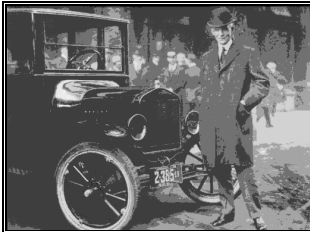


## Rise of the Killer Environment Development Platform

By Robin Burton, Marketing Director, Evolved Intelligence



Today the telecom industry has learnt a hard lesson: people do not buy technology; they buy services and benefits. This realisation has led to a focus on applications.

Sometimes it seems to me that the telecom market place is obsessed with a “Holy Grail” search for a killer application. By that, it is normally meant an application that just about everyone will want to use.

However once a market moves beyond the satisfaction of basic needs, this is no longer likely. Different groups are going to want very different services and very different packages.

### Any Colour You Like...

Henry Ford was a genius in manufacturing. His mass production techniques brought the possibility of personal transport to just about everybody. His policy of “Any colour you like as long as it is black” brought great economies of scale and as a consequence, much lower prices. The Model T Ford was not the first motor car but it was the first one to be available at a price that the man in the street might be able to afford.

However, today the automobile market is very diverse. There are many brands and many different types of vehicle designed to match the needs of a broad number of different market segments. Indeed today the focus is on “mass customisation” and being able to design a car to a single customer’s individual requirements.

This transformation has not been easy for the industry. It needed a completely different way of thinking. No longer can the industry just think about what would be easy and low cost to produce. It has to think about how to best meet the needs of the individual customer.

## **Leadership Brings Profitability**

Marketing research has long established one simple rule. If you are the market leader, you are likely to have lower costs and be more profitable than the other players. It also shows that in order to take leadership away from an incumbent you will need to out spend his investment in research, marketing etc by at least a factor of ten. This is one of the reasons that so many well known consumer brands such as Coca Cola, Heinz, Kellogs etc have been so long lived with life cycles of 50 years or more. It is simply too difficult for challengers to overhaul them.

This might sound very depressing for anyone that is not currently a market leader. However the key here is in how you define the market.

Taking cars as an example. Rolls Royce has never been a market leader of the automobile market as a whole. However it has operated successfully almost from the very start. This has been possible because Rolls Royce has targeted the very top end of what might be termed a “luxury car” market.

Land Rovers likewise have never challenged for the leadership of the “automobile market”. However they have done very well over the years in targeting the all terrain marketplace.

None of these are “killer products” that address the needs of the bulk of the automobile market.

At the time that, at an affordable price, only the Model T Ford was available, it could sell quite well. However as alternatives came up, segments of the market that felt their needs better served by these alternatives, broke away.

Today no one seriously thinks “killer automobiles” can capture a major part of the market.

## **People Are Harder To Learn Than Technology**

Every day there are many new products launched in the world. On average fewer than ten per cent can be said to be successful. The rest simply don't make it.

The represents a huge loss of investment. It is not surprising then that there has been a lot of research into what makes the difference between success and failure.

One key area has been the correlation of success with the degree of diversification from the company's existing business. This was broken down into product diversification and market diversification. Product diversification meant the degree to which new technology was deployed, new production techniques, needed and so on. Market diversification meant the degree to which the company was trying to capture different

types of customers including such differences as culture, fundamental needs, income and so on.

The basic finding was that the lower the overall diversification, the closer that the company was “sticking to its’ knitting”, then the higher the chance of success. Hardly surprising.

However the second finding was that it was much harder to diversify in terms of the type of customers being served than it was in terms of the product. They concluded that knowledge of the customer, what makes him tick, what makes him satisfied, was the most important component of success.

### **Customer Focus**

This all means, therefore, that it is best to choose a well defined segment of the market defined by the type of user and his needs.

The concentration should be on the provision of a service or series of services targeted on that segment. New services should only be launched if they address the chosen segment or at least a segment that is very closely allied to it.

This type of thinking has led some commentators to suggest that the traditional telecom players might not be the leaders for the future. Amazon.com may be better adapted to creating a good wireless shopping experience and Citibank at creating the best m-commerce infrastructure than companies like Ericsson and Nokia.

### **The Technology Investment Millstone**

This is all very well. However the reality for many operators is that they have made a huge investment in technology and need to recoup the costs. It is easy to believe, therefore, that they need to compete on a broad base.

Fair enough. However I think that to maximise the chances of success this broad base should be made up of a series of discreet and well identified segments. Each segment should have its own well defined range of products.

Of course you don’t have to do this for every segment. You do, however, have to accept that other players, with better targeted offerings and service for that particular segment may well achieve leadership and higher profitability that you will.

Better by far, I would argue, to be the leader in one or two areas, than an unprofitable “also ran” in every area.

## **Charging Implications**

Of course such a targeted approach has deep implications for charging. You will need a flexible system that can offer well tailored product packages and well tailored customer service packages. You will need a system that is adaptable and agile. A system that is capable of evolving quickly as the market matures. You may even need to operate multiple brand names to deliver a clear and focussed image to each chosen segment.

## **The Killer Application Is Dead, Long Live The Killer Applications Platform!**

So today I believe that operators should abandon the search for the “killer application”. Instead they should focus on developing a killer applications platform. By that I mean the ability to develop and deploy new “mini killer applications” to target specific market segments together with the ability to respond rapidly.

That means not just investing in agile hardware and software platforms, but also in agile product development.

