CAR BATTERIES
Every Car Has One (Large Market)
Replaced Every 2 - 4 Years
Vary In Price From $50 - $300
Installers Vary From DIY To DIFM
WHAT IS THE GOAL?

Establish Tech-Credibility
Create Buzz Before Site Launch
Sell More Batteries
WHAT IS THE GOAL?

Establish Tech-Credibility
Create Buzz Before Site Launch
Sell More Batteries
SHOULD THEY EVEN BOTHER?

Lifespan of any given app or mobile OS version

Chance that enough people need to buy a new battery when the app is launched.

Associated costs aligned with goals?
UNDERSTANDING OF ...

Use of Apps/Mobile Devices
Client’s Products
Client’s Business Goals
How Understanding the Business around User Experience Design Will Make You Better at the Business of User Experience Design

THURSDAY NOVEMBER 8th, 2012
World Usability Day | Michigan State University
Michigan State University Union | East Lansing, MI | 48824
UX design has done a great job in the last decade of redefining (for the better) how we define requirements for products with digital UIs. There is no doubt about this. But this has come at a cost of upward mobility in our organizations. We’re functional players that make tactical work more efficient. We’re not strategic players that help our organizations transform themselves. The closer we look at UIs, the more pigeonholed we’re likely to be.
The need to communicate the UX value proposition is often overlooked by UX practitioners. This probably happens for several reasons: it is hard to do, it is not part of the UX practitioner’s skill set, and sometimes it just hasn’t been needed.
If we learn about the money, design can become part of the business as opposed to just another resource on a project. ... design solutions directly affect revenue and profit, and thus also affect budgeting and future enhancements and innovations.
By learning about and inserting ourselves into conversations about money we can begin to counter the “that’s not in the budget” comments with conversations like these:

PM: “That’s not in scope”  
UXD: “How much of the budget will this solution take up?”  
PM: “10% of the budget.”  
UXD: “This solution will bring us in 5% more revenue than the original solution. Does that change the budget?”  
PM: “Good point, let’s go talk to the sponsor.”
By learning about and inserting ourselves into conversations about money we can begin to counter the “that’s not in the budget” comments with conversations like these:

PM: “That’s not in scope”
UXD: “How much of the budget will this solution take up?”
PM: “10% of the budget.”
UXD: “This solution will bring us in 5% more revenue than the original solution. Does that change the budget?”
PM: “Good point, let’s go talk to the sponsor.”
PM: “That’s not in scope”
UXD: “We know that we’re experiencing a larger than average cart abandonment, right?”
PM: “Right.”

UXD: “This solution removes the barrier that our client’s metrics were showing was the cause of the cart abandonment in the first place. Meaning if we implement this solution, more people check out, meaning more people buy stuff, meaning the client makes more money, right? I know it’s not in scope, but it is in the client’s best interest. And even if the client decides not to implement this solution now, it’s better we get credit for finding the problem and proposing a fix, as opposed to pretending like it doesn’t exist, and leaving it to someone else to find and having them take the credit later, right?”

PM: “Good point, let’s go talk to the sponsor.”
Projected, 1 billion photos by mid-April, 2012.
General knowledge covering a broad area
General knowledge covering a broad area

Deep knowledge in one specific area
“A business (also known as enterprise or firm) is an organization engaged in the trade of goods, services, or both to consumers. Businesses are predominant in capitalist economies, where most of them are privately owned and administered to earn profit to increase the wealth of their owners.”

- WIKIPEDIA

What does it do?
How much money is it going to make?

- FRIEND OF MINE
  entrepreneur / business owner / lawyer / golfer
What does it do?

How much money is it going to make?

- FRIEND OF MINE
  entrepreneur / business owner / lawyer / golfer
The Five Competitive Forces That Shape Strategy

By Michael E. Porter

Harvard Business Review • January 2008
“In 1979, Harvard Business Review published “How Competitive Forces Shape Strategy” by a young economist and associate professor, Michael E. Porter. It was his first HBR article, and it started a revolution in the strategy field. ... “Porter’s five forces” have shaped a generation of academic research and business practice.”

- EDITOR’S NOTE
“In essence, the job of the strategist is to understand and cope with competition. Often, however, managers define competition too narrowly, as if it occurred only among today’s direct competitors. Yet competition for profits goes beyond established industry rivals to include four other competitive forces as well: customers, suppliers, potential entrants, and substitute products.”

