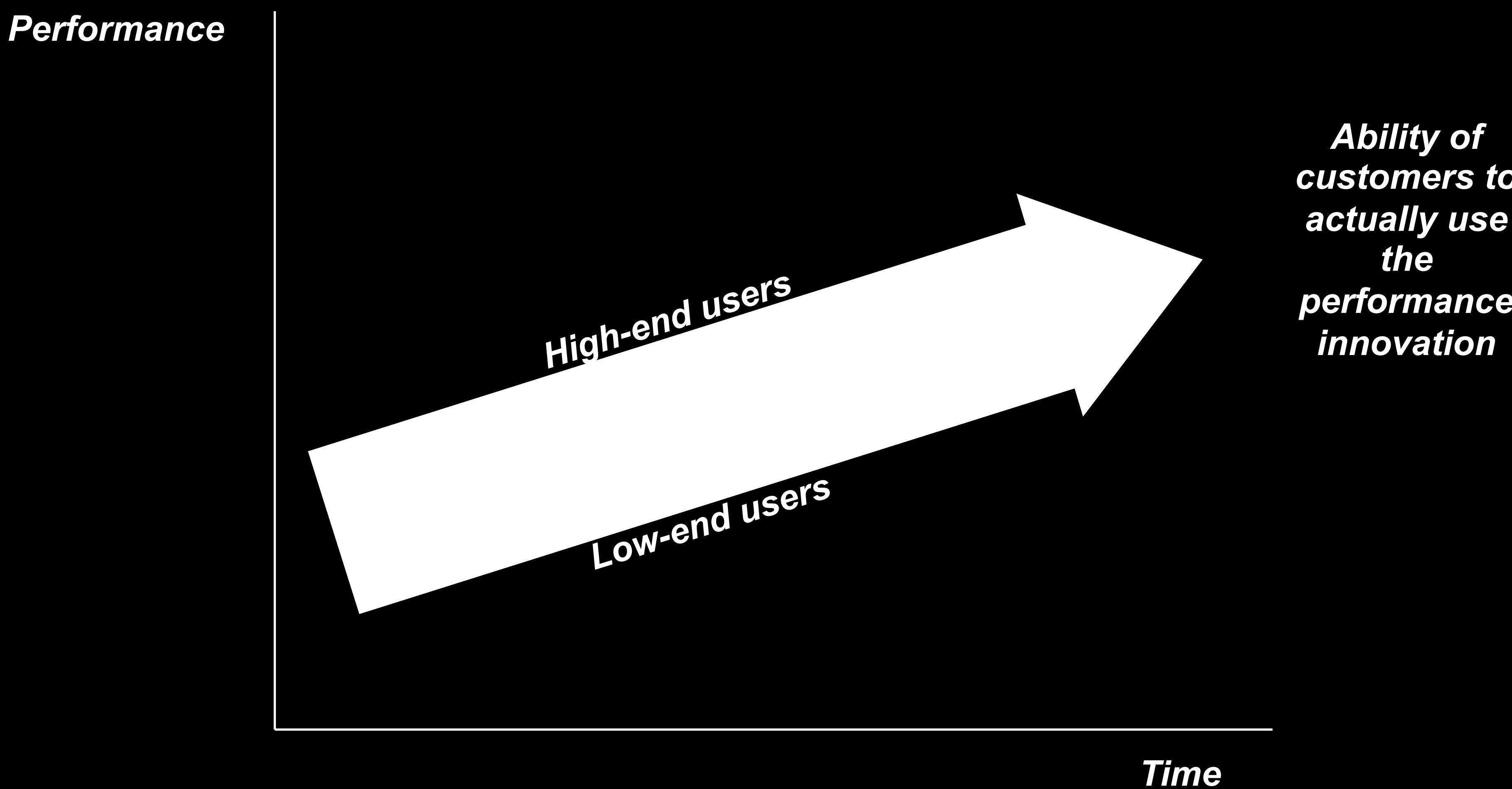
What your competitors ignore (but you don’t have to)

