Crossing the chasm
Launching and re-launching in the Swedish mobile phone industry

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Abstract

The 1990s is commonly referred as the Golden Age for High Technology and during this time the industry grew with a rapid speed. As a result, the consumers were presented with a various number of innovative products such as the Internet, computers and mobile phones. Within the High Tech frame, one of the fastest growing industries is the mobile phone handset industry. In 2006, 800.2 million mobile phones were sold worldwide and the market value was $104.3 billion. Forecasts about the mobile phone market predicts that the market will grow to 1,8 billion units in 2011 and have a value of $211.9 billion.

However, during this time, the researcher, Geoffrey Moore, identified a problem for the High Tech companies, i.e. the chasm. The chasm is a gap between the early market and the mainstream market that has arisen due to the characteristics of the high tech industry and the differences between these two groups. Due to the fact, that the early market only represents 10-15% of the total market it is vital for companies to cross the chasm and reach the mainstream market, in order to cover the high initial R&D costs.

Therefore, the purpose of this thesis is to conduct a qualitative study within the Swedish mobile phone industry to understand how the manufacturers’ products are crossing the chasm.

The research has been carried out as a case study, and two of the largest mobile phone manufacturers were used as cases, Sony Ericsson and LG Electronics. The data collection was of qualitative nature and four respondents were chosen to be interviewed.

In the Swedish mobile phone industry, the researchers have identified two types of products; class products and innovation product, which have been identified, defined and named by the researchers themselves. Class products are defined as “mobile phones with no significant innovation value for the consumers”, whereas innovation products are defined as “mobile phones with high innovation value”. The main difference is that class products will never attract the interest of the early market and therefore they are usually launched directly to the mainstream market, ignoring the chasm. Factors such as incremental changes, development of IT, changes in how to market new technologies and overlapping groups in the life cycle has narrowed down the chasm in the industry for innovation products. The most important strategy in order to reach the mainstream market is partnerships and alliances and it is impossible for a manufacturer to survive on their own.
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1 Introduction

In this introductory chapter the authors will guide the reader with a funnel approach beginning with a general introduction about the topic High Technology. In the background the chosen topic will be presented to the reader and in the problem discussion the topic will be discussed. The introductory chapter will then end with the purpose for this study.

During the 1990s major advances in technology occurred, resulting in the creation of new industries like e-commerce, mobile communication, online information services and advances in medical research (Devol, 1999). This century has been recognized as the golden age for high technology. As a result, the consumers were presented with a various number of innovative products such as the Internet, computers and mobile phones. Josef Schumpeter first launched the concept innovation during the 1990s. Examples of innovation, according to Schumpeter, are new products, new methods of production, new sources of supply, exploitation of new markets and new ways to organize business (Swedberg, 1991). However, in this research the focus will be on new products. These new and unique products have created great opportunities and advantages for companies and the individual consumer.

During the golden days in the 1990s the High Technology industry grew with a rapid pace with a speed four times higher than the overall economy in the US during the 1990s as shown in Appendix 9-1 (Devol, 1999). The investment boom can best explain the rapid growth of the High Tech industry. For the period of 1990 to 2000, nonresidential fixed investments increased to 7.8%, compared to 4.6% for the previous four decades (Pakko, 2002).

As a response to the explosive development of new innovative products and high tech industries, the researcher Geoffrey Moore introduced the concept “chasm” during the 1990s. The chasm is the gap between the early customers and the mainstream customers. This gap exists because of differences between these two groups (cf. 2.2) (Moore, 1999).

The mainstream market is the largest group where most of the buyers and profits are for the company. Therefore, the goal for all companies should be to cross the chasm as fast as possible to reach the mainstream market (Mohr, Sengupta and Slater, 2005). The mainstream market consists of the early and late majority and since it represents 68% of the total market, this market is very important since it holds the majority of all potential revenues for the manufacturers (Schilling, 2005).

According to Easingwood and Harrington (2002), in order to reach the mainstream market, a company needs to launch a product for the early market and then do a re-launch for the mainstream market (Easingwood & Harrington, 2002). A successful launch for the early market does not necessary mean that they will succeed in the mainstream market (cf. 2.3). For instance, Sony’s betamax video player, IBM’s OS/2 software and Toshiba’s HD-DVD are examples of products that successfully penetrated the early market but failed to enter the mainstream market.

