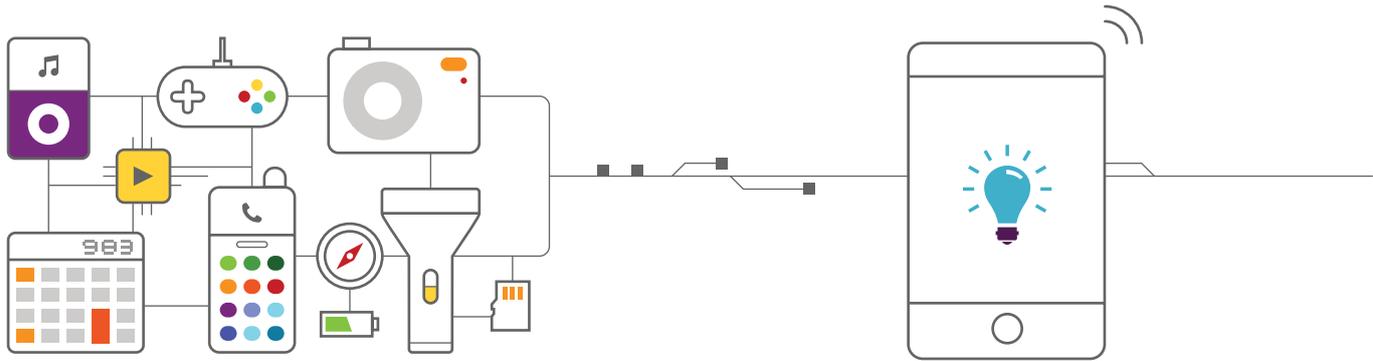
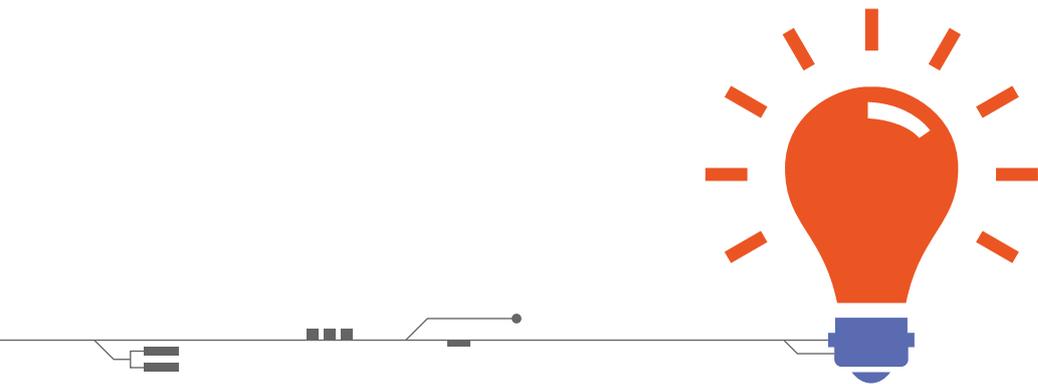


Winning in a world of convergence

Convergence has swept away one generation of technology companies. But it's not finished yet.







Chris Bonsi
CEO Greater China, TNS

Let me start by telling you a story. It's a story that many of you working in technology-led innovation will have heard some parts of before.

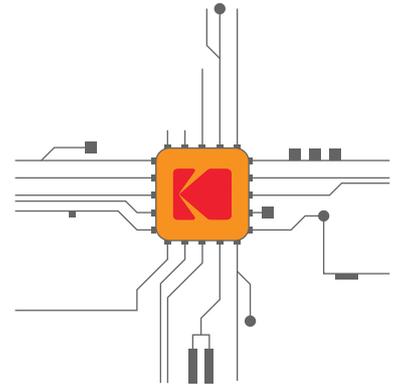
However, the risk for many technology companies is that they haven't yet realised where the story ends.

Once upon a time there was a company called Eastman Kodak, which made the vast majority of its money by manufacturing and selling photographic film. Kodak was capable of innovation. In 1975 it developed the first-ever digital camera. However, it was reluctant to develop this potentially exciting new product because it was concerned about the impact on its photographic film business.

This sounds like a parable for our times about missed innovation opportunities doesn't it? The problem is, the story is nowhere near finished.

It wasn't the snubbed digital camera opportunity that brought Kodak to its knees. In fact, once executives at the business realised the potential threat that digital cameras represented, they responded fairly swiftly, and fairly successfully. Kodak partnered with Microsoft and Apple; it developed innovations such as a printer

dock that enabled customers to plug digital cameras directly into a printer and start running off high-quality prints. By 2005, Kodak ranked number 1 in US digital camera sales.