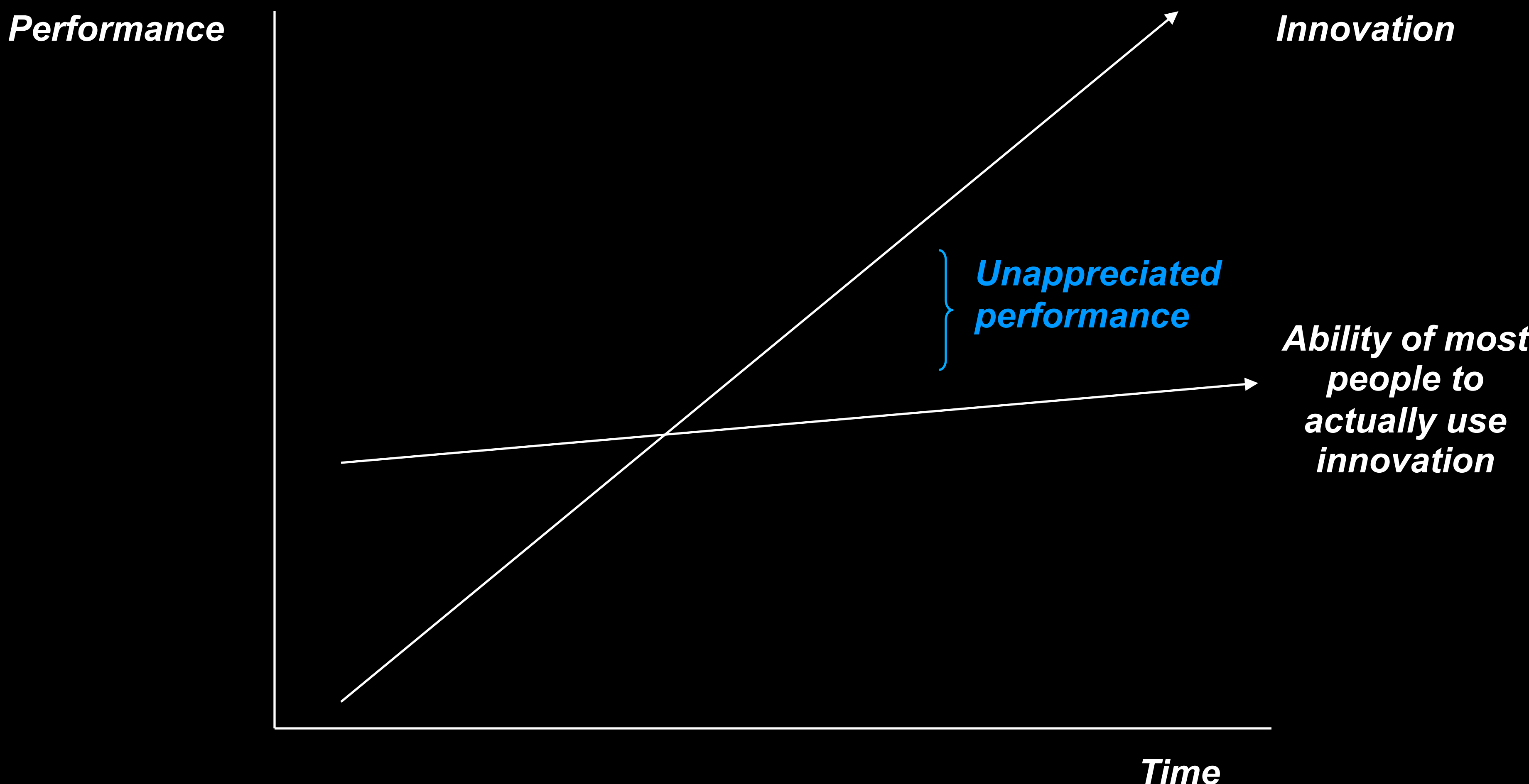

ALIENWARE

Product innovation can occur at a very fast pace



Actual ability to use that performance increases at a slower rate




Performance
Innovation
Unappreciated performance
Ability of most people to actually use innovation
Time

Why does the industry leader bother increasing performance so fast, even though most customers don’t appreciate it?

Some high-end customers pay for it… and they usually pay well, and make their voices heard. They’re mostly happy customers.

As long as alternatives don’t exist, most customers are accustomed to buying advances in performance greater than what they actually need

It’s an orthodoxy: produce for the high-end, and high-end will pay lots for it… and eventually the low-end will also buy it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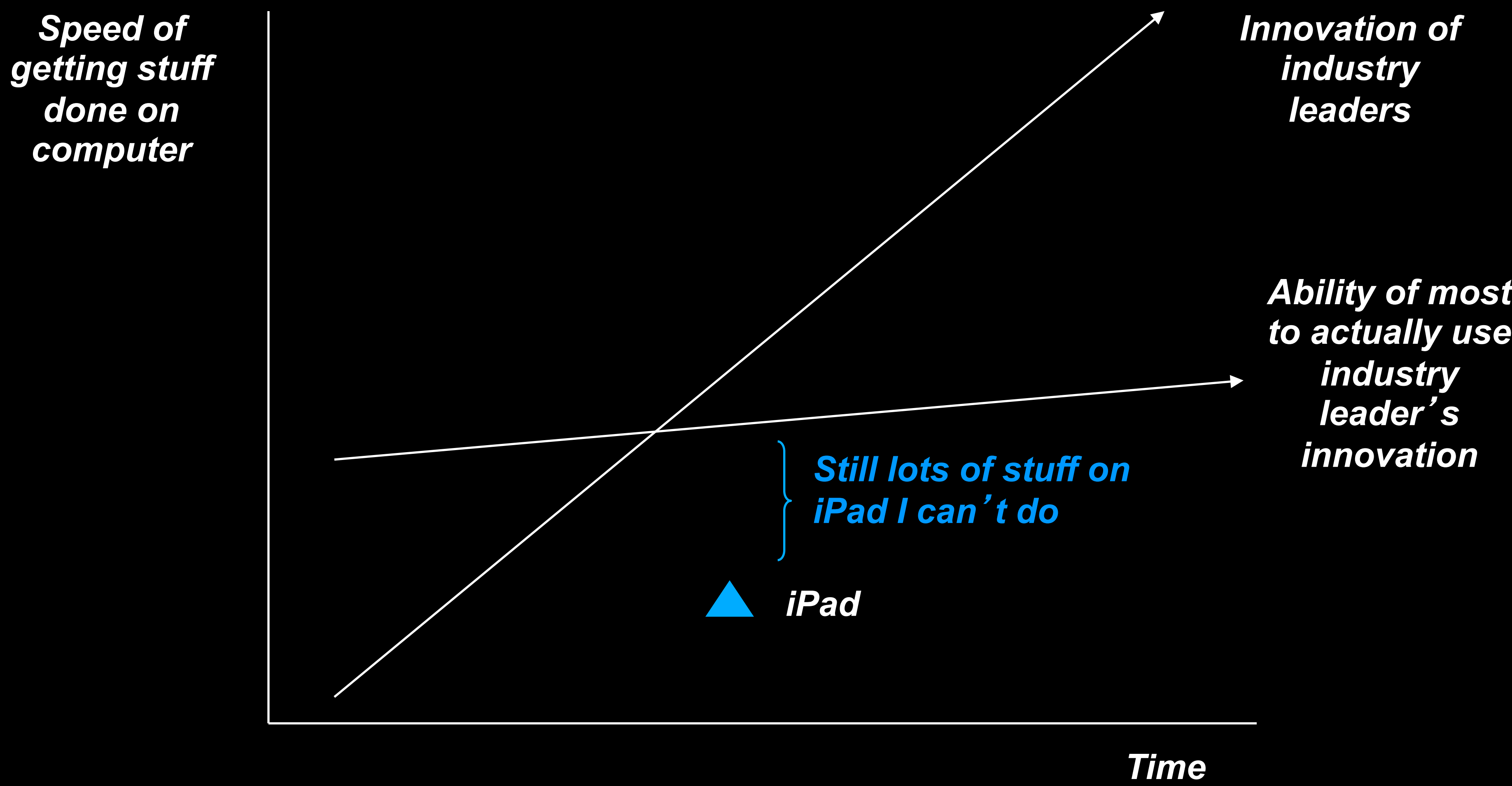