For the readers to better understand what High Technology is the authors are providing two different definitions on the term. Firstly, High Technology can be defined as; “A company that is engaged in the design, development, and introduction of new products and/or innovative manufacturing processes through the systematic application of scientific and technical knowledge” (Mohr et al, 2005). Furthermore, High Technology can also be de-
fined using government definitions that classify high tech on criterias such as number of technical employees, amount of research and development outlays, and number of patents (Mohr et al, 2005). The High Tech industry contains of many different industries such as computer software, telecommunications and pharmaceuticals (Zhang, 2003).

1.1 Background

Within the High Tech frame, one of the fastest growing industries is the mobile phone handset industry. In 2006, 800,2 million mobile phones were sold worldwide and the market value was $104,3 billion. Forecasts about the mobile phone market predicts that the market will grow to 1,8 billion units in 2011 and have a value of $211,9 billion (Datamonitor, 2008). In other words, it is predicted that the market will grow with over 100% in only a 5-year period. Already in 2007 the market had grown to 1,12 billion sold units globally (Datamonitor, 2008). This would mean that the market has great potential and offers huge opportunities for mobile phone manufacturers and future phone manufacturers. In the third quarter, 2008, the five largest companies with regard to worldwide market share, was Nokia (39,4%), Samsung (17,3%), Sony Ericsson (8,6%), Motorola (8,5%) and LG Electronics (7,7%). Other companies represented 18,5% of the market and among them was Apple that positioned themselves on the sixth place (IDC, 2008). In the appendix 9-2 worldwide market shares for 2006-2008 can be found. However, since the research aims to focus on the Swedish market, the statistics are quite different from the worldwide market share. In Sweden, Sony Ericsson dominates the market with around 50% of the market. Nokia, Samsung, Apple, LG and HTC follow Sony Ericsson, in market share order for the third quarter of 2008 (Mobil, 2008).

The technology has developed with a rapid pace in mobile phones and the market is regularly presented with new and innovative phones. The simple mobile phone with a black and white screen has evolved to a perfect information and entertainment device. In the beginning, the mobile phones had limited functions such as phone calls and SMS (Short Message Service). Today, the phone can replace many high tech products such as the digital camera, video recorder, computer, GPS (Global Positioning Service) navigation, media player for video and music, video games, radio and TV. The innovations have been many and have evolved the simple phone to an all-in-one device for multi-purpose use.

One incorrect assumption within the mobile phone industry and other High Tech industries; is that companies can maintain their competitiveness due to technological advantages of the product. For many companies it has now become clear that marketing and strategy efforts are highly important for a successful business in a high tech environment (Schorev & Anderson, 2006). Due to the characteristics of the market such as market uncertainty, technological uncertainty and competitive volatility, the authors believe that a different strategy approach has to be taken. For instance, the increase in uncertainty results in that the margins for errors are small and therefore the strategies has to be executed to perfection. Because in most cases the market will not allow the company another chance if they fail the first time. Along with the different market characteristics; the business cycle and the product life cycle has changed to create new ones. The old economy has evolved to having a higher growth rate and much faster product lifetime. Mobile phone manufacturers have a high unit-one-cost that means that the first unit is expensive to produce but the remaining products are relatively low. A rising demand will lower average costs resulting in that the
firms can offer lower prices in the future and also boosting demand further more (Mohr et al, 2005).

### 1.2 Problem discussion

When analyzing the previous literature about the theory crossing the chasm, also called "crossing the valley of death", many of them refer to companies having problems when encountering this obstacle in the product life cycle. According to Aswathanarayana (2005); “The term "crossing the chasm” is often used to refer to the transition from research and development to applications. Experience has shown that factors such as inadequate planning results in transition breakdown” (Aswathanarayana, 2005). Furthermore, Naveen, Sanjeev and Prosanto (2006), states that “many high technology firms fail because they are unable to make the transition from early adopters to mainstream customers” (Naveen et al, 2006). One of the most significant reasons is because the company does not have the necessary marketing skills and strategies to handle the gap that exists between the early market and the mainstream market that has arisen due to the characteristics of the high tech industry (Mohr et al, 2005).

