



Market-Based Innovation for Sustainable Competitive Advantage

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Innovation Defined

“Innovation is defined as the development and implementation of new ideas by people who over time engage in transactions with others within an institutional order. “

Van De Ven, Andrew H. (1986)

Invention -> Innovation -> Imitation



Setting the Stage

Initial Challenge

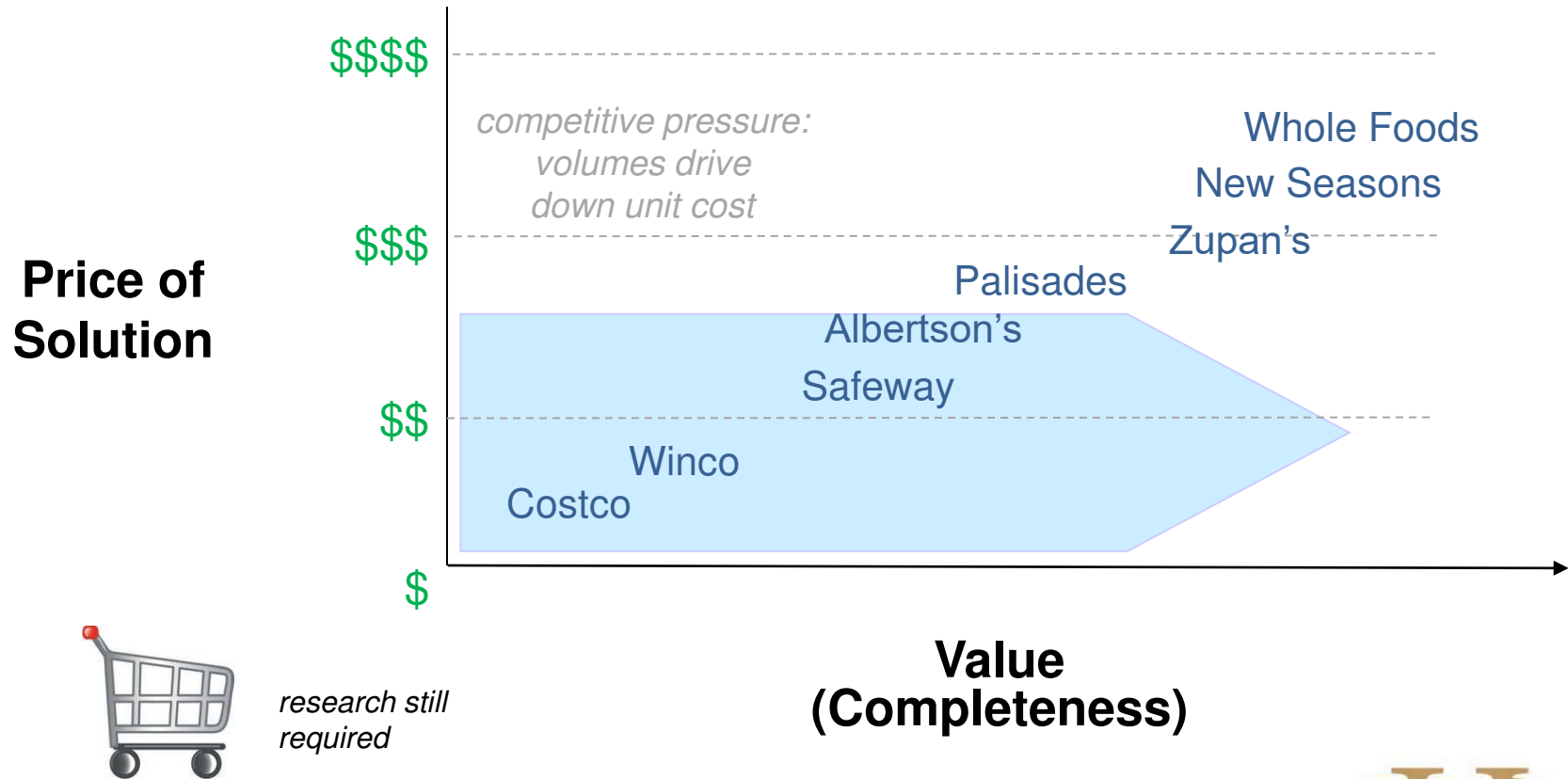
- Economic Downturn
 - Reduced household budget
 - Shop bargains/discounts
 - Multiple trips costs \$\$
- Existing Solutions
 - Discount Stores (e.g. Costco, Winco)
 - National Supermarkets (e.g. Safeway, Albertson's)
 - Boutique Markets (e.g. Zupan's, Natures, ...)
- Inadequate Solutions
 - Discount shopping required
 - High-end items wanted
 - Multiple stores visited





Setting the Stage

Competitive Landscape

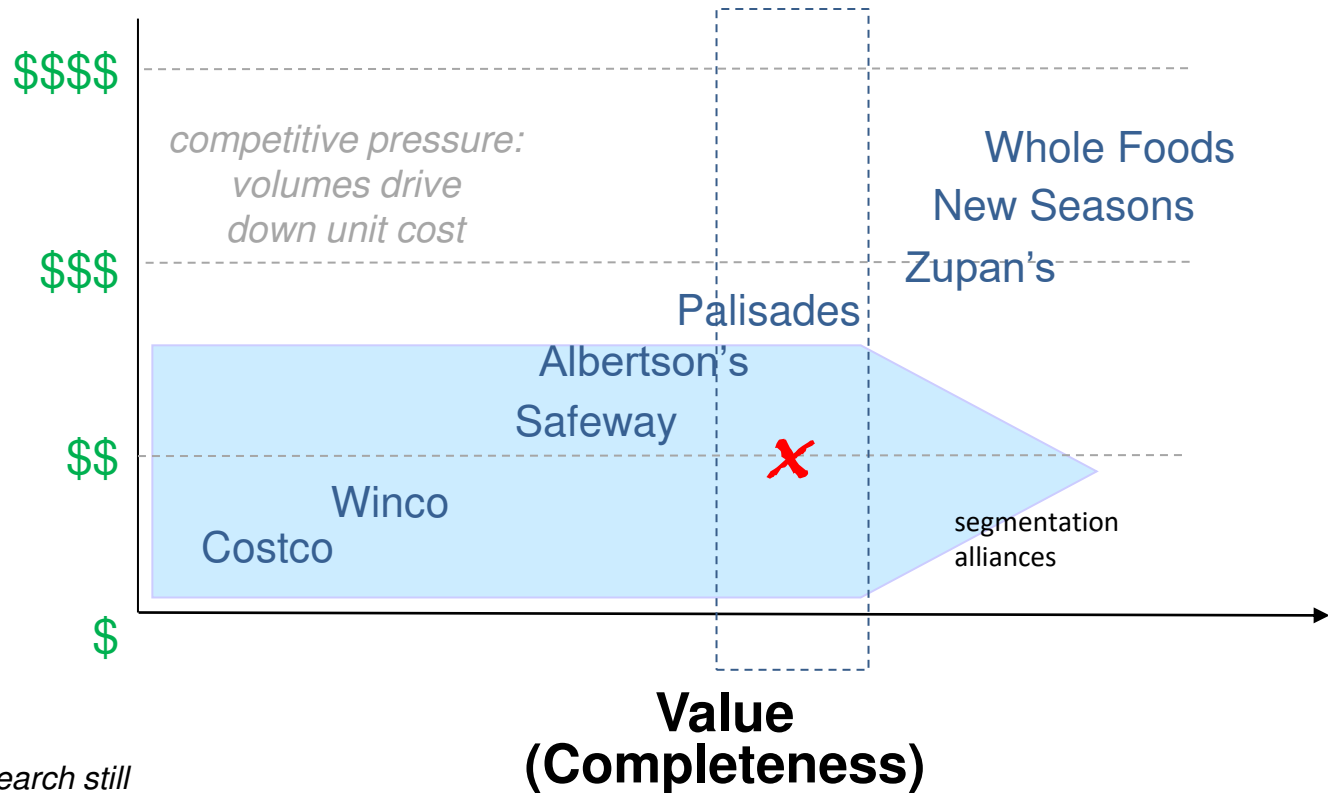




Setting the Stage

One Solution (Innovative ??)