What Kodak didn't see coming was a shift in consumer needs from the capturing of moments as high-quality images (embodied by its 'Kodak moments' tagline) to sharing moments spontaneously; something that Instagram and Facebook make possible.

In the age of social photo sharing, the real threat to Kodak didn't come from high-end digital cameras; it came from the lousy cameras incorporated into feature phones. These took low-quality, pixelated digital images that you would never want to print out. But since people always had their phones with them, they were perfect for capturing life spontaneously, and as their picture quality gradually improved, their shots were 'good enough' for sharing digitally. They came for free with a phone that you were buying anyway, and they were good enough for what people really needed from pictures. Kodak's efforts to adapt to the changing digital landscape by producing photo printers had been rendered futile, since sharing of photos over social networks largely eliminated the need to print out photos. End result – no need to buy a camera at all.

The end of the story? It would be nice for the world's current smartphone leaders if it were. However, there's still some way to go in our tale.

Kodak had been undone by convergence; by the disappearance of the comforting divisions that once existed between different types of technology and which therefore limited the scope of competition that you had to worry about.

In the old world that Kodak inhabited, cameras had competed with other cameras, games consoles had competed with other games consoles, mobile phones with other mobile phones, music players with other music players and so on. This all ended

of course, with the arrival of the fully converged, multi-functioning smartphone, the "one device to rule them all" as Tolkien-loving technology bloggers have variously christened Apple, Samsung and other handsets. Kodak's camera and film business was finished.

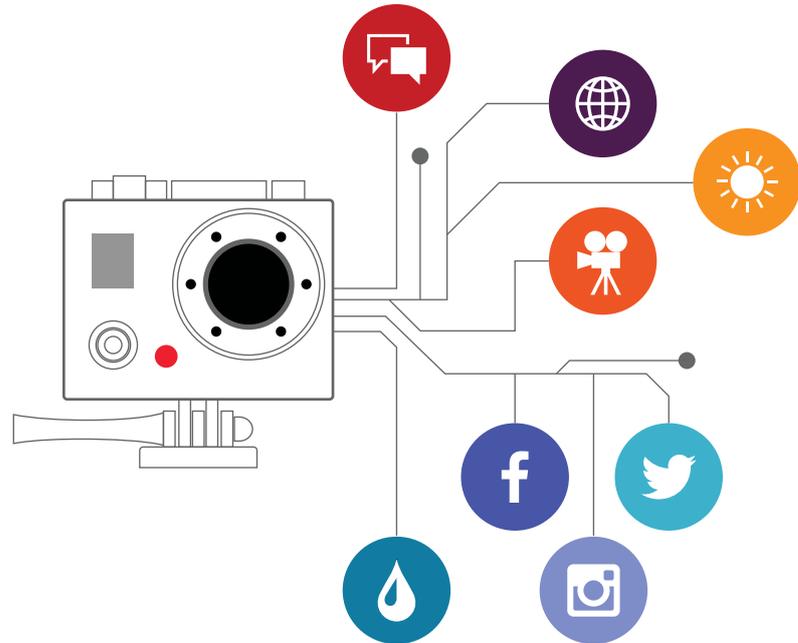
But the disruptive influence of convergence was only just getting started.

The most exciting visual imaging company today, the business with a market valuation in 2014 of \$8.5 billion that is making the weather where digital imaging is concerned isn't Apple, Samsung or Google.

It's a business called GoPro, which makes small, wearable HD camcorders with a difference. GoPro made its name as the product of choice for extreme sports enthusiasts who wanted to record their base jumps, half pipes and vertical snowboard descents but needed a device that was

rugged and robust enough to survive the activities – and could record simply and continuously without them having to fiddle around with buttons.

GoPro is one of the earliest, simplest and most successful applications of wearable technology. It signals the beginning of the end for the standard, homogenous device-that-does-everything – and it shows where convergence is headed next. The technology companies that have successfully ridden the first wave of convergence-driven change need to get ready: it's time to start learning how to compete and win in a world where the ability of a device to do more than one thing is no longer a winning strategy in itself.