The clear risks for mobile phone manufacturers are a loss of money, brand image and reputation, if they are not able to reach the mainstream market. Since the mobile phone industry together with many other High Tech industries are characterized by a high unit-one cost, the issue of crossing the chasm is vital for the companies. Mobile phones require large initial investments in R&D and the first unit produced is very expensive. Therefore, the companies need to reach the mainstream market were 68% of all customers and profits are, in order to cover the initial investments (Schilling, 2005). The Swedish mobile phone magazine “Mobil” has compiled a list of the ten worst mobile phones that have failed in crossing the chasm. To illustrate further the problem with the chasm the authors use two examples taken from this list. The complete list can be found in the appendix 9-3.

The mobile on first place in the fiasco mobile list is the Iridium Motorola. At a first glance, the Iridium seemed to be a good idea since you would have reception all over the world. This would be done by using a satellite system, instead of the normal mobile net. After building 66 satellites and spending 6 billion dollars, the system was ready to be taken into operation in the autumn of 1998. Quite directly, after the launch it showed that this system was not working that good, and it was too expensive to use. Almost one a year later Iridium went bankrupt and had only made around ten thousand customers. This is the worst example of failure within the mobile phone industry. This is a good example of a product and company that could not cross the chasm and cover their initial investments and resulted in devastating consequences for the company (Mobil, 2008).

When looking on the Swedish mobile phone market we have Nec. Nec was the first mobile phone that the company “Tre” sold for their 3G network. Tre sold two different phones from Nec, which both had problems with the size and battery life. One of the phones, Nec e808 got the nickname waffle iron” Våffeljärnet” because of the format, and Mobil recommended their readers to wait with their 3G phone purchase for another brand. Tre only sold about one hundred phones of the model e808 and those who bought one could later replace the phone for another brand. Today Nec mobile phones are not sold in Sweden,
anyway not in a large scale, and the reason is because of the bad reputation the brand received from their two first products (Mobil, 2008).

1.3 Purpose

The purpose of this thesis is to conduct a qualitative study within the Swedish mobile phone industry to understand how the manufacturers’ products are crossing the chasm.
2 Theoretical framework

In this chapter the researchers are providing the relevant theories and models that can be connected to the purpose of the thesis and is the result of the initial literature review. The most important theories are the ones by Moore about the “Technological Adoption Life Cycle” and “Crossing the Chasm”, and Easingwood’s theories about the launch and re-launch stage.

The theoretical framework will be the decisive factor for the structure of the rest of the thesis and research. The theories presented in this section are all described in a general context for the High Tech industry as a whole. The intentions are to use this part as a framework for the upcoming data collection. From the result and analysis of the data collection, the researchers will move back to this framework to create new knowledge for the mobile phone industry. The first section, the life cycle, will act as an introduction to find out how the manufacturers perceive the different groups in the life cycle and will be followed by the phenomenon “the chasm” that is common in High Tech industries and the related strategies to cope with this phenomenon. The second section examines how the manufacturers launch and re-launch their products to reach the mainstream market. Finally, the last section, investigated the strategy, “the whole product concept, that is a common strategy to reach the mainstream market.

2.1 The Technology Adoption Life Cycle Model

The technology adoption life cycle model shows that the firm should go from left to right in order to develop a high tech market. The model starts with the innovators at the far left and then is followed by the early adopters, early majority, late majority and ends with the laggards. The process must be smooth and continuous and there should be no delays on the way. However, if that is not the case, moving to the next group could be a problem. The high tech firm should always focus on only one category in the life cycle at the same time (Moore, 1999).

The technology adoption life cycle model is very useful in this thesis when explaining the different customers that there is in the different stages. The different stages require different methods, and are therefore important to know. Going to the next step in the model without provided the necessary things to the customers the stage before is a very bad movement (Mohr et al, 2005).