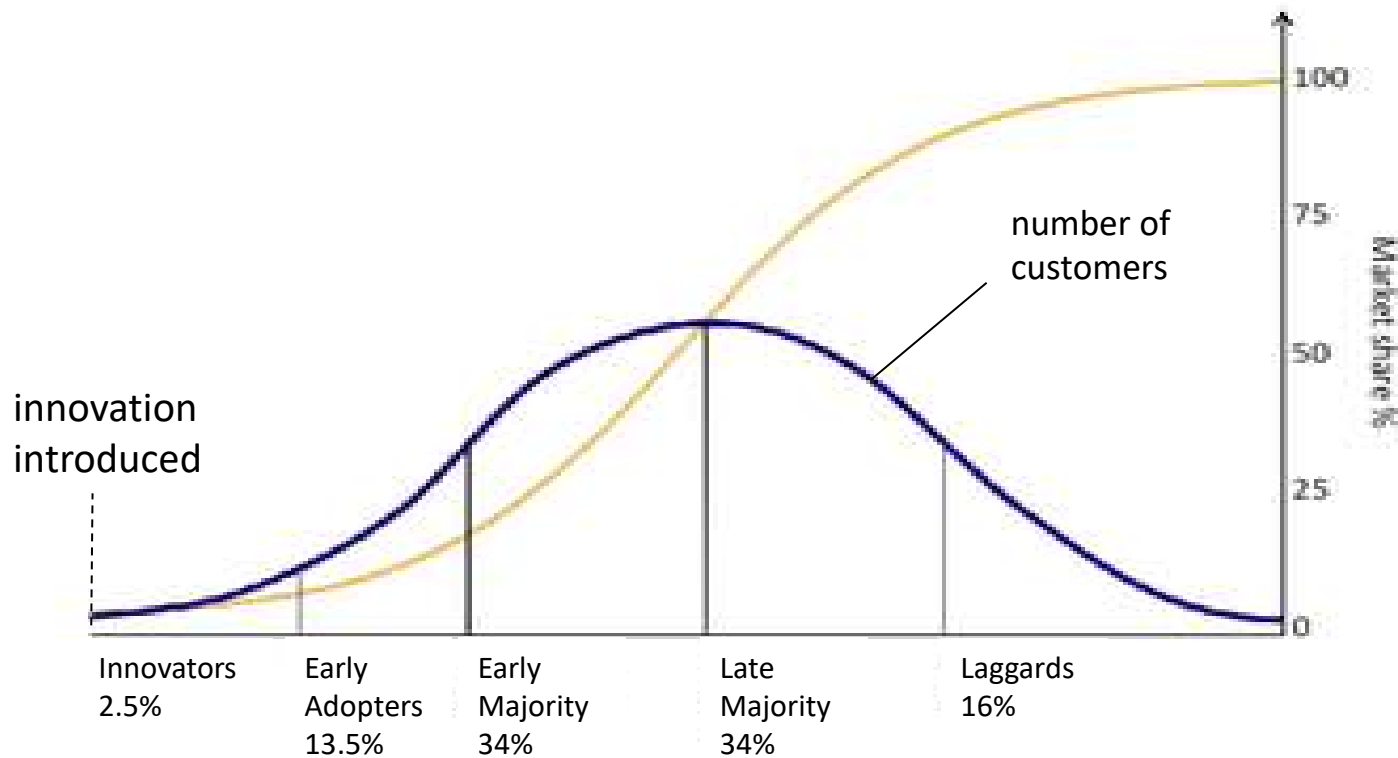
**Price of
Solution**





Adoption of Innovations

Adoption Lifecycle



Sources: *Diffusion of innovations*, Rogers, E. M. (1962), New York: Free Press

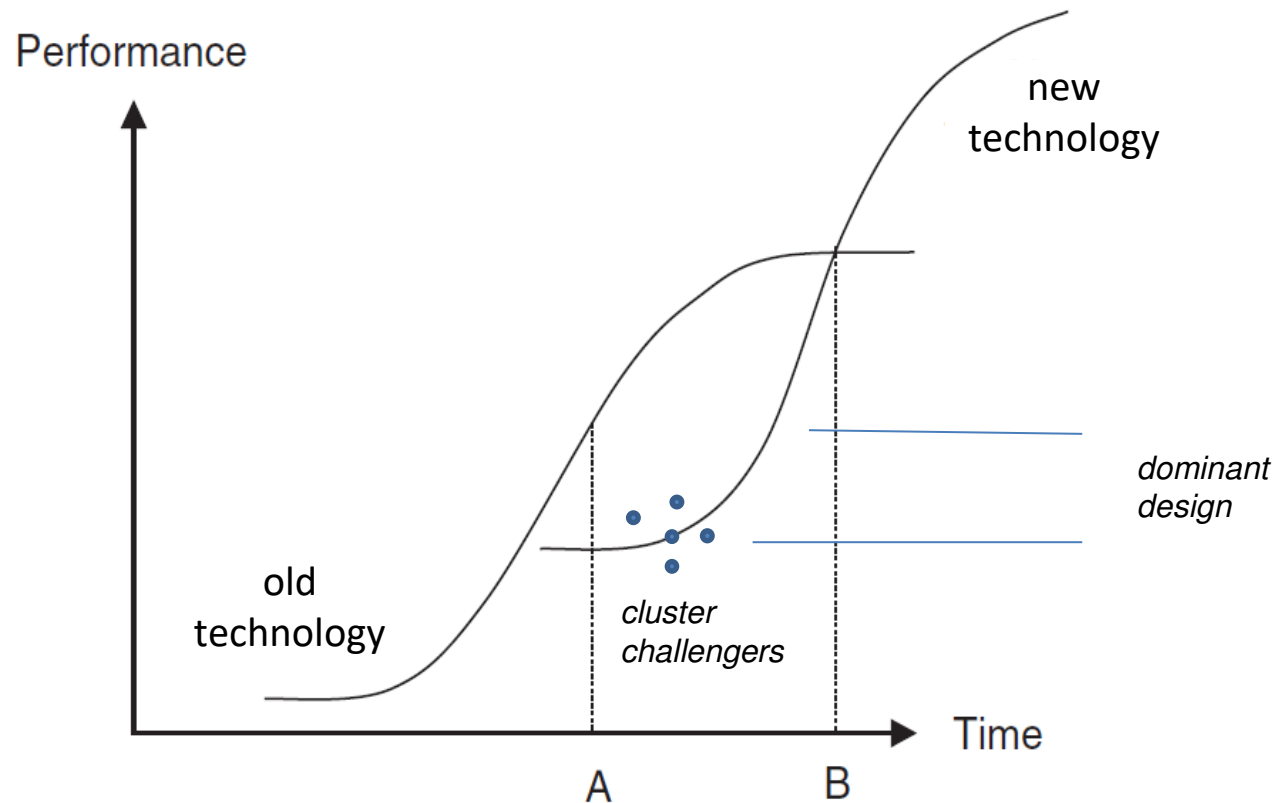
Schumpeter (1934) pioneered the ideas of economic innovation (*Creative Destruction*)

Freeman (1974) changed focus from economic variable to process enhanced by R&D



Adoption of Innovations

Disruptive Innovation (S Curve)

