

Exogenous Factors Impacting Minitrends

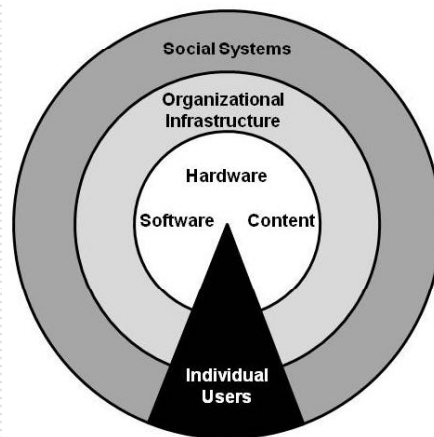
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Marketing Ecosystem

- ☐ Product/Service
- ☐ Organizational Structure:
 - Distribution
- ☐ Competition
- ☐ Regulation



Interdependence

- ☐ Organizational
 - Interdependence increases market power of dominant organization
- ☐ Consumer
 - Interdependence increases need for critical mass
 - ☐ Minimum: Alteration store
 - ☐ Maximum: Social network



Technical Standards as Interdependence

- ☐ A single, open standard allows easiest market entry
 - ☐ Example: 35mm headphone jack
- ☐ Single, closed standard limits market entry
 - Dependence upon standards holder
 - ☐ Example: Apple's iOS
- ☐ Multiple, open standards limit market opportunity
 - ☐ Example: Video recording formats

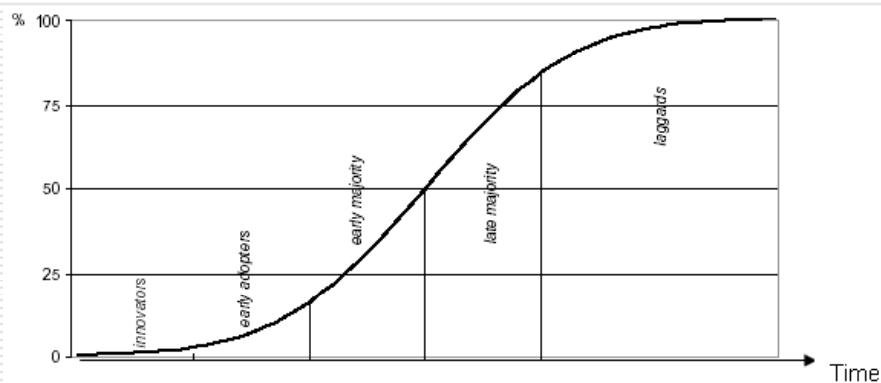


Analyzing the Ecosystem

- ☐ Interdependence
- ☐ Complexity
 - Standards
 - Production process
 - Distribution levels
- ☐ Market domination



Diffusion Theory: Rogers' Diffusion Curve

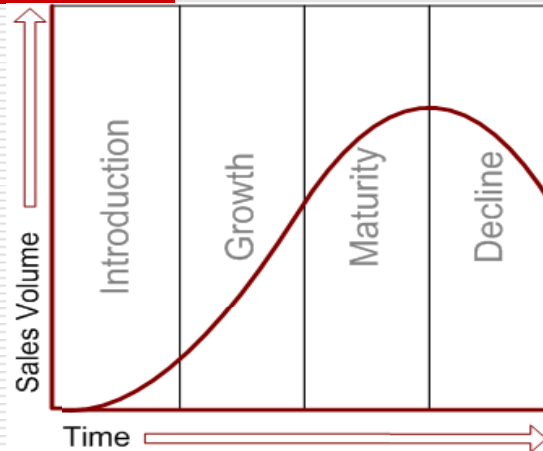


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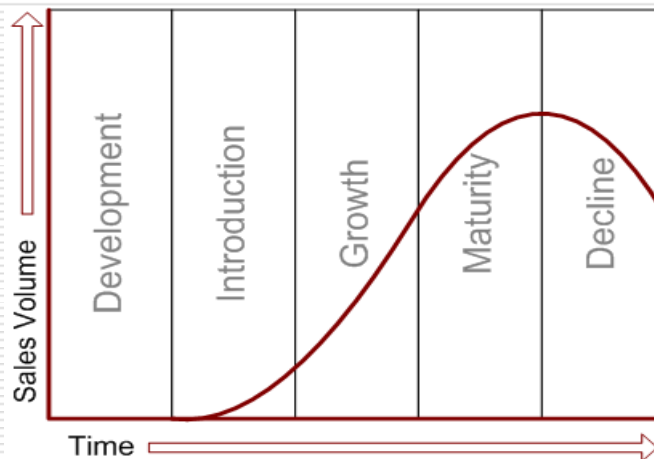