The gaps between the different groups are called cracks. The first gap is between innovators and early adopters and it occurs when a new technology product cannot be transformed into a major benefit. The major reason for this is that the customers do not know yet how to reap benefit from the technology. For instance, Sony’s betamax video player, IBM’s OS/2 software and Toshiba’s HD-DVD are examples of products that successfully penetrated the early market but failed to enter the mainstream market.
Innovators = Technology enthusiasts
Innovators are truly the first customers for a brand new product. In a high tech market they are called “Technology enthusiasts”, in other words they appreciate technology for its own sake. The innovators are willing to tolerate initial glitches and problems and will pay extra just to be first with the technology. However, they are also willing to develop solutions to such problems and this is really important for the company to get this kind of feedback, just because this is the key for moving on to the next group (Moore, 1999).

Early adopters = Visionaries
Within this group lies the first real profit for the firm. Here the “visionaries” are located and are the first real users in the market. The purpose for adopting new technology for early adopters is to achieve a boost effect to gain competitive advantage against their competitors. The product is often expensive in this stage due to the unit-one cost. When developing high tech products the first unit is often very expensive compared to the following units. However, this is not a problem because early adopters are not usually price sensitive. The reason is mainly that they could end up with a high reward project but with high risks (Moore, 1999).

Early majority = Pragmatists
The next step in the technology adoption life cycle model is early majority and is called pragmatists. This group does not love technology and new breaking revolutions because they are risk sensitive. The early adopters have three principles to achieve as low risk as possible:
1. “When it comes to move, let’s move together.” The market experience an explosion increase in demand due to the rapid increase of new adopters. This happens because of their principle of moving together.
2. “When we pick the vendor to lead us to the new paradigm, let us all pick the same one.” Using this way in decision-making will obviously determine which firm that will be the market leader, the standard.
3. “Once the transition starts, the sooner we get it over with, the better”. This is the answer to why the transition goes fast (Moore, 1999).
Late majority = Conservatives
This group sticks to the technology that works and only switches to new technology when they are certain that the technology works. Another, reason is that they are forced to switch technology to keep even steps with their competitors (Moore, 1999).

Laggards = Skeptics
Laggards are hostile against technology. The only time they would consider buying technology is when there is no other solution that works efficiently and the cost justification is absolutely solid (Moore, 1999).

2.2 The Landscape of Technology Adoption Life Cycle

The greatest task that high tech firms face in the life cycle is clearly the issue of crossing the chasm. The chasm is the gap between the innovators/early adopters and the mainstream market. Many firms fail to reach the mainstream market even when their product is superior to other technologies. The main reason for why firms fail is that they cannot understand the crucial differences between the innovators/early adopters and mainstream market. The innovators/visionaries are willing to take risks while the mainstream market wants to move on slow and steady and be on the safe side. Therefore, the chasm emerges because the early market is saturated and the mainstream market is not read. Hence, the firm has no one to sell the product to (Moore, 1999).

The Landscape of Technology Adoption Life Cycle is developed from The technology adoption life cycle model and it shows what kind of obstacles there are, when going from the different stages, it explains how it could be done and what opportunities there are. Furthermore, it explains the choice of strategy in every stage (D’cruz & Ports, 2003).

Figure 2-2 The Landscape of Technology Adoption Life Cycle (Moore, 1999)
Early Market Strategies
In the early market, the firm’s goal is to establish themselves and the product. The innovators and visionaries are a costly group to serve since they require customized products and technical support. However, this is necessary to establish them and because these groups are the firm’s first cash flow and is needed to cover the initial costs for R&D (Moore, 1999).

The Chasm
The early market is very small compared to the total market and has only a limited number of potential customers. When the early market has been saturated the firm will enter the chasm. The goal is now to minimize the time in the chasm and reach the mainstream market as fast as possible. The longer time they spend here, the greater is the risk that they will never leave it. In this stage, the knowledge about the chasm is very important. Furthermore, relationships with venture capitalists and investors become a key to cross the chasm. Many firms have failed because key investors have pulled out when the firm requested more funds to be able to finance the strategy to enter the main stream. Therefore, awareness about the chasm is very important for both the firm and their investors (Moore, 1999).