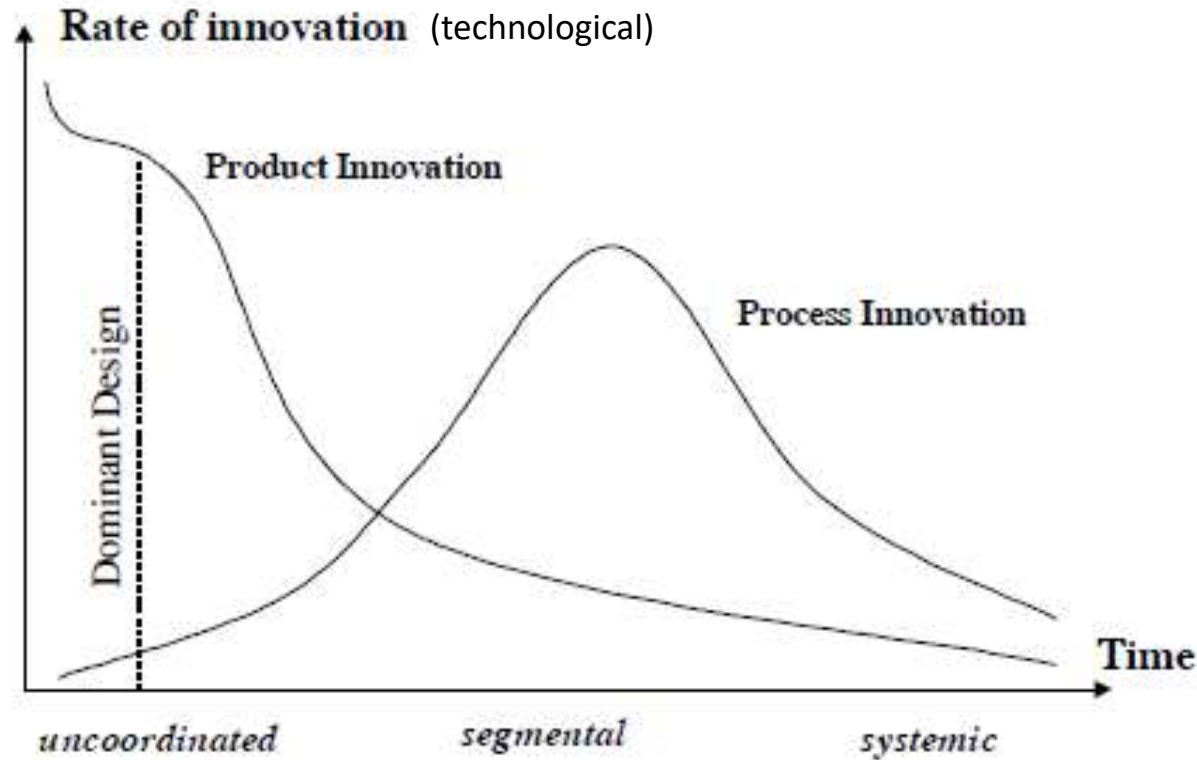


Christensen, C. (1997). *The innovator's dilemma: When new technologies cause great firms to fail*. Boston, MA: Harvard Business School Press.



Adoption of Innovations

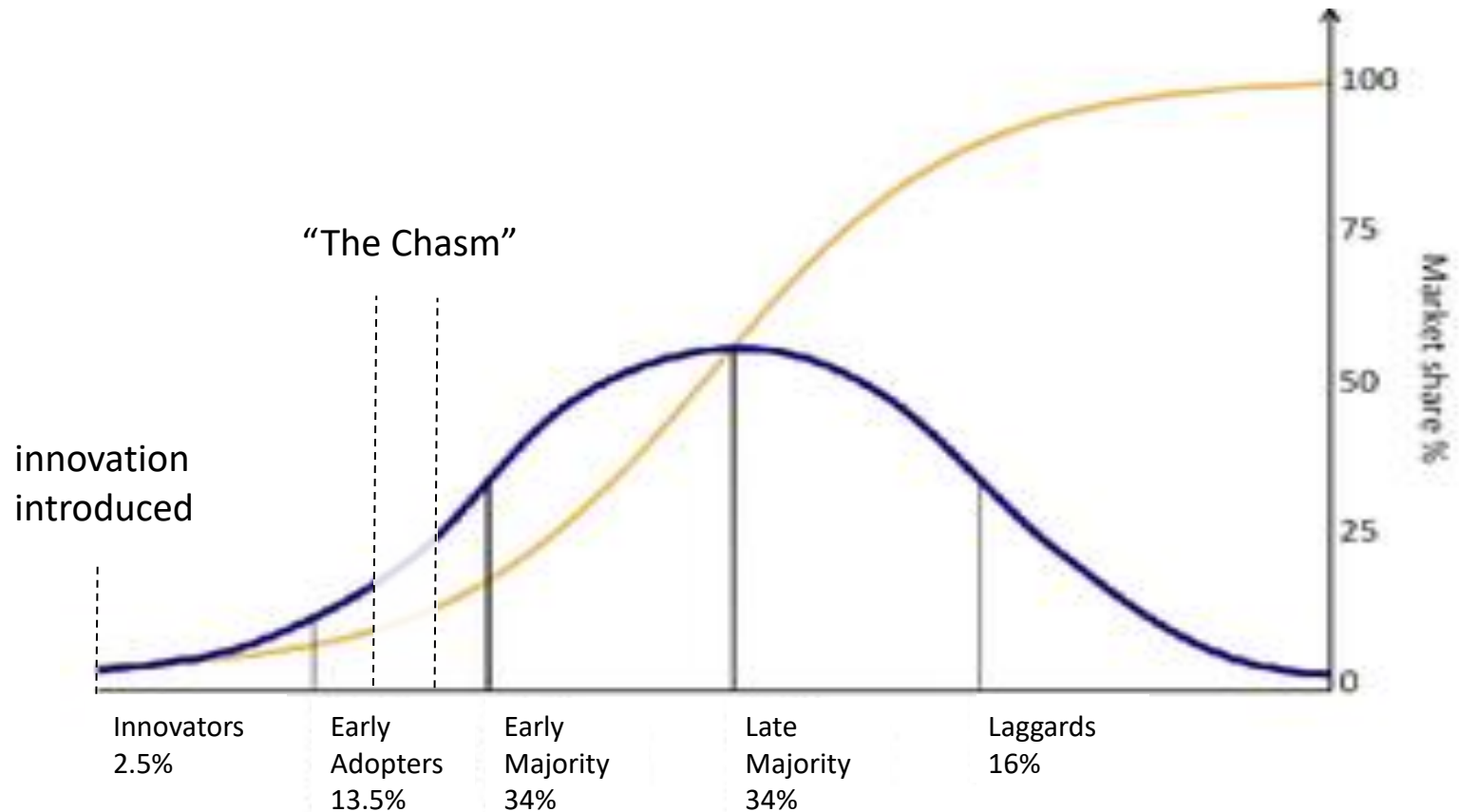
Product vs. Process Innovation



Utterback/Abbernathy's A-U model of industrial product and process innovation
(Utterback, Abernathy 1975, p. 645)



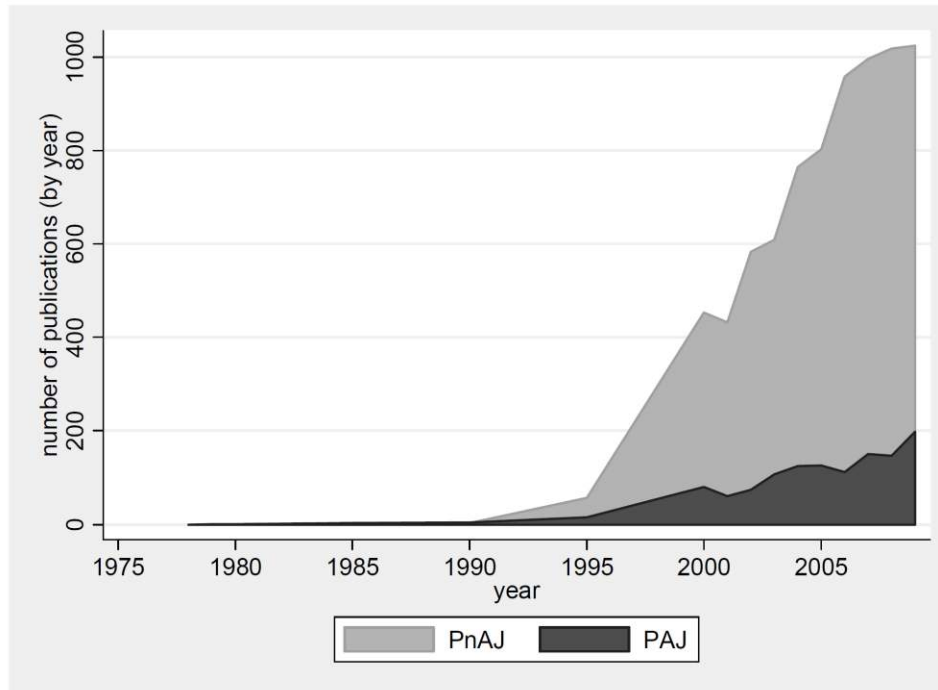
Adoption of Innovations Crossing the Chasm



Source: *Crossing the Chasm*, Geoffrey Moore, 1991 (ISBN 0-06-051712-3)



Expanding View of Innovation Business Model Innovation



This area graph shows trends in the number of business model articles. The label PnAJ identifies those articles Published in non-Academic Journals. The label PAJ identifies articles Published in Academic Journals.

Source: Business Source Complete EBSCOhost Database. Period: January 1975–December 2009.

Amit, R., & Zott, C. (Mar 2012). Creating value through business model innovation.
MIT Sloan Management Review, 53(3), 41-49.