Speed of getting stuff done on computer
Innovation of industry leaders
Ability of most to actually use industry leader's innovation
Still lots of stuff on iPad I can't do
iPad
Time

Did laptop makers care?

It doesn't have to…

Sales of high-end PCs are still high. Customers of these PCs care more about performance than battery life and portability. These PCs are *very* profitable.

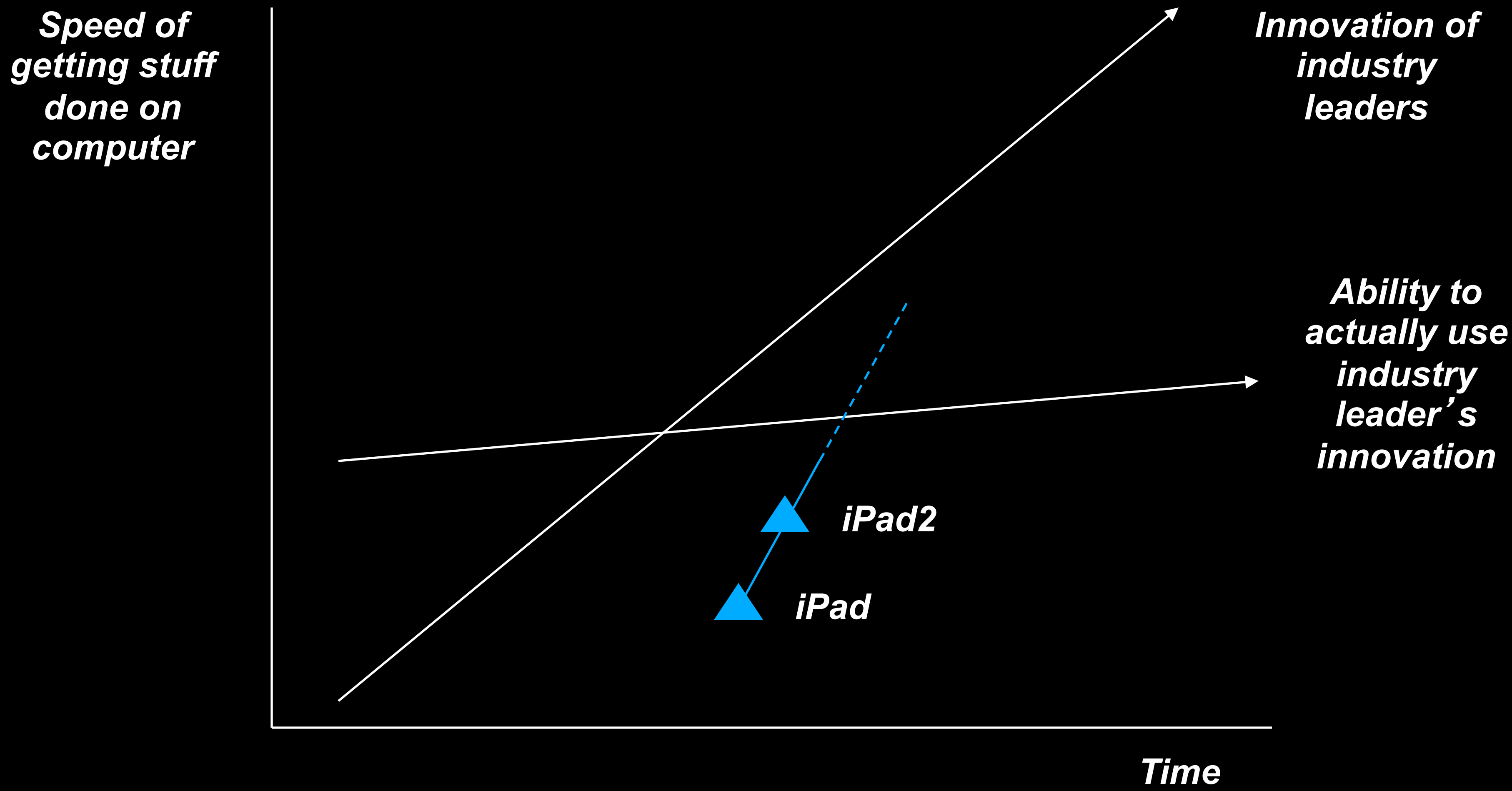
Tablets are still nowhere near as powerful as high-end PCs.