Mainstream strategies
When targeting the mainstream the firm has to be able to offer an end-to-end solution or whole product. The mainstream market does not tolerate any glitches or imperfections like the early market. The firm has to analyze the market and the customers to find their preferences and what makes a whole product for them. For instance, in the computer industry a whole product includes hardware, software interfaces, connectivity, installation, training, service and support. The firm has to work closely with alliances and partners to be able to offer the best solution possible and a whole product. In addition, another goal in this stage is to make revenue and losses are not accepted. Another strategy that is important is to make the product user friendly and rather simplifying then adding features (Moore, 1999).

The Bowling Alley
This is a period when the product gains acceptance in niche markets but has not gained widespread adoption. During this stage, the market is not big enough to have multiple players. Therefore, the firm that can offer a whole product concept, create the right alliances, and find the right partners will be the dominant market leader (Moore, 1999).

The Tornado
During the tornado most of the market starts realizing the possibilities of the product and it becomes appealing to the mass market. For instance, in 2002, the DVD players entered the tornado and the sales grew 39% that year. On the other side, it took over 15 years for the TV to enter the tornado. During this stage, the main focus for firms should be on their distribution channels. The numbers of customers is increasing rapidly during this stage and the firm has to be able to handle the high-volume workload (Moore, 1999).

The Main Street
The Main Street is when the growth starts to stagnate. During this stage the firm should focus on creating extensions and upgrades for their existing products instead of generating sales from new customers (Moore, 1999). One example is the computer game World of Warcraft (WOW). After the introduction of the main game, the creators have released several extension packages that include new maps, missions, characters etc to generate further profits from their existing customers.
2.3 Launching and re-launching high technology products

One significant theory for this research is the ones developed by Christopher Easingwood. The theory “Launching and re-launching high technology products” describes the strategies when launching a product for the early market, and then again for the mainstream market. One of the reasons why the authors selected this theory was that it is easy to apply to Moore’s theories and models. The following sections will be divided into the “Launch stage” for the early market and the “Re-launch stage” for the mainstream market. The researchers’ intentions is to focus on the re-launch stage, however without covering the launch stage the full picture of the model will be lost. Also note that the strategies presented may not all be useable for the mobile phone handset industry, instead the intentions is to give the reader an overview of the available strategies.

2.3.1 Market Launch

When launching a new high tech product into the market the company will face problems in the way of how the market will adapt to the product. The launch stage can be explained in the model, and it is divided in four different stages; Market preparation, Targeting, Positioning and Execution. The first step market preparation consists of preparing the customers and the companies for the hopefully coming change. In many cases, this stage takes place during the development of the product, but this is not necessary. The second stage is where the firm needs to plan the marketing of the product, so it fits the targeting group. Then the third stage is positioning and is based on the expected competitive situation. Then the final stage is execution, and this is where the company should launch the product out to the market (Easingwood & Koustelos, 2000). According to research made by Easingwood, Moxley and Capleton (2006), with 190 software companies, the most frequently used launch strategies were; Alliances, Low risk targeting, low-price/OEM, broad-based market preparation and niche technological superiority (Easingwood et al, 2006).
Market preparation
When you hear “Market preparation”, you may get an idea on what it means. Simply it means that you need to prepare the market for the new technology that you will introduce to the market. Awareness of the product needs to be built up and most importantly to form relationships with other organizations (Easingwood & Koustelos, 2000).

Form Alliances
This strategy consists of co-operation, licensing, and alliances. The market preparation strategies are used to prepare the market as said before. Some form of cooperation is now a day’s more and more seen as a must, and not an opportunity. In the harsh business environment there are a few companies that can make it on their own, at least not when it comes to major technologies (Easingwood & Koustelos, 2000).

OEM agreements
One common form of alliance forming is Original Equipment Manufacturers (OEMs). This is to share the new technology and to increases the awareness of the product and the technology. This will in one way generate boosting sales via expansion into new markets (Slater, Hult & Olson, 2007).