- MICHAEL E. PORTER
“As different from one another as industries might appear on the surface, the underlying drivers of profitability are the same.”

“Awareness of the five forces can help a company understand the structure of its industry and stake out a position that is more profitable and less vulnerable to attack.”

- MICHAEL E. PORTER
Threat of New Entrants

Bargaining Power of Suppliers

Rivalry Among Existing Competitors

Bargaining Power of Buyers

Threat of Substitute Products or Services
Threat of New Entrants

Bargaining Power of Suppliers

Rivalry Among Existing Competitors

Threat of Substitute Products or Services

Bargaining Power of Buyers
“New entrants to an industry bring new capacity and a desire to gain market share that puts pressure on prices, costs, and the rate of investment necessary to compete.”

“When new entrants are diversifying from other markets, they can leverage existing capabilities and cash flows to shake up competition, as Pepsi did when it entered the bottled water industry.”
THREAT OF NEW ENTRANTS

UxD EXAMPLE

Microsoft leveraged existing capabilities when diversifying from their core desktop computer market.
THREAT OF NEW ENTRANTS

BARRIERS TO ENTRY
1. Supply-Side Economies of Scale

“These economies arise when firms that produce at larger volumes enjoy lower costs per unit because they can spread fixed costs over more units, employ more efficient technology, or command better terms from suppliers.”

“In microprocessors, incumbents such as Intel are protected by scale economies in research, chip fabrication, and consumer marketing.”
1. Supply-Side Economies of Scale

Both Ford and Microsoft must invest to create their products. Only Ford, however, must continue to spend to produce each vehicle.

http://www.roadandtrack.com/future-cars/first/2012-ford-mustang-boss-302
2. Demand-Side Benefits of Scale

“These benefits, also known as network effects, arise in industries where a buyer’s willingness to pay for a company’s product increases with the number of other buyers who also patronize the company. Buyers may also value being in a “network” with a larger number of fellow customers.”
THREAT OF NEW ENTRANTS

BARRIERS TO ENTRY / UxD EXAMPLE

2. Demand-Side Benefits of Scale

Is there another social networking site with over 1 billion active users (as of October 2012)?

http://en.wikipedia.org/wiki/Facebook
3. Customer Switching Costs

“Switching costs are fixed costs that buyers face when they change suppliers. Such costs may arise because a buyer who switches vendors must, for example, alter product specifications, retrain employees to use a new product, or modify processes or information systems.”
3. Customer Switching Costs

Allowing users to port over other email accounts reduces a pain point and lowers switching costs.
4. Capital Requirements

“The need to invest large financial resources in order to compete can deter new entrants. The barrier is particularly great if the capital is required for unrecoverable and therefore harder-to-finance expenditures, such as up-front advertising or research and development.”

“It is important not to overstate the degree to which capital requirements alone deter entry.”
4. Capital Requirements

Microsoft Is Said to Pay Nokia More Than $1 Billion in Deal
March 07, 2011, 4:12 PM EST
By Dina Bass

Microsoft experiencing severe cost restrictions to getting into the mobile OS business.

5. Incumbency Advantages
Independent of Size

“These advantages can stem from such sources as proprietary technology, preferential access to the best raw material sources, preemption of the most favorable geographic locations, established brand identities, or cumulative experience that has allowed incumbents to learn how to produce more efficiently.”
5. Incumbency Advantages
Independent of Size

Amazon parlayed initial success into e-retail dominance despite large established brick-and-mortar book retailers.
6. Unequal Access To Distribution Channels

“The new entrant must, of course, secure distribution of its product or service. A new food item, for example, must displace others from the supermarket shelf via price breaks, promotions, intense selling efforts, or some other means.”
6. Unequal Access To Distribution Channels

Restrictive and unclear policies prevent apps from making to Apple’s App Store.
7. Restrictive Government Policy

“Government policy can hinder or aid new entry directly, as well as amplify (or nullify) the other entry barriers. Government directly limits or even forecloses entry into industries through, for instance, licensing requirements and restrictions on foreign investment. Regulated industries like liquor retailing, taxi services, and airlines are visible examples.”
7. Restrictive Government Policy

Governmentally mandated license restrictions limit frequency access for carriers.
Threat of New Entrants

Bargaining Power of Suppliers

Rivalry Among Existing Competitors

Threat of Substitute Products or Services

Bargaining Power of Buyers
Threat of New Entrants

Bargaining Power of Suppliers

Rivalry Among Existing Competitors

Threat of Substitute Products or Services

Bargaining Power of Buyers
“Powerful suppliers capture more of the value for themselves by charging higher prices, limiting quality or services, or shifting costs to industry participants.”