Sales of low-end PCs might fall. But these had low profitability.

So the end result is an *improvement* in laptop makers' profitability!

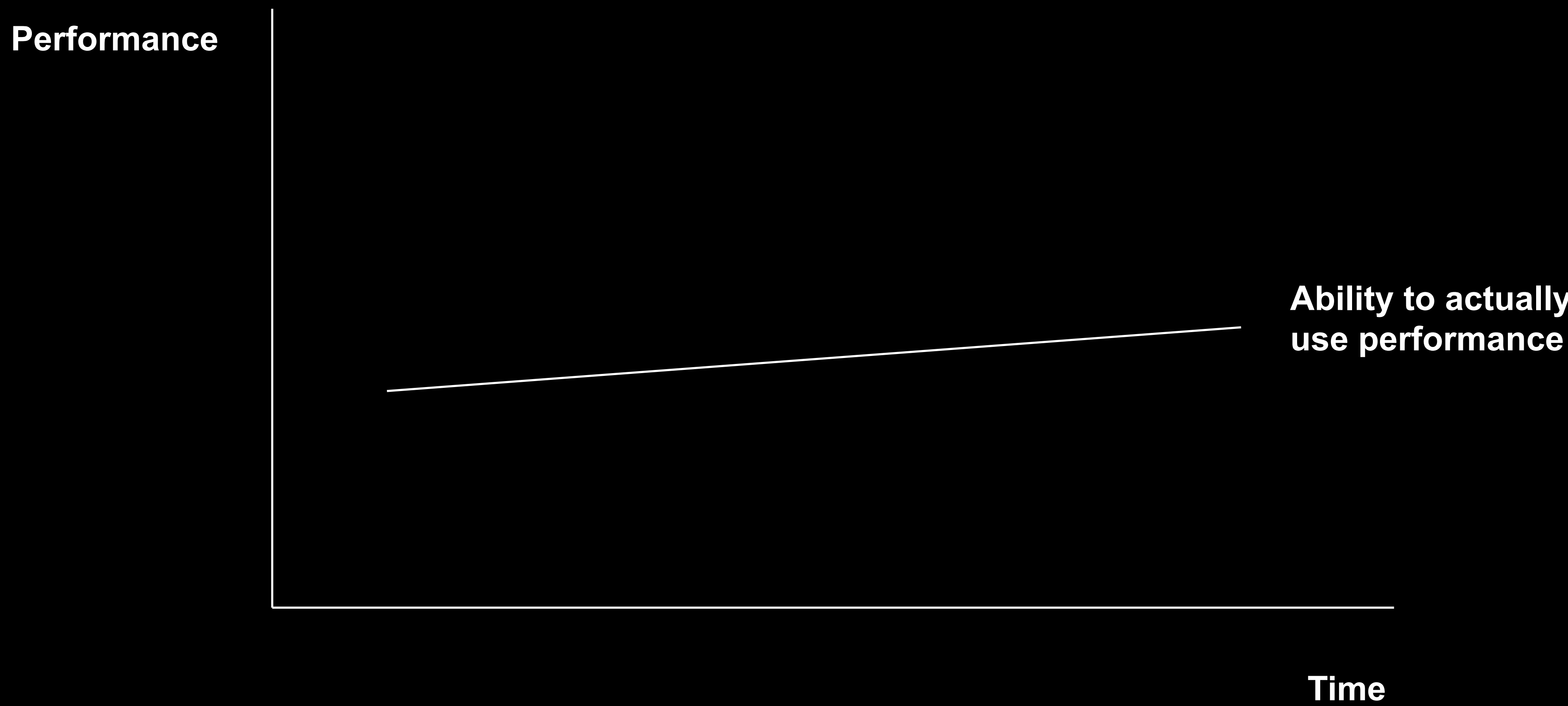
Laptop makers have a financial incentive to WELCOME the growth of tablet innovations… this is called the "innovator's dilemma."