Product Life Cycle

- Adds “decline” to the innovation process



Extending the Product Life Cycle



Development Stage

- May also be considered "Pre-Diffusion"
- For most technologies, primary concern is organizational processes and relationships



Pre-Diffusion Theory

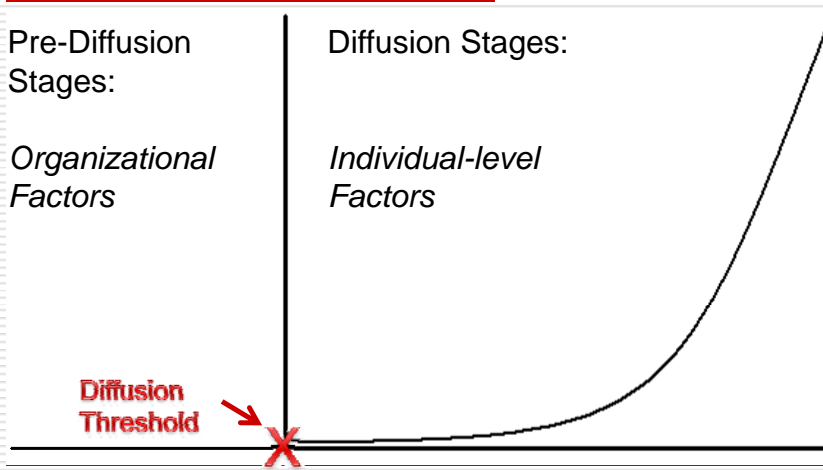
Pre-Diffusion
Stages:

*Organizational
Factors*

Diffusion Stages:

*Individual-level
Factors*

Diffusion
Threshold



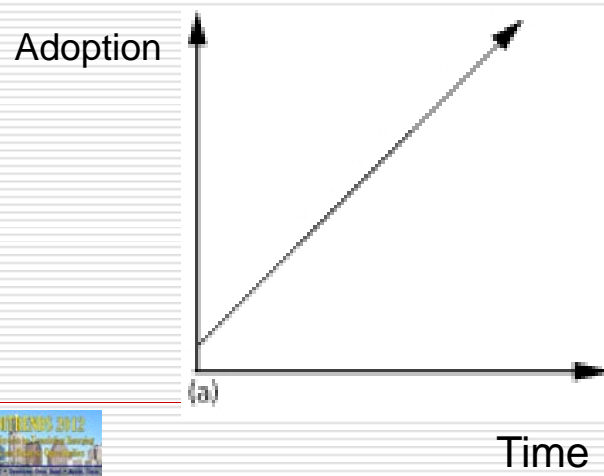
☐ **Question:** What is the best way to explore the organizational relationships in the pre-diffusion process?