EOU Colloquium
February 22, 2018

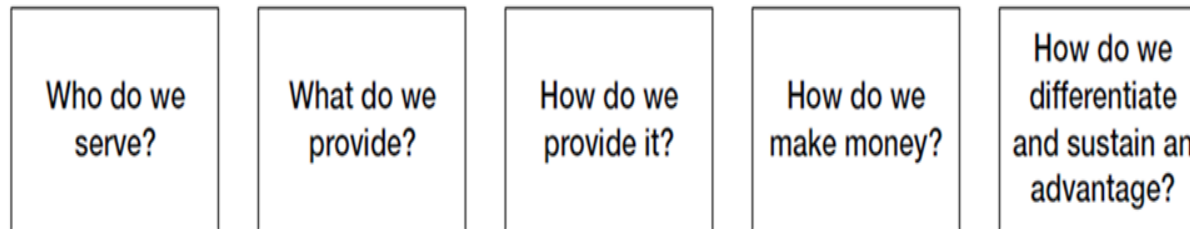


Internet Bubble
“new economy”





Expanding View of Innovation Business Model Innovation

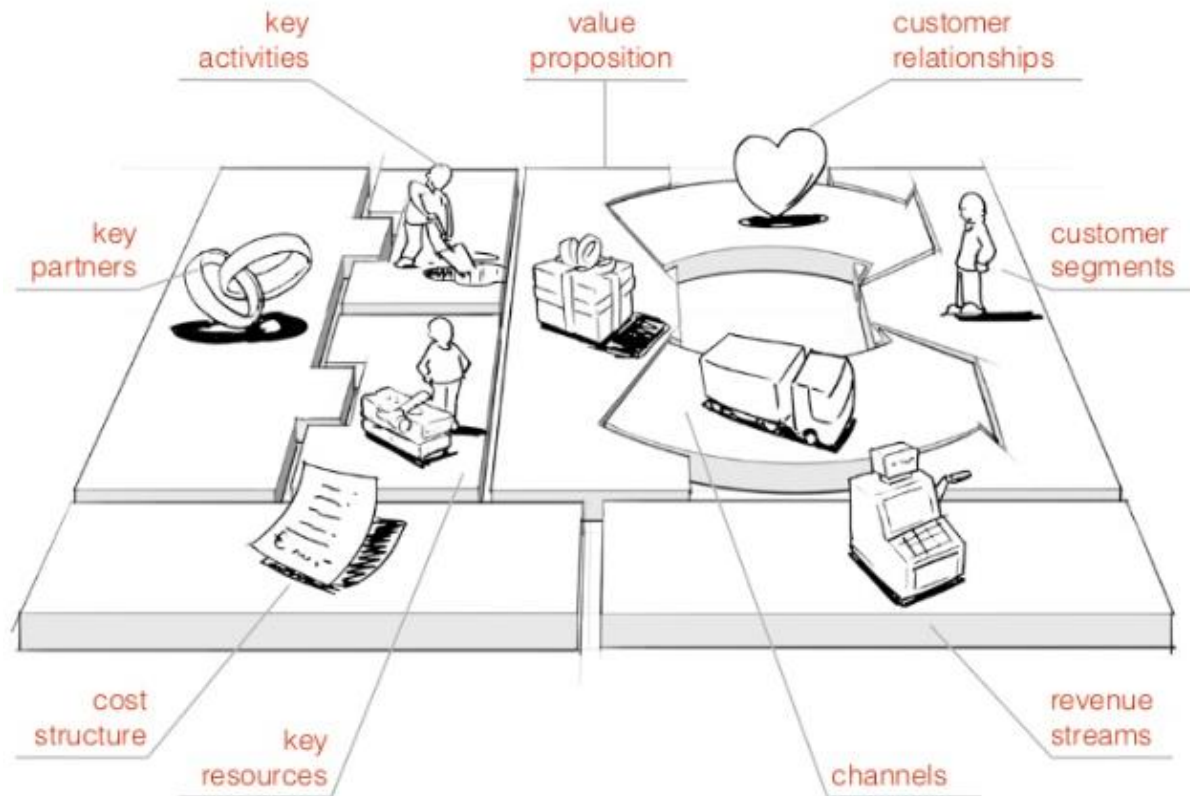


Unpacking the Business Model (Skarzynski, Gibson 1998)

No Consensus on What a Business Model Is...



Expanding View of Innovation Business Model Canvas

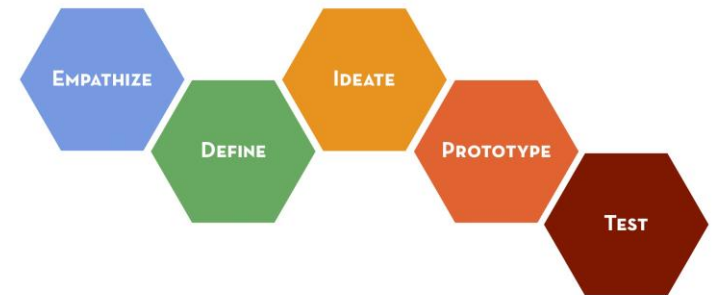
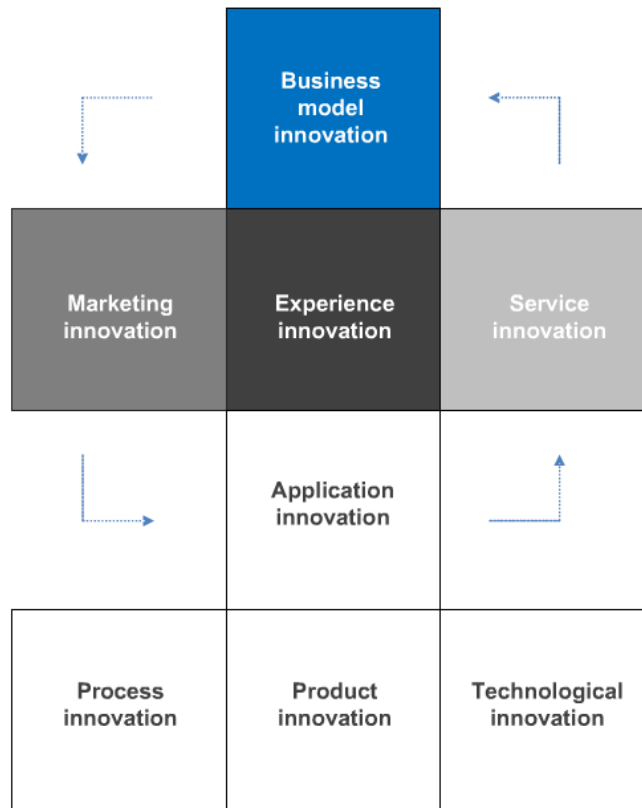


Business Model Generation, Osterwalder & Pigneur (2010)