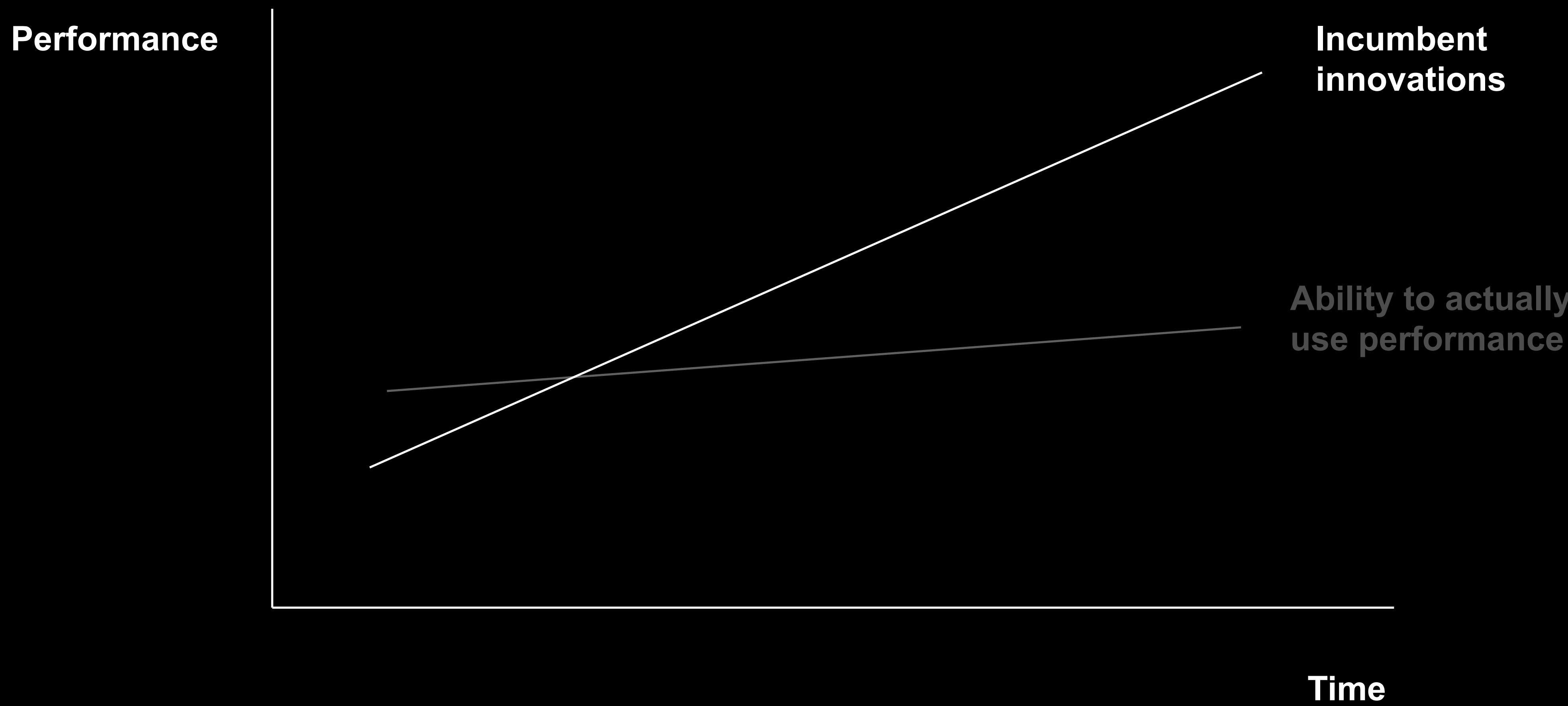
But disruptive innovations often improve quickly

