

Deloitte's Global Benchmark study*

- Manufacturers cite launching new products and services as the No. 1 driver of revenue growth,
- 50% to 70% of all new product introductions fail;
- New product revenue jumped to 35% in 2006, up from 21% in 1998;
- By 2010, products representing more than 70% of today's sales will be obsolete due to changing customer demands and competitive offerings.
- Yet supporting product innovation is one of the least important priorities;

* 650 leading manufacturers worldwide – March 2004

Firm Size & Innovativeness

LARGE FIRMS

- Leverage a portfolio of projects and spread risk
- Exploit scale to pay for expensive equipment
- Benefits from more cost-reducing innovation

SMALL FIRMS

- Have less red tape, spirit of innovation
- Attracts creative people
- More cost conscious and thus spend less to develop innovation

Battelle Hot 10 for 2005

- Genome Mapping
- Supermaterials
- Compact Energy Sources
- HDTV
- **Handheld Devices**
- Smart Manufacturing Systems
- Anti-aging products
- Targeted Treatments
- Hybrid Fuel
- Edutainment

Summary Points

- The Knowledge Economy
- The Dynamic Competitive Environment
- Brutal product development cycle times
- Decreasing lag between Big Innovation and Commercialization
- The dangerous outsider
- Increased need for External Intelligence

The Original Complementor



Moore's Law

*CPU processing power
doubles every 18 to 24 months*

What is Metcalfe's Law?

- The user's experience increases **exponentially** with every user added to the network

What is Monsanto's Law?

"The number of commercially usable biotech discoveries doubles every 18 months"

Strategic Inflection Points, S-Curves

Your first two concepts

What are some trends that scare Andy?

- PC Maturing?
- Networking over PC? Consumer Appliances?
- Fast Product Development Times?
- Which of the above should Intel be concerned about?

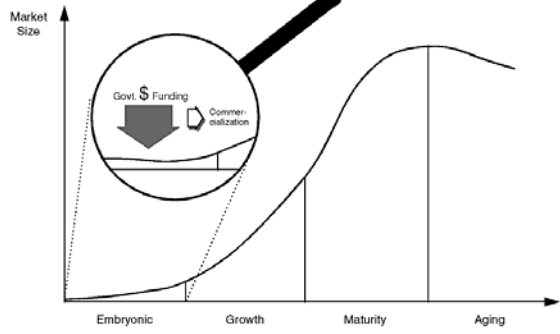
“Disruptive Innovation” ala Andy

- Changes the Competitive Landscape
- Changes the Business Model
- What else?

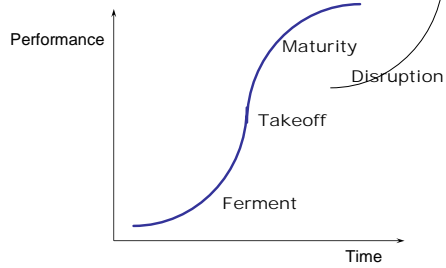
Disruptive technologies?

- They are radically different from existing technologies.
- Initially perform worse by some measures than existing dominant ones.
- Appeal to a market sector that’s not important and not served profitably by established technologies.

Govt R&D Helps Early Part of Technology Cycle



The Industry life cycle as an S-curve



Entrepreneur's challenge is to stay on the S-curve and ensure that "their curve" becomes the dominant design
