

# Technology Companies Must Follow The Fashion Leaders!

Dave Brock. Partners In EXCELLENCE

**Dimensions of EXCELLENCE™ is based on the four dimensions of performance and organizational excellence. These are the foundation for our development programs oriented to achieving performance and organizational excellence in sales, marketing, and customer service.**

**These white papers provide concepts and ideas based on the application of these principles of these programs and our work with our clients. We welcome your comments and observations on these topics.**

Recently, I was speaking with a senior executive for a networking systems company. He painted a scenario of a new environment his company and their competitors were facing. It's a scenario, I believe, many technology companies face. Here's how it goes:

- Today this company outsources all of its manufacturing. It is done in several countries around the world.
- More of the product development is outsourced to other organizations, around the world. Product specifications, system architecture, and high level design are still done by the company, but the detailed design of the products is outsourced.
- The company invests significantly in developing its brand, marketing, and distributing (through a variety of channels), the product.
- Like their competitors, this company faced ever shortening product life cycles. Competitors, "white box" designs, and other functionally equivalent copies of their products emerged on the market within 90 days of their introduction of products.<sup>1</sup> Any feature/function/performance advantage they may have had was rapidly eclipsed by these alternatives.
- The rapid emergence of competition, forced pricing and related actions, challenging profitability. The shorter product life cycle also meant the company had to make its money in a much shorter time than they had traditionally anticipated.

This executive was struggling with these issues as the new reality of the business and trying to develop thoughtful strategies for continuing to build and grow the business. He sought to better understand, where his company added value, differentiated itself, and how it could profitably compete in this new competitive world.

As this executive explained his plight, I got one of those feelings of "deja-vu all over again." This has been the reality faced by both the fashion and consumer electronics industries for decades. Much can be learned from them and how they build their businesses.

## **What Do Consumer Electronics And Fashion Companies Do To Differentiate Themselves?**

The answer lies in about several key areas:

- Brand building.
- Rapid recognition of new trends/fashions or even creation of new trends/fashions.
- Move fast, leveraging iconic products in responding to new trends and fashions.
- Rapid product development to respond to those new trends and fashions.
- Super targeting and segmentation.
- Overpowering marketing and distribution capability to rapidly capture the opportunity and leverage the trend.
- The willingness to have products that don't hit and the courage to kill them quickly.
- The ability to make money with very short product life cycles.

Let's look at these in more detail:

- Brand building: Both fashion companies and consumer electronics companies invest in building the power of their brand. Often the brand is their most powerful

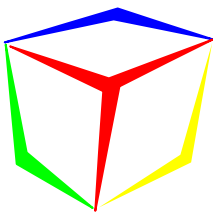
<sup>1</sup> Here we are addressing legitimate competition and functional equivalents. We are not addressing the problem of black market designs that infringe on patents, trademarks, and copyrights. These further aggravate the challenge.

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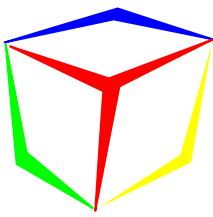
differentiator. They create strong awareness in the markets of the brand, they drive passion and excitement for the brand, they create trust and confidence in the brand. For those customers that are brand sensitive, they create a willingness to pay a premium for the trusted or fashionable brand.