Provide pre-launch information
Pre-launch information is a vital element of market preparation, due to the product, the technology, and its applications are new to the market. Without information about the product, it is most likely that it will not reach the customers (Moore, 1999). During this stage, vendors face the problem of how to attract the technology enthusiast and early adopter that in the end will give the technology credibility and probably discover new applications for it. One way to target this group is through articles in technology newspapers before the actual launch. This will generate curiousness among people. Careful timing is of great important for the press release planning, for example if some new technology is released at the moment, it could steal some attention, and even leaks can increase the expectations for the new technology (Easingwood & Harrington, 2002). The information has to be of relevance for targeted people to create interest in the new product, but without giving away too much information to the market, where imitation is a threat. Those markets that
need to be informed before the launch are the distribution network, the service suppliers, and the media. Media in their turn will inform potential customers (Easingwood & Harrington, 2002). The brand of the vendor is of no direct importance at this moment, instead enhancing the technology reputation to its existing customers is central. The early adopters and visionaries are very demanding when it comes to attention and information about the new technology. This creates pressure on the companies' in their expertise, regarding the technology. This implies that informing the firm's own internal personnel is of great importance, so that they can fulfill the needs coming from the early adopters and visionaries. According to Beard and Easingwood (1996), a well-informed internal sales force is required for the product to become successful (Beard & Easingwood, 1996).

*Educate the market*

Education programs are a method of providing pre-release information. The above-mentioned pre-release strategies are more frequently used than the education programs, since it is more ambitious and stretches over a longer period. Intel used this strategy in their early days when introducing the microchip (Easingwood & Koustelos, 2000). Instead of marketing the product directly to all the sectors, they used education programs on one or a few sectors because there were just too many sectors with too many applications available. Educating the different sectors on the potential of the technology increased the sectors in-depth knowledge about the technology. The education has to be managed and timed carefully, if not, the company only sells a vision without a product to deliver. Larger companies due to greater resources mainly use this method and the longer planning that is needed (Easingwood & Harrington, 2002).

*Create special distribution agreement*

By using special distribution agreements there is a possibility that the technology may be launched on a new market, instead of the current own market. This will mostly lead to finding new distribution channels; it may also be the case in the current served market as well. One way to cope with this problem is through joint ventures (Easingwood & Koustelos, 2000).

*Targeting*

To make the adoption of a new technology faster, it is important that the marketing strategy is well matched with the segment that is targeted. According to Easingwood and Lunn (1992), when examining the diffusion of telecommunication products, they found that targeted products were diffused more rapidly than non-targeted products (Easingwood & Lunn, 1992). Therefore, this proves that targeting segments at this stage is of up most importance. To clarify the importance of targeting, Moore (1999), draws the example from the D-day in Normandy, were the first goal was to create an early market base, England, to later move on to Normandy. Without an early market group, the chances of succeeding in the mainstream market are slim to none (Moore, 1999). When targeting innovative adopter there are two main ways to follow; and that is to target both companies and innovative individuals within the companies, or target a sector (Easingwood & Koustelos, 2000).

*Target innovative adopters ('Techies' and 'Visionaries')*

This strategy is based on the model, the technology adoption life cycles first part, that have been brought up before. Innovative adopters need to be identified because they are prepared to buy the technology without seeing the product and are the first revenue stream for the company. Moore (1999) divides the early buyers into technology enthusiasts and visionaries that represent a small percentage of the total market, but has a huge influence
(Moore, 1999). The first group is ‘techies’ that are fascinated by technology and willing to explore the product’s potential. Getting their support is vital because it means that the product actually works. The second group is the visionaries that see the product’s potential in the future. Even though technology enthusiasts and visionaries are different, they are placed together in one group. The techies are excited by the technology itself, whereas the visionaries need to see the potential (Easingwood & Harrington, 2002). According to Moore (1999), there is only one way to work with visionaries and that is to use a small, high-level sales force (Moore, 1999). The problem is that it is often very hard to identify the visionaries but the end-result is worth it since the ball needs to start rolling. Visionaries have good relationships with technology enthusiasts. Therefore, this segment is important and should not be overseen. Reaching the “techies” is much easier since technical and business press can reach them. A techies’ job is to stay alert to all new technology that available on the market (Easingwood & Harrington, 2002).

