

# Chapter 5

## Disruptive Product Strategy for Industry First Mover: A Bottom–Up, Low–Cost Innovation Model

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### ABSTRACT

*This chapter combines disruptive innovation with industry evolution theory to construct an innovation planning phase, including exploration, assessment, strategy formation, and activity planning, and further verified it using qualitative interviews and quantitative analysis of a successful disruptive innovation case in the IT industry. The research constructs an industry evolution model of disruptive innovation and first mover's strategic direction. When an enterprise is positioned in the market with a disruptive innovation, it is expected to gain a large market and give customers enough reasons to make a purchase. During the course of the planning phase, a firm should use different strategic approaches, such as innovative differentiation, leading product, low price expansion, and diversification of the product line, in order to create a significant strategic synergy which will help to speed the time to market and obtain the advantage of low cost, thus producing a “single innovation concept with diversified value contribution” to help restructure the entire market.*

### RESEARCH BACKGROUND AND INTRODUCTION

In the 21st century, the most popular research topics are how enterprises can possess a leading edge in such a fiercely competitive global industrial and marketing context, and how to introduce innovative products as well as manufacturing techniques

in order to transform themselves into distinctive and successful companies. There are two main benefits which innovation can induce, namely, improved opportunity for survival and higher profit margins. It is thus important for managers to learn how to manage the innovation process and help their firms to go beyond past experience and knowledge to develop a forward-looking innovative technologies or products. This chapter will attempt to explore the course of disruptive

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innovation, including its related evolutionary processes, and thus construct an industry evolution model of disruptive innovation, which will combine disruptive innovation with industry evolution theory, and also examine a successful disruptive innovation case in the IT industry.

### **The Strategic Process and Evolution Path of Disruptive Innovation**

According to Frankel (1990), innovation is an amendment or an invention of a new concept, which includes the creation of a new product or process (Tushman & Nadler, 1986) and the rational combination of styles and technologies. It provides consumers with a cost-effective consumption experience (Cagan & Vogel, 2002) to meet current and future demand, and can achieve successful commercialization by offering improved functionality. Leonard and Sensiper (1998) stated that innovation, which is a primary driving force for maintaining competitive advantage, is demonstrated in the ability to satisfy customer demands (Lumpkin & Dess, 1996), and to provide unique or high value products that increase sales (Motwani et al., 1999). Based on these ideas, we propose the following hypotheses.

The fuzzy preliminary period of product development includes the identification and selection of opportunities, transformations of value features into overall and general standards, transformation of opportunities into product concepts, realization of product opportunities to achieve a complete processing program, and a marketing plan that is based on a realistic idea of the approximate available budget. A superior level of innovation competence determines whether products which can meet market demand can be successfully developed (Adler & Shenbar, 1990), whether better manufacturing efficiencies can be achieved, or if new technologies can meet future growth needs, as well as respond to the impact of competitors' impact and unexpected changes in the business environment.

### **Growth Opportunities for the Development of Disruptive Innovations**

Christensen et al. (2000, 2003 & 2004) noted that managers should consider whether the increasing speed of performance brought about by incremental innovation has caused a "performance oversupply" with regard to the main group of current customers, and thus they should further analyze and better understand the related niche markets that offer high revenue growth rates.

#### *The Course of Innovation Exploration during the Planning Phase*

Cagan & Vogel (2002) suggested that the development team must focus on finding potential customers and forming a consensus and understanding about the contribution of each factor related to the product experience. Working from specific cases, Anthony & Johnson (2008) summarized that in exploring the potential consumer groups which have maximum growth potential, enterprises can start from characteristics such as skills constraints, insufficient financial resources, inconvenient acquisition channels and time constraints to find opportunities on the market, which can then act as potential triggers for the development of disruptive innovation.

#### *The Course of Innovation Assessment during the Planning Phase*

With regard to disruptive innovation, which necessarily contains a high degree of uncertainty, Anthony & Johnson (2008) proposed that enterprises should hold cross-department meetings to find opportunities. Cagan & Vogel (2002) stated that the opportunity evaluation of new products can convert the related value attributes into overall and general product standards, and help to quickly identify the direction of new products and users' needs to verify the effectiveness of product features when a potential market of a certain scale is identified. Kaplan & Norton (2004) stated that special

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