- Rapid recognition of new trends, creation of trends: Consumer electronics and fashion companies stay at the forefront of trends, fads. They know their customers extremely well. They engage their customers where they live, identifying needs and opportunities the customers may not yet be aware of. Their customers also look to them for identifying and setting new trends.
- Move fast, leveraging iconic products to capture the hearts and minds of customer in responding to the new trends. Products like the , the Motorola RAZR, the original Sony Walkman create almost cult-like devotion, strengthening the brand and the company.
- Rapid development to address new trends: These companies respond to new market requirements very quickly, often they lead in hitting the markets. The development of common platforms that can be easily adapted to the unique needs of the markets facilitate this process. Consumer electronics companies change features rapidly. Fashion companies adapt new fabrics, colors, materials, style variants quickly. Many of these companies have extended this ability to enable customers to custom design their own products. I can design and order my own custom pair of Nikes or Levis. I can “accessorize” my Motorola phone with new faceplates, colored lighting alerts, and ringer tones. I can customize my motorcycle helmet with graphics, liners, and other features.
- Super targeting and segmentation: These industries are great at targeting products and solutions to the unique needs of each segment or niche. They may have a basic “platform,” but this is modified with special features, functions, or capabilities to address the requirements of each niche or market. They use this capability to help differentiate their products within the segment. Think of the success of the in addressing a very wide variety of customers. Think of the various versions of the addressing the unique needs and passions of their customers. Their targeting is brilliant, imagine a model targeting U2 fans! Imagine where this can go and how subtle but important the differentiation is in engaging the passions of their customers. I’m looking forward to the P-Diddy version!
- Overpowering marketing and distribution: These companies create strong marketing programs, leveraging the power of their brands and the intimate relationship with their customers. They leverage multiple channels, creating wide distribution and availability of their products. They know where their customer shop and how they want to buy. These companies focus not only on the products, but also on the customers’ buying experiences. They create environments through merchandising, stores within stores, specialty stores, and other vehicles to create environments that attract the customer and make them want to buy. They are nimble in shifting channels through the product life cycle, choosing the most efficient and effective channel to reach their customers. They collect data and information about their buying trends, constantly analyzing it to refine their messages, promotions and distributions.
- The willingness to fail: These customers are fickle, not every product will be a hit. These companies monitor the customer acceptance, quickly adapting their strategies and willing to kill bad products quickly. They create real life labs and experiments, launching products in test markets before they launch widely. They don’t focus on building the single killer product or application, hanging their future on the success of that product.
- They make money fast: If they are leaders, they know their products will be copied by competitors. They know they may not be able to support premium pricing, or that fashions may change and demand may disappear.

### **What’s this mean for technology companies?**

There are many lessons technology companies serving business market can learn and apply. Technology companies servicing consumers are already doing these things. Technology customers focused on the enterprise (large or small) may be doing some elements, but may need to shift their business models.

Manufacturing and detailed product design and development will be less important as differentiators for many companies. Product definition, market understanding, responsiveness to unique market and customer opportunities, and effectiveness in distribution will be increasingly important.



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The realities of the global economy and the need to focus on core competencies, manufacturing will increasingly be outsourced to companies that can build products most effectively and efficiently. Major portions of detailed engineering and design will be outsourced to other organizations.<sup>2</sup> Technology companies will differentiate themselves on the richness of the capabilities they offer their customers and the speed with which they can identify and respond to customer needs.

Many technology companies will find critical skills being platform definition and architecture, market understanding and solution definition, product/solution management and marketing, solution integration, marketing, sales, distribution, and support will be key to the value they create and deliver. They will outsource everything else to those that can provide those functions best.

Some thoughts:

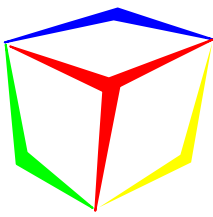
- Companies need to become more customer focused. They need to live with their customers, understand their needs, identify needs that customer have not yet recognized. One of the most interesting fashion companies I have worked with, lives with their customers every day. Their employees are their customers, they know the thought leaders and fashion shapers, they engage them in their business and product planning. They are constantly at the events, concerts, shows, and activities their customers participate in.

For years, much has been published about sales becoming customer and solution focused. Today's mantra must be that companies must be customer and solution focused. Product marketing, management, design need to live with customers. Customers need to be embraced and become part of the entire product definition and design process. Borrowing the advertising line from a fast food company, customers will want to "have it their way."

- In 1993, Joe Pine wrote a great book on mass customization. More than 10 year later, not much progress has been made. Companies need to make their products very configurable. When we speak of products, we are speaking of the total product. Configuring the product features, services, buying experiences, service and support experience is critical. Companies will have to give customers the specific product, services, and support they want, at a price they are willing to pay and that the company can deliver profitably.
- Create iconic products, that capture the hearts and minds of the users. Use the power of this to create raving fans in your customers, driving the power of your brand and building the sales. In the bubble, we saw the trend of creating "iconic leaders." In all but a few cases, this has failed, but iconic products still have great strength. Think of the power created behind Salesforce.com, transforming the CRM industry.
- This will change the product design approach for many companies. Configurable platforms become more important, modularity is important, standard interfaces with the ability to integrate products from other companies will become more important. "Plug and play" concepts become more important. Without these capabilities, companies will not be able to respond to the unique needs of specific customers or target markets. They will not be able to profitably produce these unique products without this strategy. They will not be able to introduce at the speed required to capitalize on new requirements and needs without new approaches.
- Much of the value of product design function will be in producing the architecture and design definition of configurable platforms, outsourcing the detailed engineering to other companies. They will create further value by quickly identifying and defining the new configurations and modules to accommodate specific market needs.