**Target of early adopting sector**

As said before it is hard to find these early adopters, but instead of finding individuals, the companies’ can target a sector that might be the early market (Easingwood & Koustelos, 2000).

**Target current customers**

To make it easier to target customers the companies’ can target existing customers. This strategy is particularly appropriate when dealing with rapidly changing and advanced technologies. The adoption of a complex technology often takes place when high degree of mutual trust between the buyer and supplier exists, and this development is time consuming (Easingwood & Harrington, 2002).

**Positioning**

There are technologies that are so specialized that targeting and positioning strategies may be questionable. Some new technologies have such a wide range in potential applications that the best way to positioning and target segments is through the market itself. In most cases the new technologies fall in between these extreme cases and some positioning guidance is therefore required if the market is to respond. There is a number of different positioning alternatives that are possible when launching a brand new technology, but the key focus should be upon ‘technological superiority’. Focusing on the technological superiority in this stage is better than in the re-launch stage, since the benefits are more likely to work (Easingwood & Harrington, 2002).

**Emphasize technological superiority**

The most single important tactic in this early market is that the technologically has a superior position. That implies that the innovation must in a careful way be positioned as a revolutionary and technological superiority. It also has to give an exclusive technology and compatible technology to the early adopter. This means that if the enthusiasts are going to make the effort in spending time and investment on making the technology work they must be able to see a practical application for it and future usage. In addition, some status must be offered to the visionary for the effort of adapting before the mainstream customers. The new technologies are often putting strong emphasis on the superiority of the new high tech innovation (Easingwood & Harrington, 2002).
Execution
The final stage is the execution and now when the product is launched into the marketplace, designed to trigger a positive purchase decision. What strategy is used depends on the object that is launched, which further depends on the technology and the awareness it has on the market. Let us say there is a very new technology, which often means that the market is very unaware of the technology. Execution will therefore tend to focus on highlighting the basic benefits with the technology. On the other side, there is a technology that is well known to the market, the focus on the launch strategies will be on brand name and establishing competitive advantage. It is not viable to invest hugely in the launch stage because the product will probably spend some time in the “chasm” and then the upcoming re-launch stage that will give the opportunity for changes in the execution strategies. Creating a winner image can however work at this early stage (Easingwood & Harrington, 2002).

Cultivate a winner image
Confusion can easily arise among individuals and organizations when it comes to purchase decisions. The result will be that they postpone their purchase. But as time goes it is not longer possible to postpone the purchase and then they will buy the product from the market leader. This is why a strategy that involves creating a number one position for the product is important (Easingwood & Koustelos, 2000). A company that may be most associated with this strategy and succeeded is Microsoft. Due to the high costs involved with this strategy it is only associated with large organizations. However, sometimes this strategy may be too early to use, because the market will simply not yet be ready to bestow this position on any product. It is also expected that there will be a period of time during which the market’s commitment to the product will be tentative until the ‘chasm’ has been successfully negotiated and the ‘winner’ will be the company that can successfully emerge from the chasm into the mainstream market. The first step to navigation of the chasm is development of the ‘whole’ product (Easingwood & Harrington, 2002).

Word of mouth
According to Moore (1999), one of the keys in breaking into a new market is to establish a strong word-of-mouth reputation among the buyers. Numerous studies have shown that within high tech market buying processes, word of mouth is the number one source of information reference, both in the starting face and the late market (Moore, 1999).

Success in launch to early adopters
When the technology or innovation is successfully launched to the early adopters, the technology is known and there is an excitement on the market. Anyhow the sales are not that great at the moment but this is the period were hopefully the sales would shoot in the air. At this stage, the product has entered the so-called chasm. But if no actions are taken the product can easily never leave the chasm and disappear from the market. In this period, the firm needs to add additional hardware, software and services. This has to be done so that the mainstream market easily can install and use the product without any problem. Therefore, this is the product preparation stage, and that means that the product is transformed into a “whole product”. One good source for inspirations and solutions is the earlier target group. Entering the mainstream market, using the experience learned so far is a good strategy, but bear in mind that the final decisions must be made by the company and not the early adopters, because the mainstream market and the early adopters have different needs (Easingwood & Harrington, 2002). This is also what Geoffrey Moore (1999) mentions; “Visionaries see with their eyes closed. The mainstream likes to see with its eyes open” (Moore, 1999). The mainstream market prefers a whole product as said before, and chose
to buy their products from the market leader. Therefore, the companies need to put more emphasis in the so-called re-launch stage, to cross the chasm, and to prevent being stuck in the chasm forever.