Expanding View of Innovation

Other Extensions



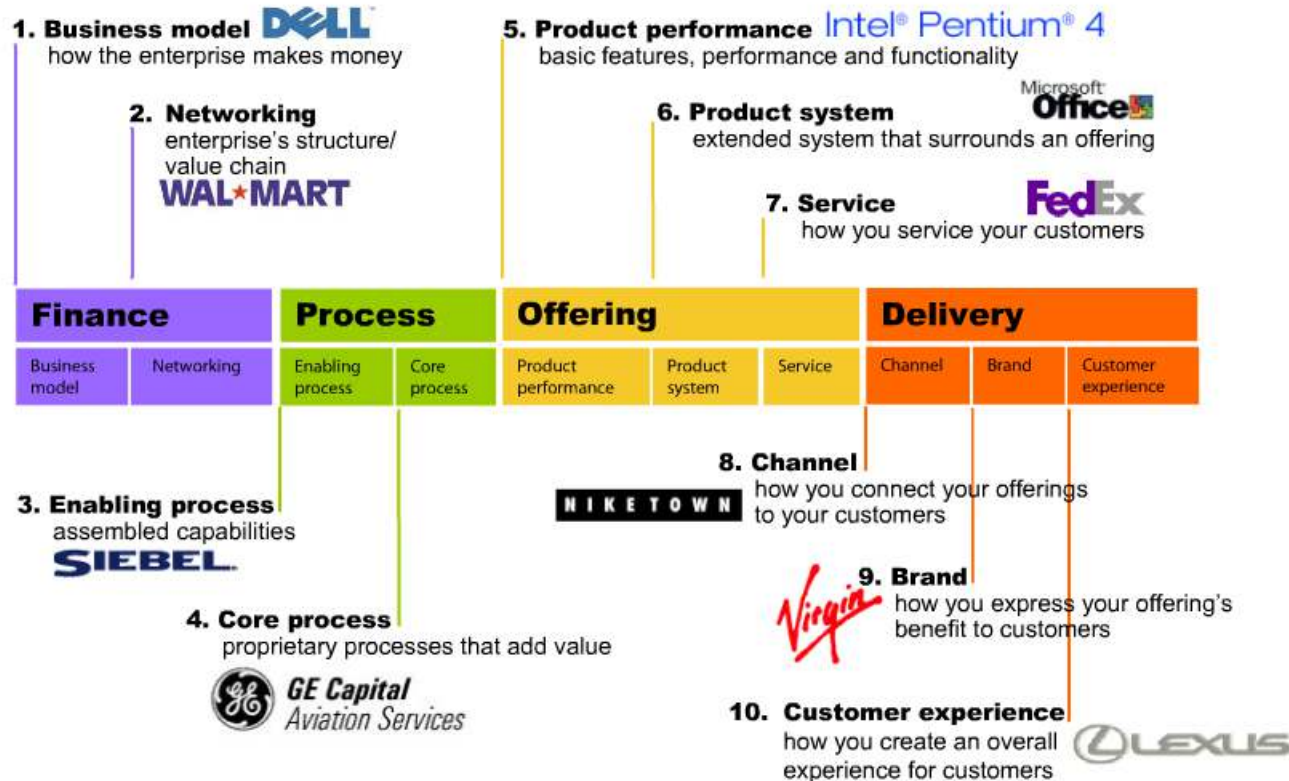
Design Thinking

Source: Idris Mootee, 2007 (*The CEO's Innovation Playbook*)
<https://www.linkedin.com/in/mootee/>



Expanding View of Innovation

Other Extensions



Ten Types of Innovation (Larry Keely, The Doblin Group, 1995)



Expanding View of Innovation Other Extensions

*“An **innovation** is the implementation of a new or significantly improved product (good or service), or process, a new marketing method, or a new organizational method or inbusiness practices, workplace organisation or external relations.”*

new to the firm, or new to the industry, or new to the world...

Source: OECD, Eurostat. Oslo Manual: Guidelines for Collecting and Interpreting Innovation Data, 3rd Edition, The Measurement of Scientific and Technological Activities, OECD Publishing, 2005



Expanding View of Innovation Market-Based Innovation

Marketing Mix



Marketing Mix Defines “Offering”



Expanding View of Innovation

Internal Analysis

Industrial Organization (I/O) Model

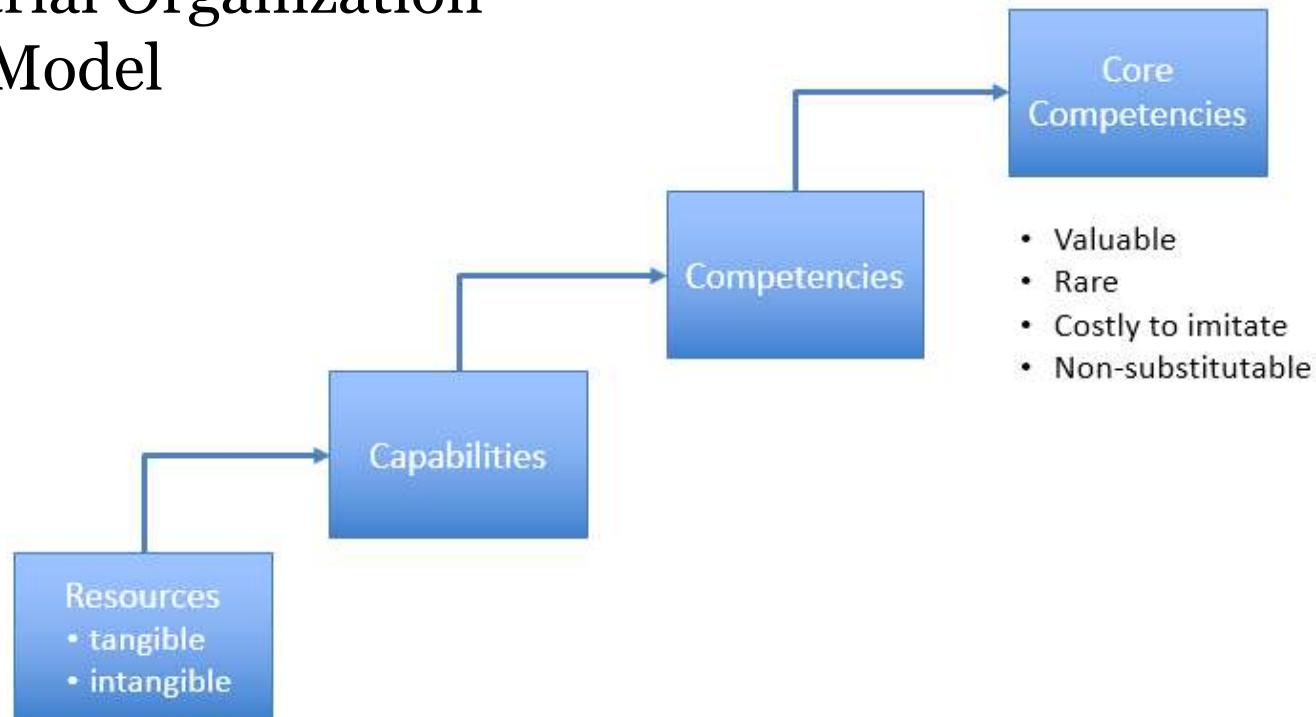


Figure 8: Resource Based Model (Hitt, Ireland, & Hoskisson [25])



Market-Based Innovation Product (& Process)



1981: 41.0%
1982: 28.5%
1985: 18.0% Jobs out
1992: 13.2%
1997: 4.1% Jobs back

	2002	2003	2004	2005	2006	2007	2008	2009
Mac:	79%	72%	59%	45%	38%	42%	38%	32%
iPod:	2%	6%	16%	33%	40%	34%	24%	19%
iPhone:	na	na	na	na	na	3%	18%	30%

SONY





Market-Based Innovation

People (Segmentation)



\$88 billion brand

US Market Share 2015

McDonald's	17.0%
Yum! Brands	10.8%
Subway	6.7%
Wendy's	4.4%
Chipotle	2.2%

IBISWorld 2015

Curves

WHOLE
FOODS
MARKET

EO
Mountaineers



Market-Based Innovation Price



40+ years of profits



Largest company in the world!

\$485 B



Market-Based Innovation Place (Channels)



1984
started

1988
IPO

1992
Fortune 500

1996
Dell.com

2000
lead market

amazon.com

craigslist

<https://www-statista-com.access.library.eou.edu/statistics/269703/global-market-share-held-by-pc-vendors-since-the-1st-quarter-2009/>





Market-Based Innovation Promotion



Doctor's Associates
2015: \$19.2 B
Stores: 43,945

1965
started

1975
franchising

1993 - 2001
organic
Rev: 118%
Stores: 140%

2000 - 2008
Jared Fogle
Rev: 32%
Stores: 59%

2007 - 2015
\$5 foot long
Rev: 289%
Stores: 53%

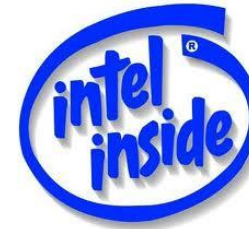


https://www.washingtonpost.com/business/economy/the-rise-and-fall-of-subway-the-worlds-biggest-food-chain/2015/05/29/0ca0a84a-fa7a-11e4-a13c-193b1241d51a_story.html?utm_term=.24bb17a4d045





Market-Based Innovation Brand



1991
1994 Pentium
2001 6th most valuable brand
2004 73%
2000 78%
2009 90%
2011 95%

Coca-Cola

IBM®





Market-Based Innovation Strategy (Business Model)



Microsoft®



Netscape®

1994	1995	1996	1997	1998
started	Microsoft offer IPO / IE launched	NS: 78% MS: 20%	NS: 60% MS: 38%	NS: 48% MS: 50% AOL purchase