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<sup>2</sup> For additional information, refer to an interesting column by Lee Gomes in the July 19, 2004 edition of the Wall Street Journal. The article is entitled "PC's Aren't Just Made In Asia Now, Many Are Designed There." He introduces the concept of ODM's: Original Design Manufacturers.



- Companies need to become packagers and integrators rather than unique designers. This will cross all product definition/design, marketing, sales and support. No company can respond to all the needs of customers, the ability to rapidly integrate other's products, service, components into an offering to the customer will be critical to creating differentiated value for the customer. Packaging a solution to meet the unique needs of a niche market; perhaps supply chain management solutions for cabernet sauvignon producers in the Napa Valley, as an example; will be the way companies deliver solutions that create unique value, responding to the needs of markets and customers.
- Strategic partnering may become less important and project partnering may become more important. Companies will need to become more nimble in quickly establishing partnerships to address the unique needs of the customer. These partnerships may be one time, for a specific customer project, for a specific product requirement to address the market need. Skills in building partnerships will have to be developed across development, marketing, packaging, sales, and support. Companies will take many roles in project partnering, sometimes they will be the lead in delivering the end product to the customer, sometimes they will support or be the supplier for the "prime."

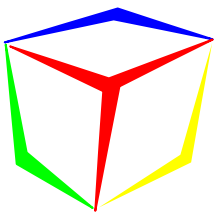
This practice will not only apply to services companies, classic "systems integrators," but to product manufacturing companies. Dell, for example, has given its customers tremendous flexibility in configuring systems to meet their unique needs (note I said systems, not PC's). I can buy my computer, the software, printers, displays, and other devices from them and have it integrated and delivered to my office as a complete system.

- Sales and marketing will have to develop new skills. They will be at the point of identifying customer trend, requirements and needs. Marketing will do this for markets, sales will adapt this to the unique requirements of the customer. To be effective, each function will have to become "expert" in the target markets, industries and customers. They will have to become very good at listening to the "voice of the customer." They will have to learn to better question, probe, quantify and qualify value. The key to defining, selling and delivering these new solutions to customers is in the questions that are asked. Additionally, they will have to become better and more nimble in developing and managing project partnerships to deliver these solutions to the customer.
- Marketing and sales will need to become more nimble in defining the most effective routes to market. These will change with different markets and over time. Single, monolithic approaches will no longer be competitive.
- Companies will have to become more effective in collecting and using data about markets, customers, and trends. They will have to have the ability to effectively mine the data they collect, slicing and dicing it to discover new ways they can approach their customers.
- Speed in execution of all these functions will be critical to intersecting markets and customers with solutions they want and need, when they want and need the solution.

### **Concluding Thoughts**

We work with many technology companies in helping them identify and address new market opportunities. These companies are very knowledgeable about the best practices within their industries and with their competition. Sometimes, they look at best practices of companies in closely related sectors.

There is much we have learned from the fashion industries that creates great innovation in the technology business. Watch the market savvy leaders. Don't limit your focus to the big brand leaders like Nike, Hilfiger, Oakley's and others. Look at some of the smaller fashion companies in specialized niches. Learn from these companies and adapt their best practices to drive innovation in your company.

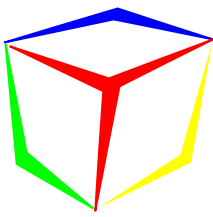


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Dave Brock is President and CEO of Partners In EXCELLENCE. Partners In EXCELLENCE helps organizations develop and execute business, sales, and marketing strategies to OutPerform the competition. We provide consulting, training, and related services, developing the highest levels of performance in the organization. For more information On Partners In EXCELLENCE services, visit our website at [www.excellenc.com](http://www.excellenc.com), or call for information at (949)305-7146.

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Another way might be a special project team. This team may focus on one market or product area. They may focus on a certain set of problems the organization is having. Building their approach around the five elements outlined will help them in building a strong approach to addressing the business issues of their project.

After the organization has iterated through all five elements balancing the approach, then the organization can look at the enablers to improving the efficiency and effectiveness of the plan.

Finally, on an ongoing basis, each element is tuned as the real world experiences and results are posted.

- A balanced approach should eliminate the “strategy du jour” phenomena.
- A balanced approach will should eliminate the bureaucracy sometimes associated with process.
- A balanced approach will assure execution is focused and purposeful, creating results, not just activity.
- A balanced approach will assure the right people are executing the right strategies as effectively and efficiently as possible.
- A balanced approach requires strong, committed and consistent leadership. Without this, it is impossible for the organization to achieve its goals.

More information on building organizational excellence through Balanced Business Performance can be obtained from Partners In EXCELLENCE.

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