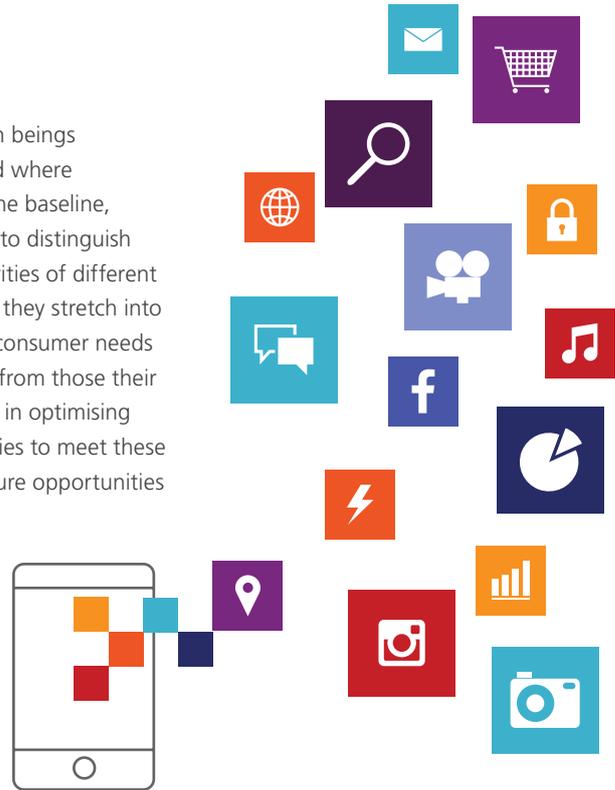
What happens when convergence is standard?

The current competitive landscape for converged devices is largely defined by price point: the two key strategies that device-makers have adopted have been around expensive flagship devices that do lots of things well and cheaper devices that do lots of things less well. However, there is little or no differentiation around which things a device does – and which of those things it does best.

The assumption tends to be that everyone buying a smartphone, tablet or laptop wants a device that does everything

– and attaches equal importance to everything that the device does.

This isn't how either human beings or markets work. In a world where convergence has become the baseline, it's essential for businesses to distinguish between the different priorities of different consumers – particularly as they stretch into new markets where those consumer needs could diverge considerably from those their business grew up with. It is in optimising their convergent technologies to meet these needs that the greatest future opportunities can be found.



Converging technology around jobs-to-be-done

To see what this can mean in practice, you need look no further than the recent announcement by HTC of the 'Desire Eye' handset, which has been almost instantly nicknamed 'the selfie phone'. The Desire Eye is a mid-range smartphone that can connect to the web, handle emails and has a 13-megapixel camera. None of these features make it a game-changer; what does is the direction the camera faces in. The Desire Eye is the first handset to put a high-quality, HD camera on the front of the phone – where it's best placed for taking 'selfie' portraits.

A selfie is one example of what Harvard Business School professor Clay Christensen terms 'Jobs-to-be-done'.

In his theories of disruptive innovation he points out that consumers don't really care about the functions of the devices they buy. They are motivated only by the things that they need or want to do, and they measure the value of any piece of innovation primarily by its ability to deliver against these. As Theodore Levitt once put it: "People don't want a quarter-inch drill; they want a quarter-inch hole." Conveniently capturing moments to share with others was the job-to-be-done that suited smartphone cameras so well – but that job has kept evolving and becoming more specialised since. A valuable audience needs technology that can capture such moments in a rugged, robust, seamless way – and that has provided GoPro with an entire business model. For still more people, the pictures they most want to share aren't

of other people but of themselves. It's this that potentially provides HTC with an opportunity to reinvent itself.

By identifying consumers' jobs-to-be-done and optimising the convergent technology at their disposal towards doing those particular jobs better than anybody else, technology companies can unearth vast potential for differentiating their offerings, identifying and targeting particular market segments and making clear, informed decisions about the path to growth with the greatest potential. Rather than challenging to be the next heavyweight champion device-that-does-everything, the diversity of jobs-to-be-done that exists provides the opportunity to own new spaces in the market.

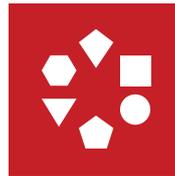
A new planning framework for a converged world

TNS has developed a planning framework for disruptive, innovative technologies that focuses on identifying the white space between consumers' needs and the characteristics of convergent technology currently on offer. When we applied this 'World of Convergence' framework to China, we found huge gaps between the standard convergent technologies already available and the actual jobs that consumers want doing. Indeed many of the most compelling consumer needs depend upon combinations and characteristics of technology that convergent devices are not currently very good at delivering.



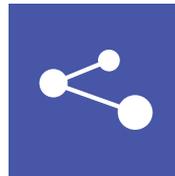
Core needs

Expectations that nearly all consumers have in all digital occasions



Occasion needs

Distinctive ideal requirements that many consumers have in different digital occasions



Hybrid needs

Ideal product requirements that blend the capabilities of multiple somewhat related, but different occasion needs

The gaps in convergence so far

Stylish, wellbeing-enhancing devices and applications have been one of the primary focus areas for both wearables and smartphone manufacturers – but no company has yet succeeded in meeting the core needs that consumers have of technology in this area. Winning concepts don't just need to be capable of monitoring health and making suggestions about wellbeing, they need to do so in a way that reflects the importance of this area to their owners. This means technology that is comfortable and intuitive to use, that won't leave consumers with tired eyes or aching wrists from typing; that won't break if it's dropped, which won't pile up frustrations by regularly running out of battery, and doesn't require its users to carry around multiple battery packs to keep wearables fully

charged. The manufacturer that develops a converged solution that is optimised around these specific needs will have a huge competitive advantage over those that offer health and wellbeing as an add-on to an otherwise unrelated package.