Salesforce





Future Research

Innovation Type vs. Lifecycle Stage

Analytical Hierarchical Process (AHP) Model

US PC Industry 1975 - 2010

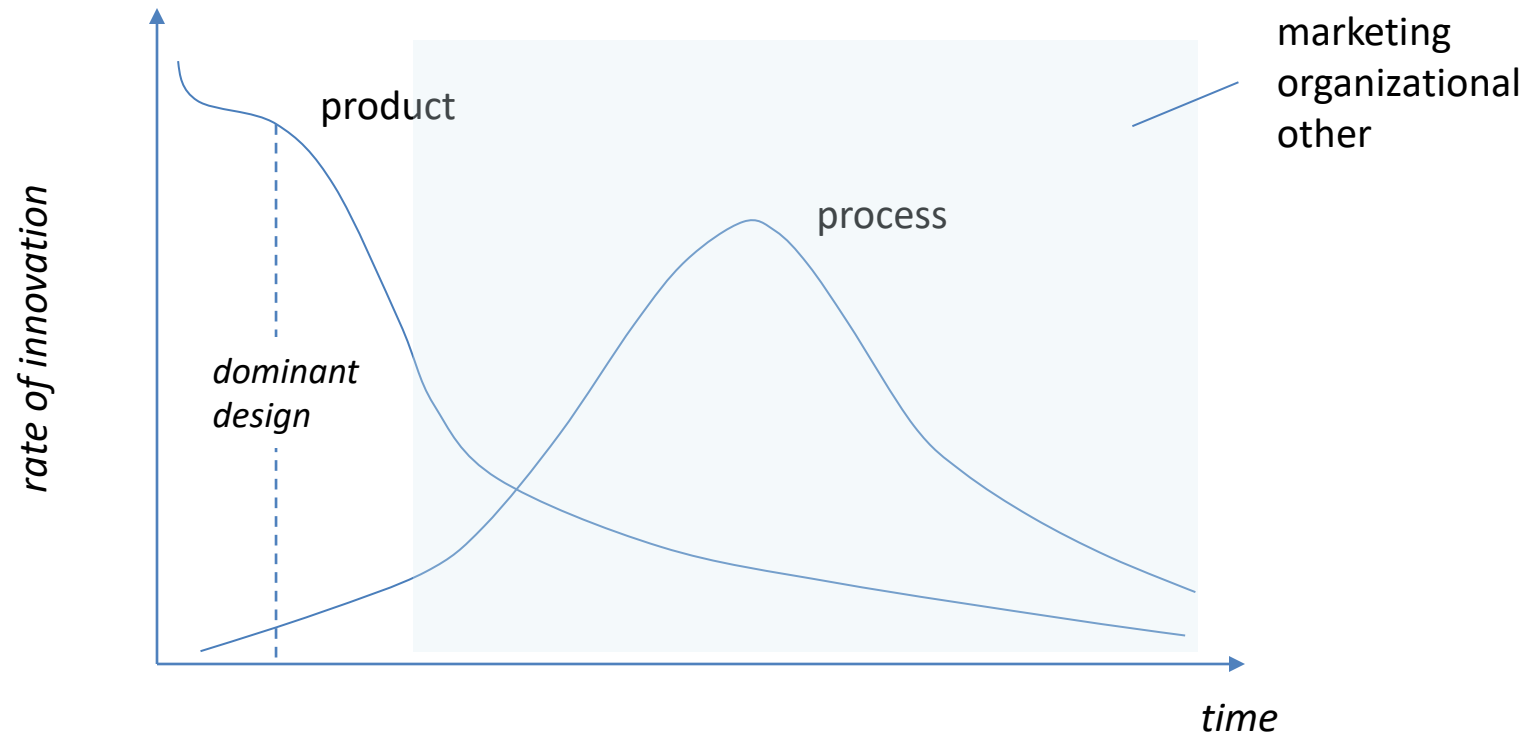


* Includes business model innovation

Figure 1. Analytical Hierarchical Process (AHP) Model. This model will be used to analyze market leadership, and the form of innovation responsible for market leadership, in the US PC industry (1975 – 2010).



Future Research Effectiveness vs. Lifecycle Stage



*Adapted from: Utterback/Abbernathy's model of industrial product and process innovation
(Utterback, Abernathy 1975, p. 645)*



Entrepreneurship Center for Entrepreneurship

Entrepreneurship Competition: **\$25,000** in prizes

Join the quest for cash and fame in the EOU entrepreneurship competition. Two teams will receive \$2,500 each to build a prototype. These teams will then represent EOU in a statewide competition where the winning team will receive **\$10,000 cash**!

There will also be an additional \$15,000 in awards for categories such as crowd favorite.

The winning team will also have the opportunity to present at the [Bend Venture Conference](#) (BVC) – one of the largest in the West. The **BVC awarded over \$1.6 million** to eight startups last year.

Got an idea? Need help forming a team? Just want to be involved?

Win the competition. Take home the cash. Get involved now!

Send an email to Professor Zehr (wzehr@eou.edu).



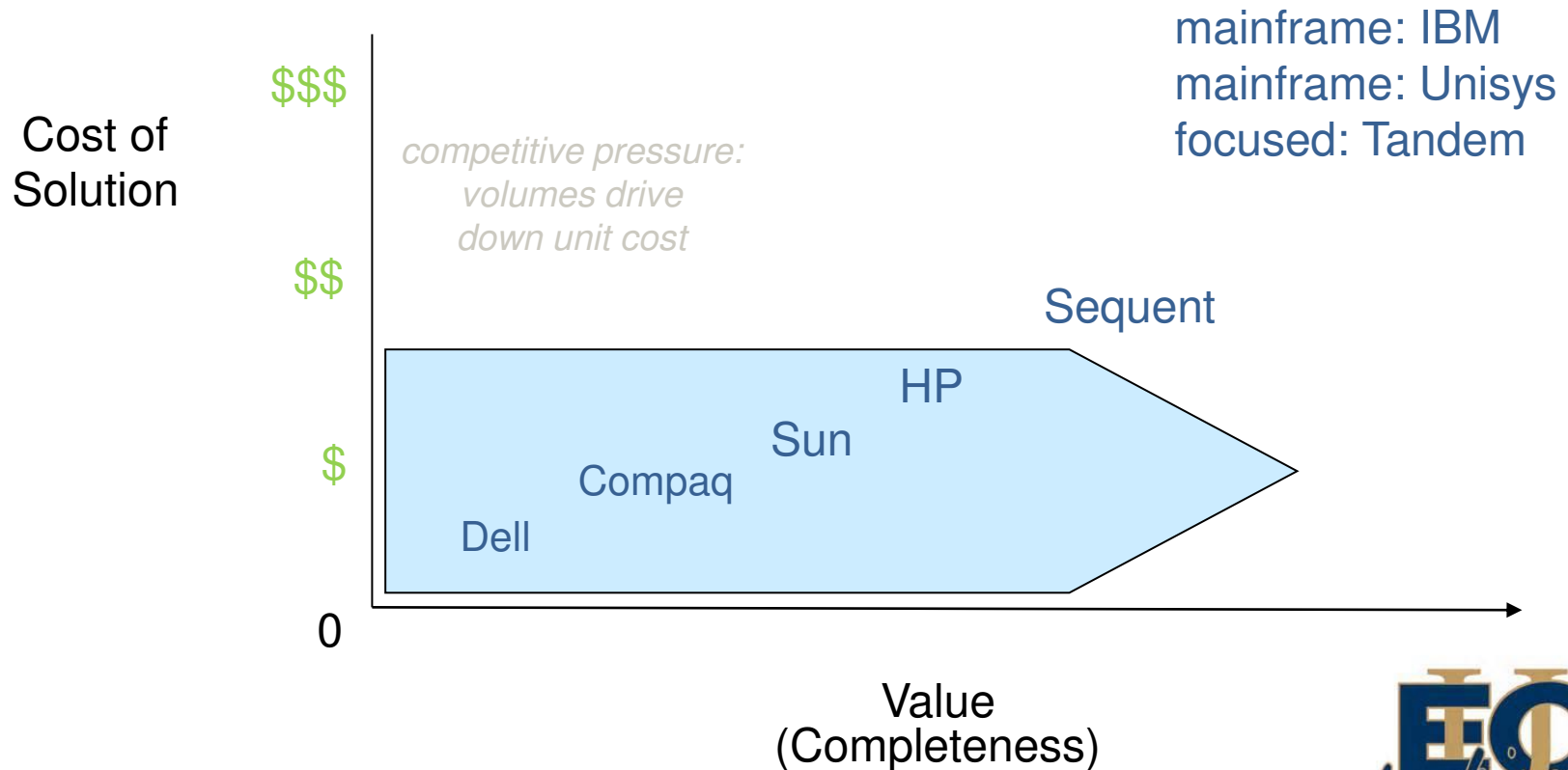


Questions?