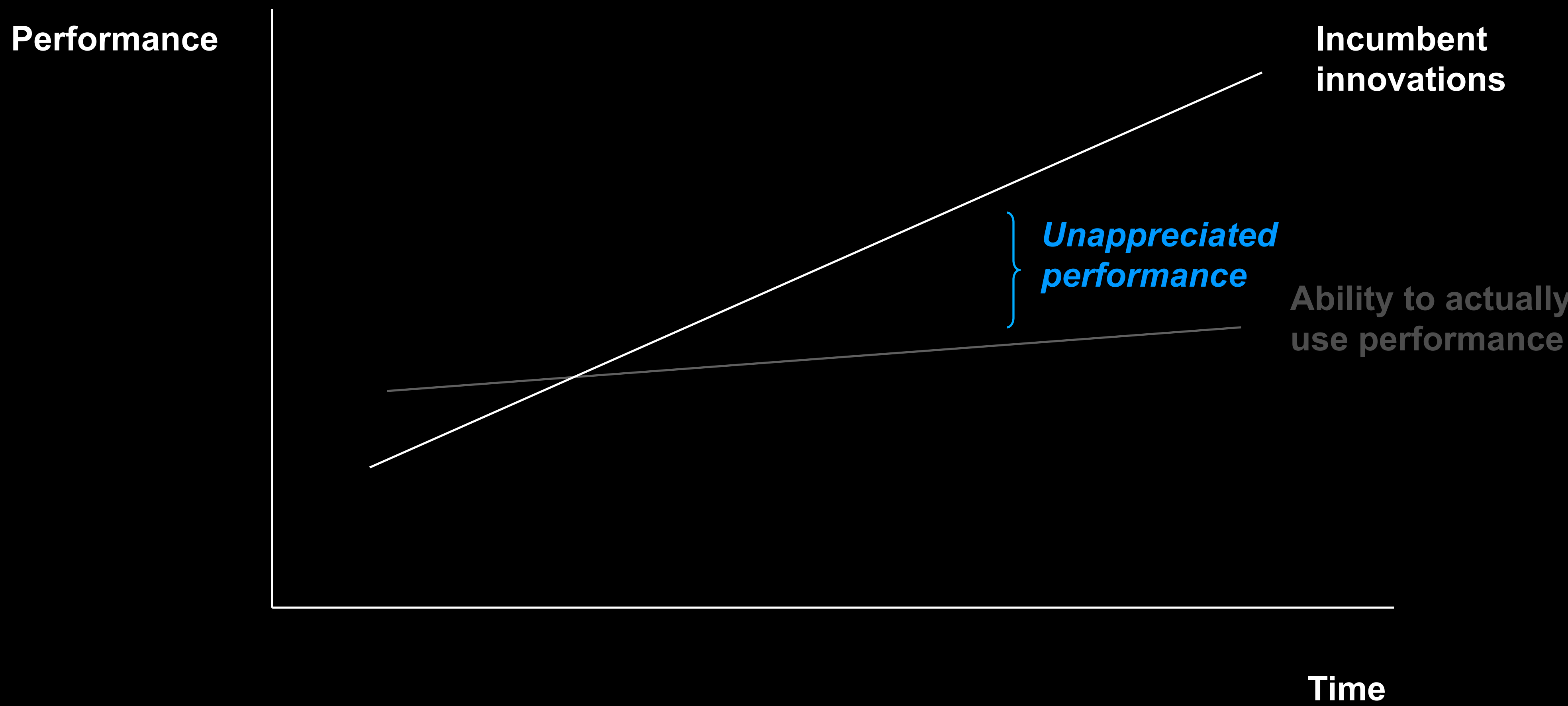


Another example…


36
Velvia
100
135
Velvia
100
DAYLIGHT
FUJICHROME
COLOR REVERSAL
PROCESS CR-56/E
Professional
FUJIFILM

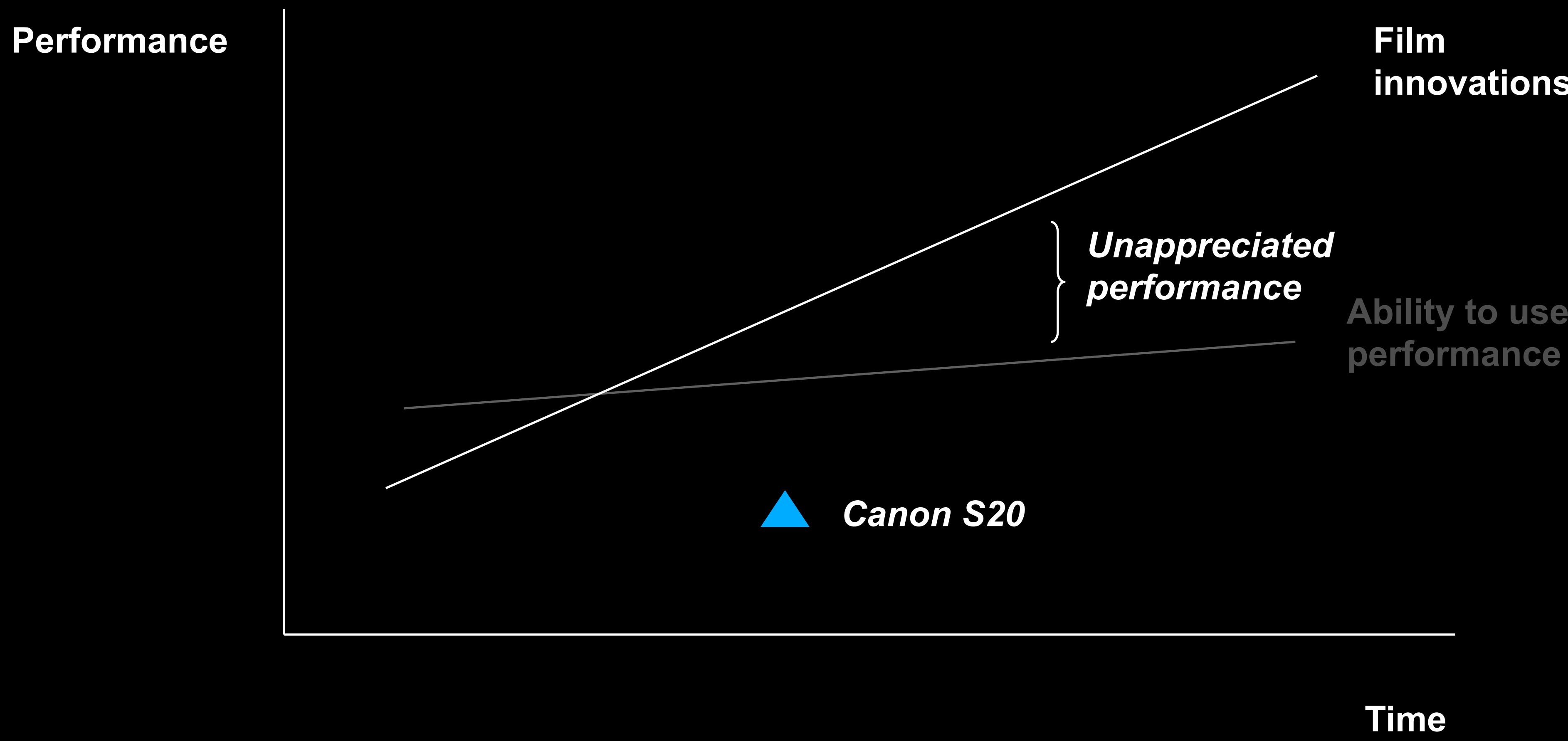

Performance
Ability to actually
use performance
Time