Simplicity and security are powerful motivations for a great many potential technology consumers,

but are similarly under-served by the convergent technology currently on offer. Mainstream adopters actually want less technology than is currently available on most converged devices; they want to know exactly what they are paying for; and they want their technology to be simple to use

and wholly secure. The concerns raised by recent hacking of celebrity iCloud accounts emphasises how security remains a challenge and could represent an opportunity for a Blackberry resurgence which has built a strong reputation around security. Equally significant is the as-yet-unrequited desire of consumers for devices that can move seamlessly across different forms of internet connections – and which can work equally effectively when those connections are weak or disrupted (something that is often the case in lower-tier Chinese cities, and in emerging markets generally). A huge opportunity exists for an innovative manufacturer that can package simple, easily understood features with uncomplicated but trustworthy security and an operating system far less dependent on mature market standards of connectivity.

The contenders for convergence opportunities

These are just some of the broad range of differentiated convergence opportunities identified through the World of Convergence study. There are plenty of contenders when it comes to exploiting them. Smartphones remain the technology platform best placed to adapt and optimise itself to emerging convergence opportunities, but smartphones must evolve significantly new formats in order to do so effectively. Wearables encompass huge potential for seamless solutions that address lifestyle needs intuitively, provided they can meet challenges around battery life, connectivity and robustness, and provided they can deliver designs to reverse a recent consumer trend. Smartphone disruption has accustomed consumers to not wearing watches, the original wearable technology.

The new generation of wearables must convince them otherwise.

For their part, laptops, PCs and tablets all have less to offer in terms of inherent portability. However, the World of Convergence framework also identifies opportunities for smart, content-aggregating hubs with ultimate graphics, sound and storage, particularly amongst those with the potential to own multiple connected devices. This provides them with significant spaces in which to play.

In recent years, it has been easy to see convergence as a market-limiting trend, concentrating share in the hands of a few all-purpose technology solutions and the ecosystems supporting them. However, as we enter a fully converged world, this process will move into reverse.

The next generation of converged technology offers the opportunity to address far deeper and far more specific consumer needs; and to align products far more closely with the roles that people actually want them to play. For any business committed to understanding these needs, this story has the potential for a very happy ending indeed.

About the author



Chris Bonsi is responsible for delivering TNS's strategy in Greater China and ensuring that our insights deliver business impact for our clients.

Chris has extensive experience in consulting technology and automotive clients with their innovation and branding strategies in Asia Pacific over the past 20 years.

Prior to joining TNS in 2002, Chris was a partner at J.D. Power and Associates where he established the Singapore regional office and the Asia Pacific footprint covering China, India, and Southeast Asia.

Chris holds a Bachelor Degree in International Relations from Stanford University.

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About World of Convergence

Built on TNS's world-leading opportunity identification approach, Matrix, World of Convergence is a comprehensive study that identifies those areas that will lead to growth for technology companies.

Coverage:

The study is based on conversations with 5,900 consumers in 29 cities (tier 1- 5) during July 2014.

Content:

Digital macro trends – Identification of emerging opportunities based on consumers' "jobs-to-be-done".

Device evaluation – Comprehensive evaluation of 17 digital devices to understand which categories best serve consumer needs today and those which can extend to fulfill unmet needs.

Occasion needs – 13 occasion-based needs identified, where consumers are currently not served effectively, presenting portfolio differentiation opportunities.

Accessing the study

Companies can access the findings from the TNS study in a number of ways:

- I. A standard report containing the full findings from the study
- II. A customised report, identifying the opportunities for a particular category, device, service or audience
- III. A customised workshop, where our experts will work through the findings of the study in the context of your specific growth challenge

Please visit www.tnsglobal.com for further information.

About TNS

TNS advises clients on specific growth strategies around new market entry, innovation, brand switching and stakeholder management, based on long-established expertise and market-leading solutions. With a presence in over 80 countries, TNS has more conversations with the world's consumers than anyone else and understands individual human behaviours and attitudes across every cultural, economic and political region of the world.

TNS is part of Kantar, the data investment management division of WPP and one of the world's largest insight, information and consultancy groups.

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