Natural Selection Model





PC Market Share

Unit PC Prices/Trends

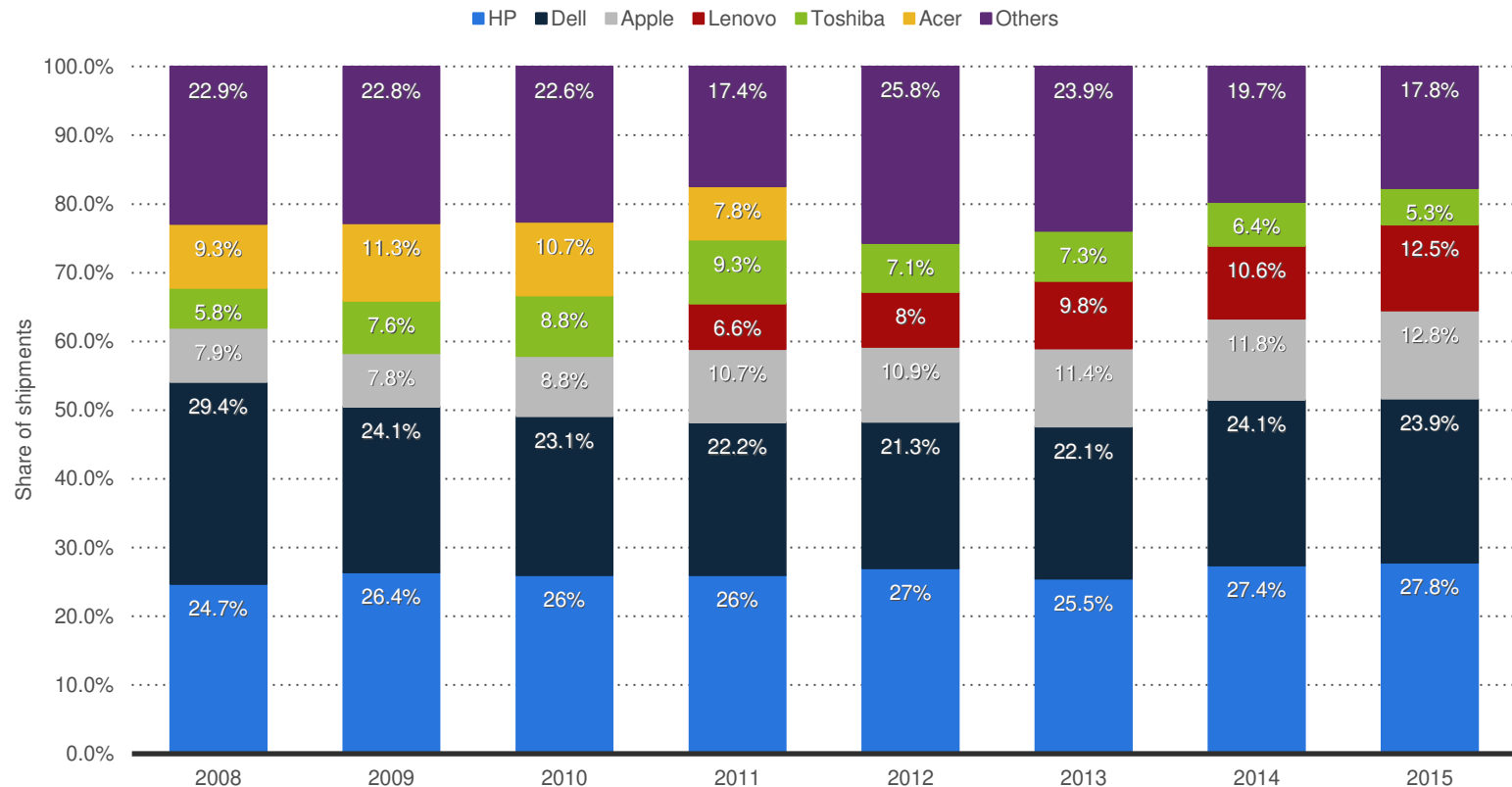
	Apple			Dell			HP		
Revenue	2007	2008	2009	2007	2008	2009	2007	2008	2009
Desktop	4,023	5,622	4,324	19,573	17,364	12,947	15,889	16,643	12,864
Portables	6,313	8,732	9,535	17,423	18,604	16,610	17,650	22,657	20,210
Total PC Sales	10,336	14,354	13,859	36,996	35,968	29,557	36,409	42,295	35,305
Unit Sales									
Desktop	2,714	3,712	3,182	20,476	19,829	16,363	21,571	20,833	21,479
Portables	4,337	6,003	7,214	18,227	21,245	20,993	27,857	32,109	37,469
Total Unit Sales	7,051	9,715	10,396	38,703	41,074	37,356	49,428	52,942	58,948
Desktop Average	1,482	1,515	1,359	956	876	791	737	799	599
Portable Average	1,456	1,455	1,322	956	876	791	634	706	539
Combined Average	1,466	1,478	1,333	956	876	791	737	799	599
Price Change		1%	-10%		-8%	-10%		8%	-25%

Source: calculations based on SEC filings & Gartner Group Estimates





Market share held by personal computer (PC)* vendors in the United States from 2008 to 2015



Note: United States; 2008 to 2015

Further information regarding this statistic can be found on [page 8](#).

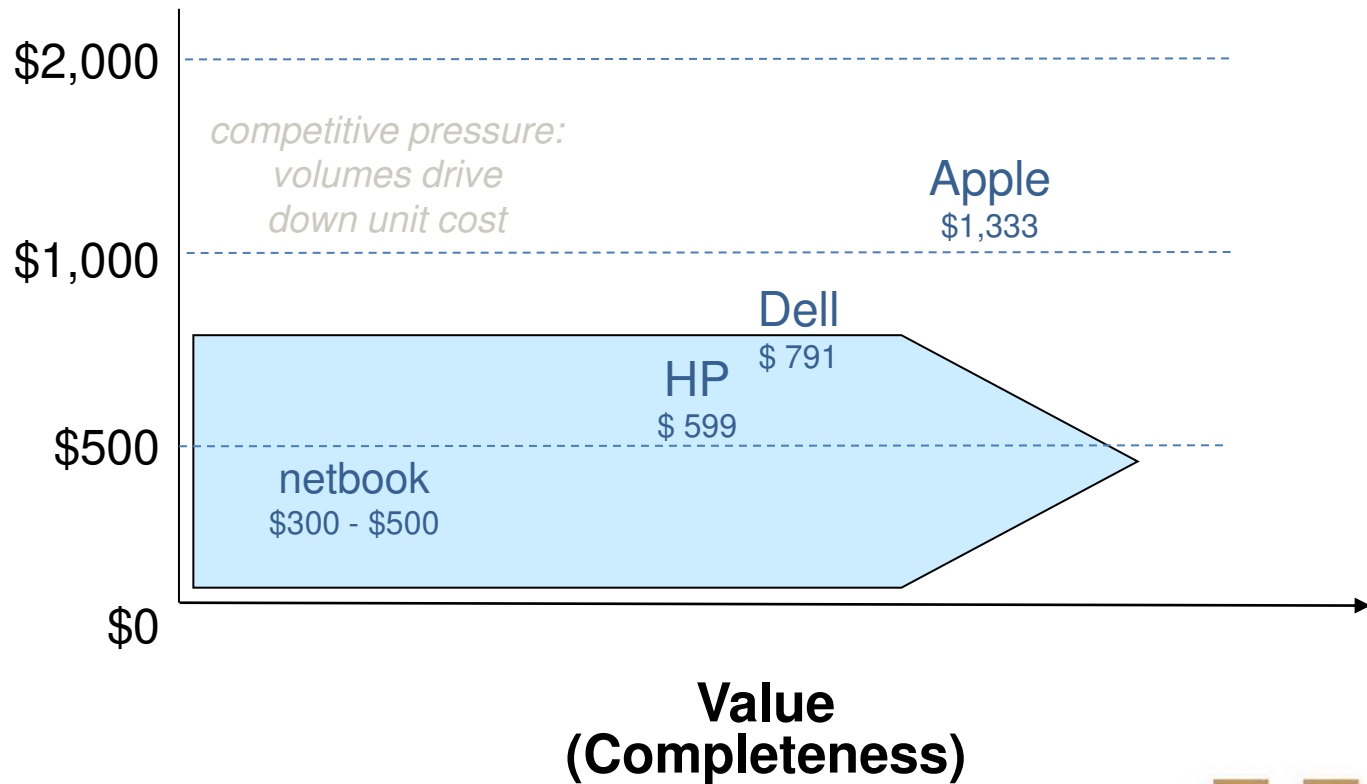
Source: IDC [ID 273683](#)