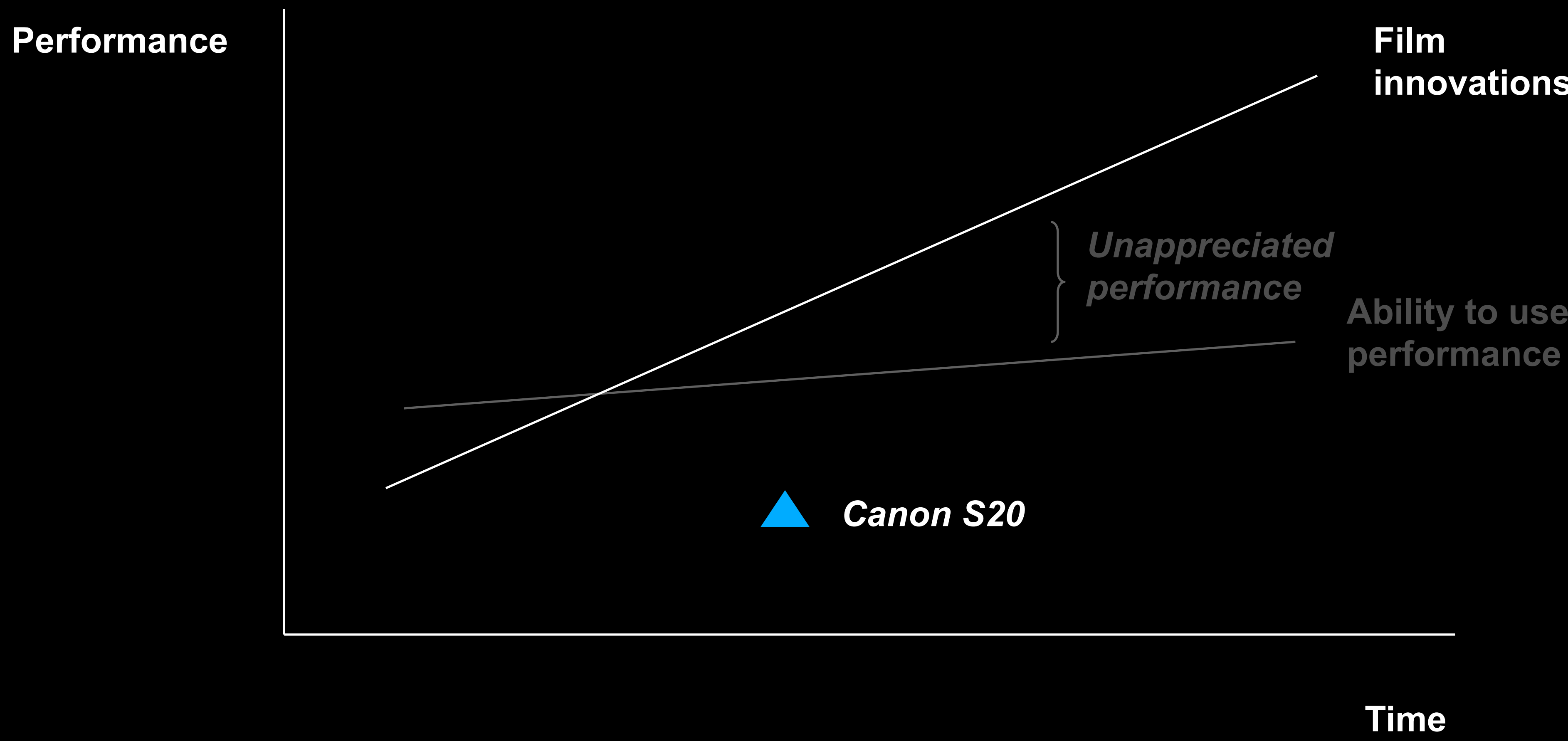

Performance
Incumbent innovations
Ability to actually use performance
Time

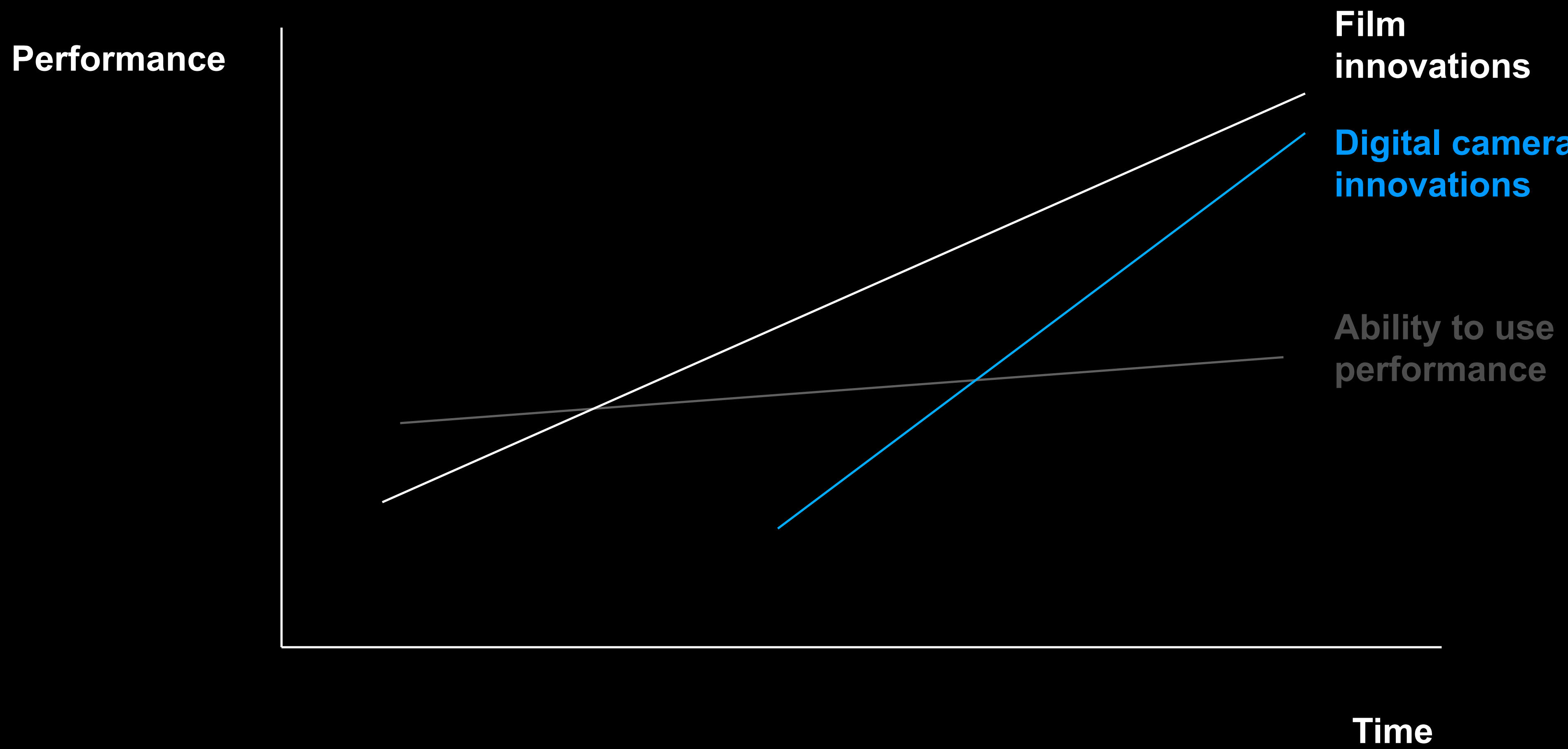

Performance
Incumbent innovations
Unappreciated performance
Ability to actually use performance
Time