☐ One Answer: Collective action theory



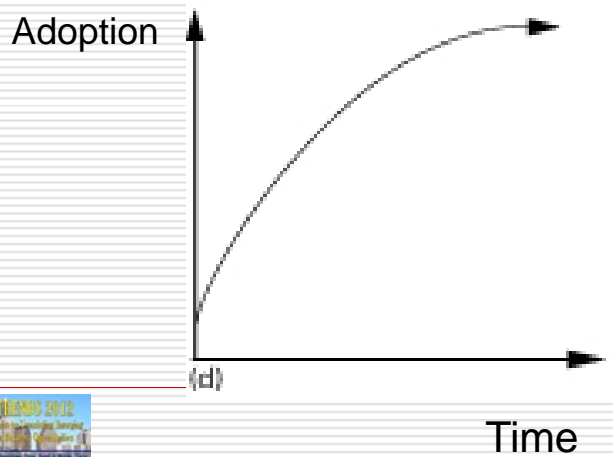
Linear Production Function

Example: Chairs



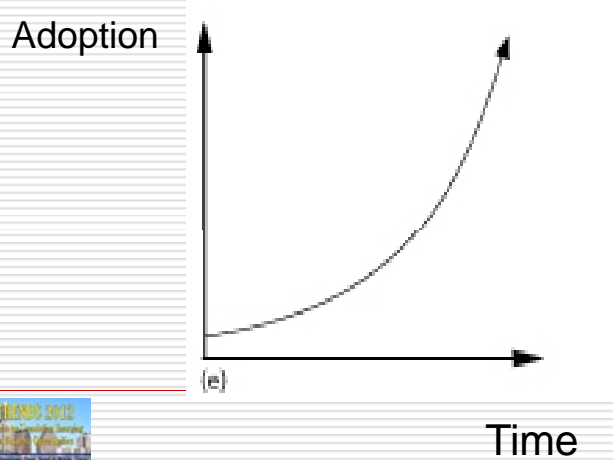
Decelerating Production Function

Example: Lobbying



Accelerating Production Function

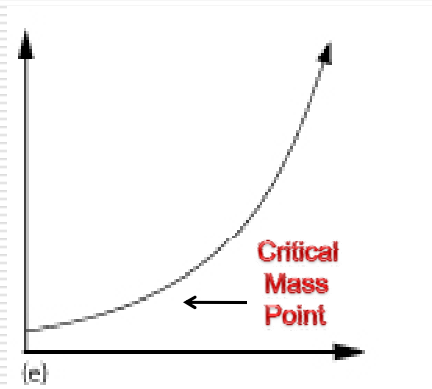
Example: Telephones



Accelerating Production Function

Critical Mass Point

Adoption

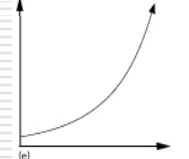
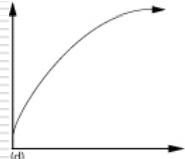
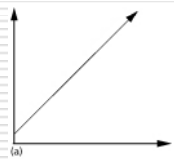


Time



Lesson:

- ☐ Know the production function of your industry
 - Linear
 - Decelerating
 - Accelerating



Pre-Diffusion Theory

- ☐ Addresses factors that enable diffusion
- ☐ Organizational level
- ☐ Production and distribution of all hardware/software must be in place for diffusion to begin
- **Diffusion Threshold**

