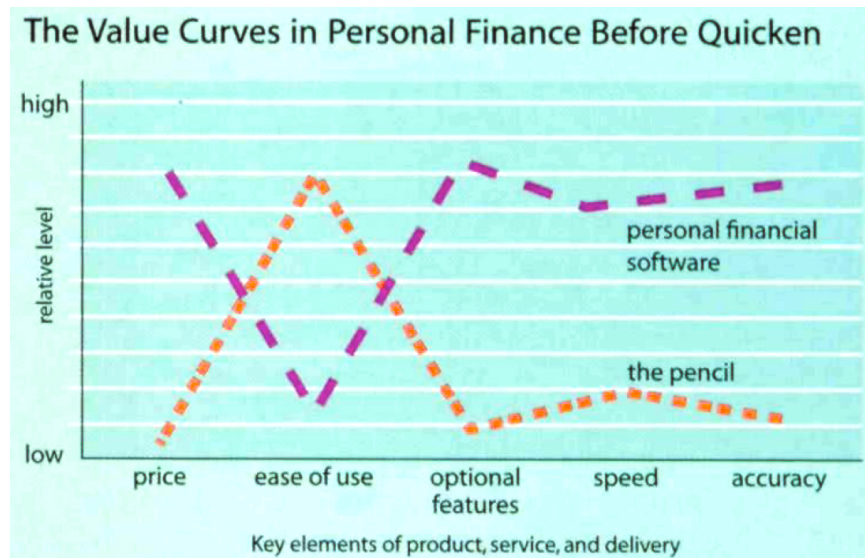


# New Value Curves

Commentary on HBR Article “Creating New Market Space”

August 29, 2013

The authors explain the concept of a new value curve. Roughly, this consists of a graph, with attributes that consumers care about on the x-axis, and then drawing different lines for various products that seek to fill those consumer needs. For example:



The idea is to use this picture to realize new areas of the market that aren't filled. Intuit used this type of idea to invent Quicken. Nobody used optional features, computer software cost too much and was too hard to use. So, remove extras, use a bunch of simple formulas, make the program really easy-to-use, and make it cheap (which is facilitated by removing features.) Then you get speed and accuracy, which people love, and ease of use that rivals a pencil. The key insight was recognizing that financial software doesn't compete against other software, but against the pencil.

The dimensions the authors say are good use to break through mental barriers are:

1. **Substitute Goods.** The pencil vs. Quicken.

2. **Complementary Goods.** The iPod and iTunes fulfilled extremely complementary needs, and thus dominated the competition. This was as opposed to the Sansa, which isn't associated with software and so has always sucked.
3. **Product Scope.** Barnes and Noble succeeded in the 1990's by thinking about bookstores as more than just places to buy books. Instead, it was also a place to *read* books, as well as relax and even eat. Going the other direction, Jony Ive realized that iMacs and Macbooks don't need DVD drives all that badly. A reduction in product scope was an innovation.
4. **Strategic Groups.** Polo took elements from high-end clothing and elements from low-end clothing and got the best of both worlds. Notice, Lauren ended up charging a premium price, not a mid-range price. That is, he didn't average things, he went with a mix of extremes. Sony mixed the coolness of the boom-box with the portability of the transistor radio to get the super successful Walkman.
5. **The Chain of Buyers.** Reuters catered to IT managers, and Bloomberg came in and catered to traders and CFO's. Buyers as opposed to users, in this case.
6. **Functional vs. Emotional** Swatch turned a previously functional item, where the competition had been about quartz accuracy and easy to read displays, into a fashion accessory. It tells the time and it looks good, so people bought 5 or 6 of them to match different outfits.

A figure to wrap up:

## Shifting the Focus of Strategy

From Head-to-Head Competition to Creating New Market Space

<i>The Conventional Boundaries of Competition</i>	HEAD-TO-HEAD COMPETITION	CREATING NEW MARKET SPACE
<i>Industry</i>	focuses on rivals within its industry	looks across substitute industries
<i>Strategic group</i>	focuses on competitive position within strategic group	looks across strategic groups within its industry
<i>Buyer group</i>	focuses on better serving the buyer group	redefines the buyer group of the industry
<i>Scope of product and service offerings</i>	focuses on maximizing the value of product and service offerings within the bounds of its industry	looks across to complementary product and service offerings that go beyond the bounds of its industry
<i>Functional-emotional orientation of an industry</i>	focuses on improving price-performance in line with the functional-emotional orientation of its industry	rethinks the functional-emotional orientation of its industry
<i>Time</i>	focuses on adapting to external trends as they occur	participates in shaping external trends over time

One big point of all this is that people get stuck on a few dimensions, like price and speed. You want to give the most speed for the cheapest price, and then you get stuck in a competitive deathtrap. The ideas above can be used to think of new dimensions for the product. The hard part is that everyone gets trained to think about the prominent dimensions of a given product and never even ventures out. What is needed in conjunction with these ideas is a routine way to apply them. Maybe just monthly, you apply this article to what you're doing.