

Throwing Cold Water

Kenneth Sawka

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Unbridled optimism, assumptions, and emotions can obfuscate critical analysis of significant industry and competitive developments. It can be hard for strategists and competitive intelligence analysts to counter the wave of conventional wisdom that often accompanies major industry events, such as a new product launch or major acquisition. It is the job of competitive strategists to throw cold water on the prevailing conventional wisdom and make sure their organizations are responding with sound and objective analysis.

In 2005, The News Corporation acquired the social networking site MySpace for \$580 million, after a pitched bidding war with Viacom. Rupert Murdoch, The News Corporation's chairman, was lauded as a social media visionary. Today, MySpace is a shadow of its former self; this month, it announced nearly 500 layoffs -- close to half its 1,100 staff -- in what may be a precursor to an eventual sale of the property. According to market research firm comScore, MySpace reported 54.4 million users at the end of November 2010, a loss of more than nine million from the previous year.

What caused MySpace's demise? Social media is fragile, and changing consumer tastes that can make sensations out of services like MySpace and Friendster can also quickly make them fade away. MySpace largely failed to innovate after its acquisition by News Corporation, paving the way for Facebook to emerge as the top social networking site. It didn't help that MySpace apparently was quickly stifled by News Corporation's corporate bureaucracy and competing priorities.

Recently, the front pages were hit with another industry development that brought with it exuberance from analysts and observers. Earlier this month, wireless carrier Verizon announced that the iPhone 4 would be available on its network in early February. The enthusiasm expressed by analysts, consumers, and Verizon itself is not unlike the euphoria that surrounded News Corporation's acquisition of MySpace. Terms like "game changer" and "reshuffled competitive landscape"

are being tossed around the blogosphere, while obituaries are being written for AT&T's -- the iPhone's current and only network provider -- wireless business.

However, some analysts are offering warnings -- such as those expressed in a recent article in *The New York Times*¹ -- to those who have been dying to use the iPhone on Verizon's network. The Verizon model will not be the same iPhone 4 that is sold by AT&T because Verizon's network uses CDMA, not GSM technology. CDMA networks cannot transmit voice and data simultaneously, so users of the iPhone on the Verizon network will not be able to check e-mail or look up directions while on a call, as they can with AT&T. The Verizon iPhone also will not work in as many countries as AT&T's version as GSM technology is more prevalent outside the United States.

To be sure, the Verizon iPhone could indeed be a wireless industry game-changer, and millions of iPhone users are looking forward to the chance that their calls won't be dropped, or that they will be able to receive service in large cities like New York and San Francisco, areas where AT&T's coverage has been spotty. But, maybe they won't. Only after such significant industry events do misperceptions about them become clear. While hindsight is 20-20, foresight gained from sound competitive intelligence must serve as a set of eyeglasses that helps decision-makers see more clearly the pros and cons of major industry events.

Reasonable competitive and industry intelligence amid such exuberance requires logic, critical thinking, and sound evidence-based analysis. Otherwise, companies make critical decisions based on popular, but unfounded, judgments.

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¹ "Battle Is Set as Verizon Adds iPhone," January 11, 2011, http://www.nytimes.com/2011/01/12/technology/12phone.html?_r=1&ref=business