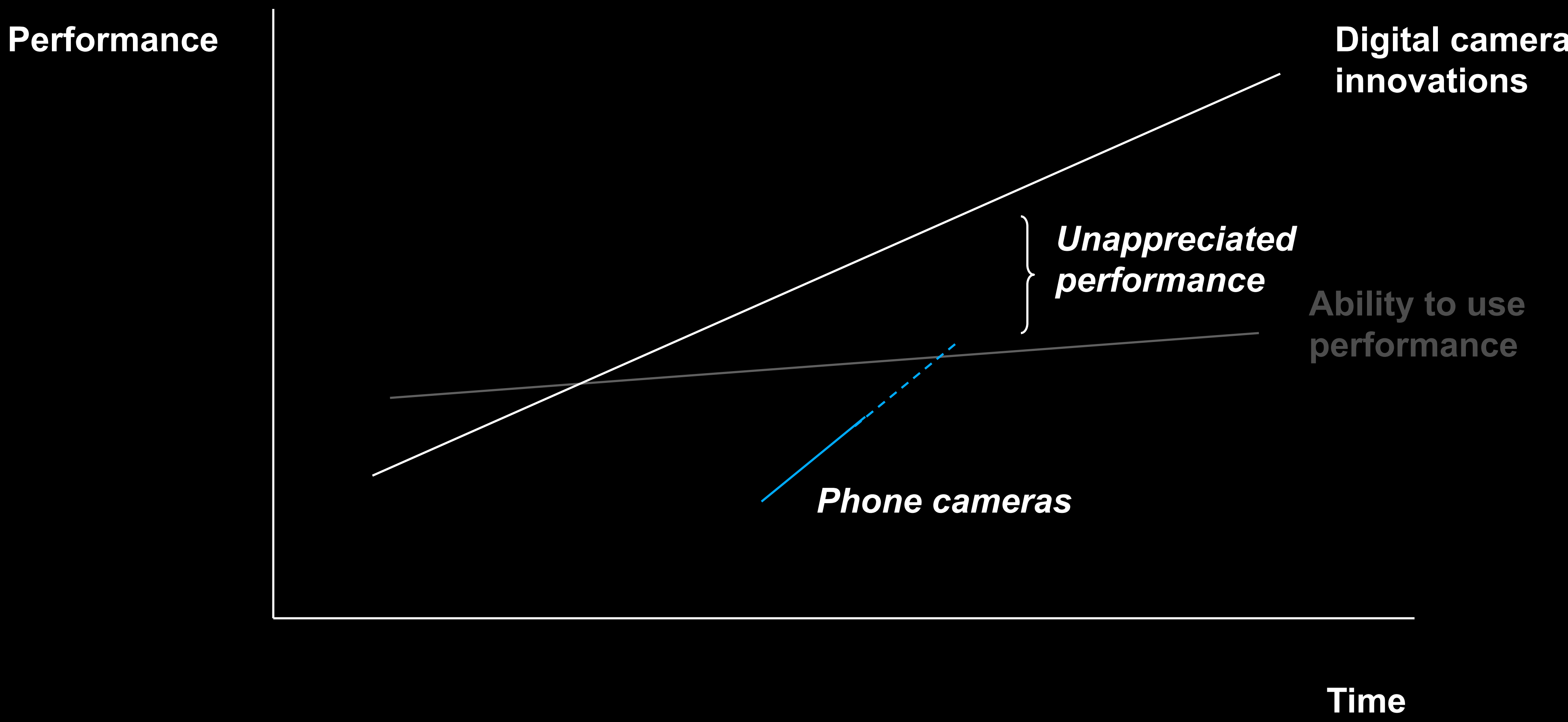

Canon
PowerShot
S20
3.3 MEGA PIXELS
DIGITAL CAMERA

PowerShot S20
DIGITAL CAMERA
JUMP
/ WB
MENU
SET
DISPLAY
CF OPEN


Performance
Film innovations
Unappreciated performance
Ability to use performance
Canon S20
Time


Performance
Film
innovations
Unappreciated
performance
Ability to use
performance
Canon S20
Time


Performance
Film innovations
Digital camera innovations
Ability to use performance
Time


Performance
Digital camera innovations
Unappreciated performance
Ability to use performance
Phone cameras
Time

Summary of Disruptive Innovation

- In most industries, most firms have an orthodoxy of improving product performance faster than can be appreciated by most customers. Firms do this because their best customers appreciate it.
  - These are "sustaining innovations"

- A firm with a compelling new product attribute can afford to have *worse* performance than its competitors, and gain low-end customers or new customers.
  - This firm is a "disruptive innovator." Sustainers will ignore it (at first), and focus on its high-end customers.
  - Often, disruptive innovators increase performance quickly, eventually overtaking the sustaining innovators