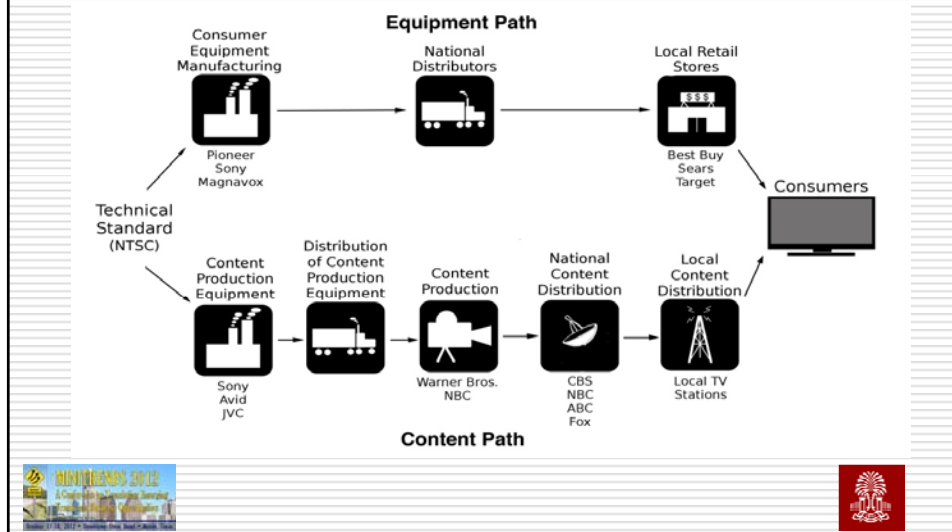


Market Concentration in the Ecosystem

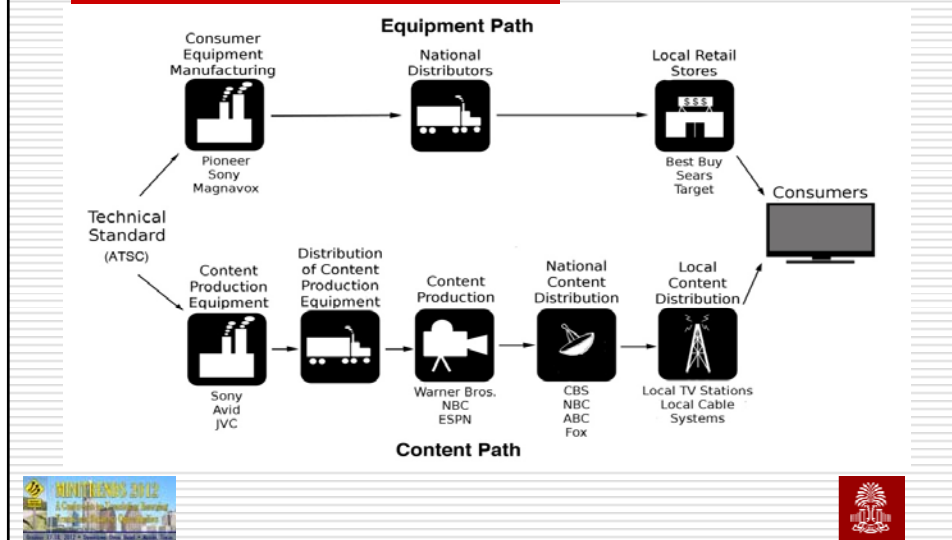
- ☐ Increased market concentration
 - One organization serves more functions
 - Increased likelihood of reaching diffusion threshold
- ☐ Decreased market concentration:
 - More organizations involved
 - More difficult to reach diffusion threshold



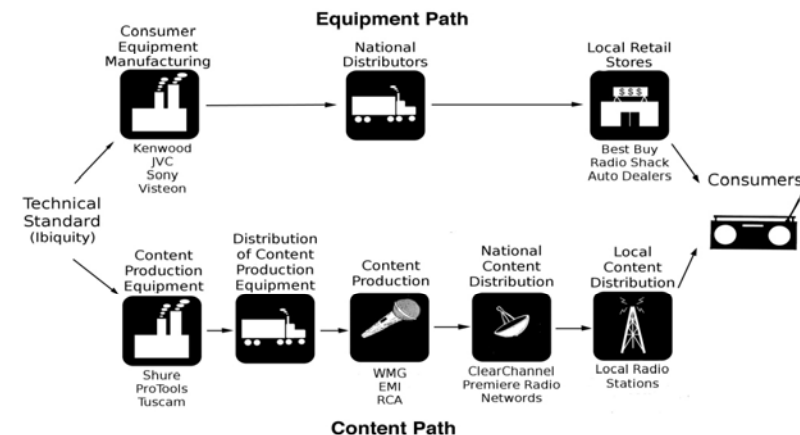
Pre-Diffusion of Media Technologies: TV



HDTV Pre-Diffusion



HD Radio Pre-Diffusion



Example #1: Videodisc vs. VCR

- ☐ VCR could use existing software
- ☐ Videodisc players needed software
 - No video stores
 - Almost no movies available
- ☐ Diffusion of VCRs allowed growth of video store
 - Ultimately enabled videodisc (DVD format)

Example #2: Portable, Digital Music Players

- ❑ 1997-2001: Countless players (hardware and computer-based) introduced and failed
 - Lack of most popular music
- ❑ 2001: iPod introduced
 - Current hits made available on iTunes store
 - ❑ Music industry cooperation
 - ❑ Consumer adoption



Other Examples

- ❑ Tablet Computers
 - Repeated introduction of hardware
 - Lack of software
- ❑ Then along comes the iPad
 - Uses apps developed for the iPhone



Lessons:

- ☐ Know the production function of your industry
- ☐ Exploitation of Minitrends requires study of marketing ecosystem
 - Interdependence
 - Complexity
 - Market domination
- ☐ Ecosystem must be studied as a unit



Q?



More info:

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