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MCKENNA'S VIEW OF 21ST CENTURY MARKET DEVELOPMENT

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R W Witty
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DISTRIBUTION: Tim Walker, Alvey
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F R A Hopgood

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Title: McKenna's view of 21st century market development

Introduction

The following is an extract from my sabbatical report. It is a note of a seminar given at my local college business school as one of a series of lectures by leading Silicon Valley businessmen.

Flint Center Business School Seminar given by Regis McKenna. Feb. 3, 1988.

Regis McKenna is a well known Silicon Valley marketing expert and the author of the book called "The Regis Touch". He spoke of five factors affecting business in Silicon Valley today; they are

- 1) The Unpredictable Environment,
- 2) Competition,
- 3) Surprises,
- 4) Market Driven Technology,
- 5) Diversity.

The unpredictable environment refers to the fact that business markets must now be considered as global and highly volatile.

Increased competition is coming from two sources. One is just that the natural pace of competition is increasing; secondly, the number of countries who are now significant competitors to the USA is increasing as Korea, Singapore, Malaysia etc. become serious competitors to the US in the way that Japan rose after the second World War.

Surprises refers to the fact that increasingly the future of any business is extremely unpredictable and there is an increasing lack of security in any business. "Obstacles to progress are not ignorance but the illusion of knowledge" by Boonstein in a book called The Discovers.

Market driven technology requires the customer to be in the development loop thereby facilitating rapid adaptation from innovation to consumer. This is one way to reduce product development cycle.

Diversity is increasing on what McKenna called the Technology Platform and the Social Platform. Social Platform is about micro majorities stimulators. The USA historically derives its major economic strength from its ability to mass manufacture into a mass market and to get its product accepted into this mass market by making people tend to think more as a mass society. This is reflected in say the change from crafts to unions as the organization a labour. The economic strength of the US grew in this change from craftsmanship to mass marketing and from individuals into a mass society in the period 1900 to 1950. McKenna feels that the 1960s were the start of a return to individualism. He feels that the advent of mass media and the information society are now giving a big voice to micro

majorities Micro majorities are well organized, well defined , minorities which through their lobbying power or purchasing power have the appearance of majorities, (eg Blacks, Hispanics, Jews, Fundamentalist Christians, West Coast Yuppies), indeed any sort of group which has some kind of coherence and voice.

When the market share of various manufacturers is surveyed it is quite often the "other" category which has the biggest share of many markets. For example in the PC market it is not IBM or Apple which has the dominant share but "other". This is similarly true for products such as orange juice. Again if the figures for NBC, ABC and CBS are compared it is seen that none of them has the biggest market share but the sum of "other" channels has essentially the biggest audience share where many of these other channels cater for micro majorities. McKenna feels that technology is enabling the individualization of products to occur.

Managers must understand and operate in todays world because they can not get their predictions right, therefore they must not worry too much about what the future is going to be but get on and work within todays constraints. The future should be handled by planning for options and alternatives so that which ever future direction actually takes place there is some kind plan to cope with it even though exactly which of the alternatives could not be foreseen. McKenna quoted that IBM needs 250 signatures to get a product out of the door even after it has been developed. This is an example of why small companies can get product to market so much quicker.

The Future: Social Common Platform

McKenna felt that institutions will diversify and devolve. That education will become a much greater competitive factor and in itself a competition. This might well be affected by declining birth rate in some countries.

The change from the first half of the 20th century, which was mass manufacturing and mass marketing, to the 60s is characterized by the invention of the PC which he felt was invented by 60s type people who where looking at increasing individualization.

So as we go into the 21st century we should see increasing independence and individualization of people and products with increasing fragmentation of the mass market into an increasing number of micro majorities. He sees that a social problem will be a search by individuals for a set of values amidst considerable confusion.

The Future: Technical Platform

McKenna said that the 'small is beautiful' trend will prevail in the early 21st century. Design will be for individuals rather than mass markets and an increasing trend will be the customization of certain products, for example cars will be built much more to individual specification.

McKenna quoted that 50% of California Engineering students today are foreigners. Many of them stay in the USA but even so this was a cause for concern. It indicated part of the internationalization of Science and Technology which is rapidly occurring.

There are still many many more countries to enter the world market as the third world continues to progress towards western levels of industrialization. He felt that technology was becoming more transparent, more useful to the consumer but less important to the consumer. Some of the mystery is going to be taken out of it as things that are high tech become more regarded as utility products. Nobody really cares about how the engine in a car actually works because now they are so reliable that is not an issue.

He feels that there will be increased specialization of products and markets because technology eg, flexible manufacturing, will make it economic to do thing on an individual basis.

Marketing itself will become a more individual theme. For instance IBM spent a 100 million dollars advertizing the PC Jr. product and it failed in the market place because the word of mouth damned it.

The role of universities would increase because they will need to serve growing numbers of small firms.

The service components of any product generates a bond between the supplier and the customer and so this aspect must be increased for successful businesses.

Research and product development must be more tightly combined and must include the customer in the actual R & D process. Beta test sites are absolutely vital because they start the process of 'word of mouth' assessment and knowledge about any new product, cf PC Jr. failure.

McKenna actually sees that, more and more, the customers will design for themselves the products that they want. This is clearly going to be possible with the improvements in CAD technology and the improvements in flexible manufacturing which means the customer will be able to either specify lists of options or choose from lists of options or indeed might actually participate directly in the design of the product. Eg Boeing will be much more involved in the design of subcomponents, continuing todays trend, while the actual end user type customer of consumer products will be able to play a much greater customization role.

In summary he seemed to be seeing the number of countries and therefore the amount of competition increasing significantly as we go into the 21st century. The mass markets will fragment into markets based around micro majorities at one end and of individually customized products at the other. In order to be successful in these markets suppliers will need to tightly intergrade the customers into their R & D and production cycles and development processes.

End of report.