Natural Selection Model Example

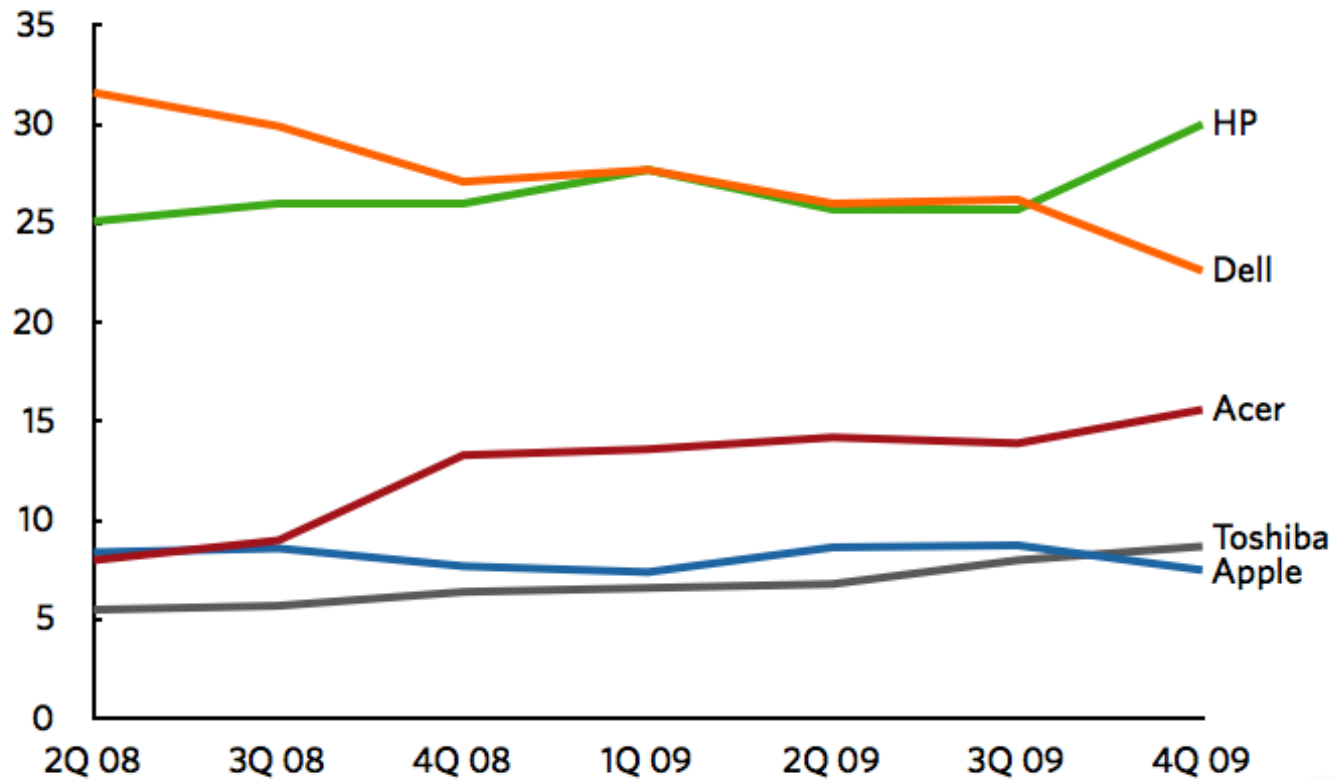
**Price of
Solution**





Natural Selection Model Example

Percent



Source: Gartner





Strategic Position and Competitive Scope: Generic Business Strategies





Innovation Defined (refined)

[Commercial] “Innovation is the discovery (accidental or systematic), development, and **implementation** of new ideas that add significant tangible value for an enterprise or organization.”

Zehr, Wilson (2010)



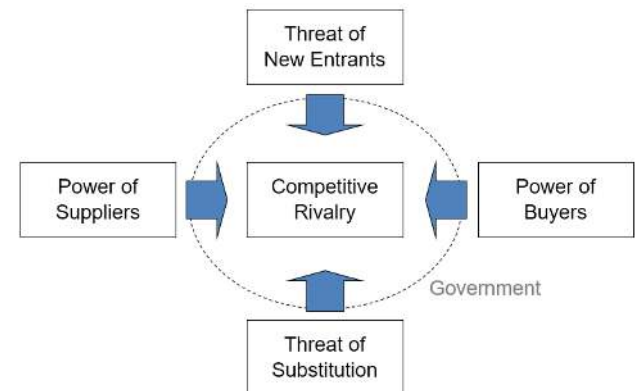
Expanding View of Innovation

External Analysis



video

Porter's Five Forces

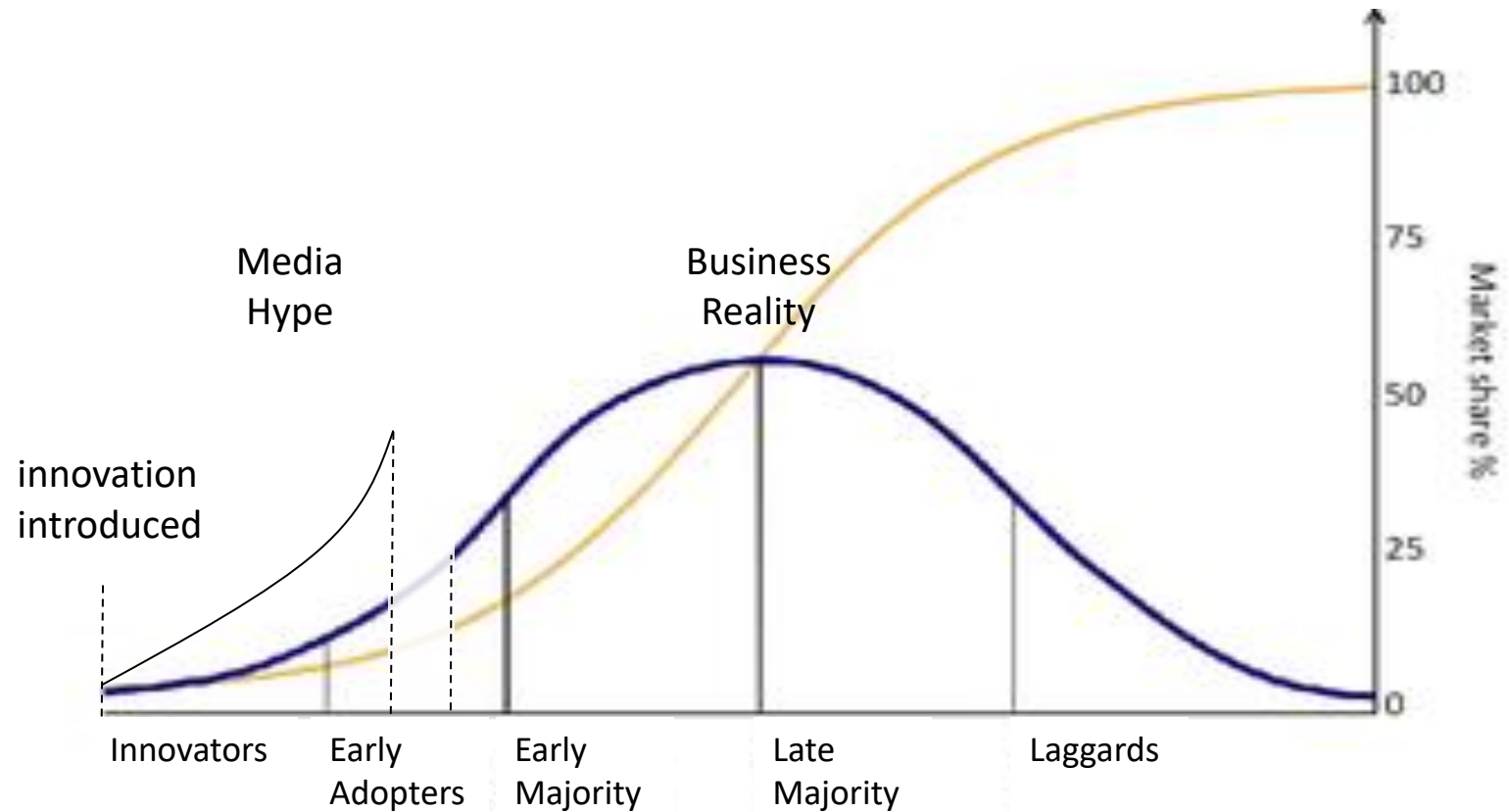


Industry Attractiveness



Adoption of Innovations

Media Hype “Reset”



Source: adapted from Lou Mazzucchelli, Cadre Technologies/Cutter Consortium