“Powerful suppliers, including suppliers of labor, can squeeze profitability out of an industry that is unable to pass on cost increases in its own prices.”
Based on the success of the iPhone, Apple has been able to get carriers to subsidize their expansion into mobile.

**BARGAINING POWER OF SUPPLIERS**

<table>
<thead>
<tr>
<th></th>
<th>16 Gb</th>
<th>32 Gb</th>
<th>64 Gb</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unlocked</td>
<td>$649</td>
<td>$749</td>
<td>$849</td>
</tr>
<tr>
<td>2-Yr Contract</td>
<td>$199</td>
<td>$299</td>
<td>$399</td>
</tr>
<tr>
<td>Subsidized</td>
<td>$450</td>
<td>$450</td>
<td>$450</td>
</tr>
</tbody>
</table>
Threat of New Entrants

Bargaining Power of Buyers

Rivalry Among Existing Competitors

Bargaining Power of Suppliers

Threat of Substitute Products or Services
“Powerful customers—the flip side of powerful suppliers—can capture more value by forcing down prices, demanding better quality or more service (thereby driving up costs), and generally playing industry participants off against one another, all at the expense of industry profitability.”
With multiple web hosting options available, we can save our clients money by outsourcing rather than purchasing hardware.
Threat of New Entrants
Bargaining Power of Buyers
Rivalry Among Existing Competitors
Bargaining Power of Suppliers
Threat of Substitute Products or Services
Threat of New Entrants

Bargaining Power of Suppliers

Rivalry Among Existing Competitors

Bargaining Power of Buyers

Threat of Substitute Products or Services
“A substitute performs the same or a similar function as an industry’s product by a different means.”

“The substitute offers an attractive price-performance trade-off to the industry’s product. The better the relative value of the substitute, the tighter is the lid on an industry’s profit potential.”
THREAT OF SUBSTITUTE PRODUCTS OR SERVICES

UxD EXAMPLE

Enough said?

Threat of New Entrants

Bargaining Power of Suppliers

Rivalry Among Existing Competitors

Bargaining Power of Buyers

Threat of Substitute Products or Services
Threat of Substitute Products or Services

Threat of New Entrants

Bargaining Power of Buyers

Bargaining Power of Suppliers

Rivalry Among Existing Competitors

Threat of Substitute Products or Services
Rivalry among existing competitors takes many familiar forms, including price discounting, new product introductions, advertising campaigns, and service improvements. High rivalry limits the profitability of an industry.

"Competition on dimensions other than price—on product features, support services, delivery time, or brand image, for instance—is less likely to erode profitability because it improves customer value and can support higher prices."
Rivalry among existing competitors takes many familiar forms, including price discounting, new product introductions, advertising campaigns, and service improvements. High rivalry limits the profitability of an industry.

“Competition on dimensions other than price—on product features, support services, delivery time, or brand image, for instance—is less likely to erode profitability because it improves customer value and can support higher prices.”
Threat of Substitute Products or Services

Threat of New Entrants

Bargaining Power of Suppliers

Rivalry Among Existing Competitors

Bargaining Power of Buyers

Threat of Substitute Products or Services
“Ok, this is great ... where do I go with this?”
CHECK OUT:
Amazon.com

Cost-Justifying Usability
by Randolph G. Bias and Deborah J. Mayhew
CHECK OUT:
Amazon.com, DrDeb.Vineyard.net

Cost-Justifying Usability
by Randolph G. Bias and Deborah J. Mayhew

Making a Business Case for Usability:
Four Real Life Stories
by Deborah J. Mayhew
CHECK OUT:
Amazon.com, DrDeb.Vineyard.net, HBR.org

Cost-Justifying Usability
by Randolph G. Bias and Deborah J. Mayhew

Making a Business Case for Usability:
Four Real Life Stories
by Deborah J. Mayhew

Users Are the New Growth Engine
by Aaron Shapiro

Design-Driven Innovation: Changing the Rules of Competition by Radically Innovating What Things Mean
by Roberto Verganti
THANK YOU

email: patrick@pjpurdy.com
Twitter: @pjpurdy