2.3.2 The Whole product concept

The whole product concept has during the last years been one of the most useful marketing constructs used within high tech marketing. The meaning of the whole product concept is straightforward. Moore (1999) writes: “There is a gap between the marketing promise made to the customers – the compelling value proposition and the ability of the shipped products to fulfill that promise.” To overcome this gap, the product must be extended with services and supporting products in the goal to become the whole product (Moore, 1999). The model consists of four different parts; generic product, expected product, augmented product and potential product.

**Generic product:** The generic product is the basic product, the innovation or technology, which is offered to the customers (Moore, 1999).

**Expected products:** The expected product is what the customers think that they are buying when they buy the generic product and represents there minimum conditions. It is what the customers demand when buying the generic product (D’Cruz & Ports, 2003). Like when you buy your first computer, the computer is the generic product, but the customers almost expect to get a monitor as well in the purchase. Without the monitor, how would you use the computer? Nevertheless, in many cases it is not part of the generic product (Moore, 1999).

**Augmented product:** This is the product that provides the maximum utility from the product (Moore, 1999). It consists of features and attributes that the buyer does not expect to receive or a competitor does not offer (D’Cruz & Ports, 2003). Going back to the case with personal computers, in this case the augmented product would be software and hardware like printers and hard drives and a variety of services (Moore, 1999).

**Potential products:** This represents the products room for growth as more, more products that are ancillary come on the market, and as customer specific enhancements to the system are made (Moore, 1999). It represents everything that can be done to attract and hold on to the customers (D’Cruz & Ports, 2003). An example would be the video game WOW and the expansion packs that were mentioned earlier.
2.3.3 Re-launch

Market preparation
Similar to the launch stage, the re-launch stage begins with market preparation. The most effective strategy here is to use the whole product development model mentioned earlier (Easingwood & Harrington, 2002).

Internal preparation
In order to reach the mainstream market the companies should have a narrowly defined target market in the re-launch stage. It is of up most importance that the sales and marketing staff only focus on this market and are not wasting resources on trying to market outside the targeted segment or segments at this stage. This is why many companies fail with their discipline to focus on one market and consequently fall at this hurdle (Easingwood & Harrington, 2002).

External preparation
When it comes to the external market, the mainstream market does not want to lock themselves into a specific solution our product. When looking at IBM’s OS/2 they had the problem that many other programs were not compatible to IBM’s OS/2. This is the reason why IBM never really competed with Windows in the market for PC operating systems (Easingwood & Harrington, 2002).

Co-operation/licensing/alliances
Working with alliances and licensing arrangements helps to establish the technology as a standard on the market and in return generate boost in sales. This is important due to that the market rarely allows two competing technologies, and customers are not willing to adapt a technology that the market will eventually reject. Alliances are also a tool to prevent competitors to enter the market in the goal for industry standard. This was the reason for Psion, Motorola, Ericsson and Nokia forming the group called Symbian, in the goal to adopt Psion’s computer operating system called EPOC. There hope was to create the next industry standard for the next generation of wireless communication devices, like mobile phones (Easingwood & Harrington, 2002).

Targeting
To be able to enter the mainstream market, targeting is of great importance, since it is a big and risky market. Instead of entering the whole market, they should select a part of the market. Moore (1999) describes this phenomenon in two ways. When trying to make a fire, you need branched up paper, put some kindling’s, some logs, then light the paper and you have a fire. So trying to cross the chasm is like trying to start a fire without kindling’s. No matter how much paper you have put under the logs, the logs will not grab fire. So the kindling’s is in this case the smaller part of the market, niche market (Moore, 1999). Moore also refers this to tenpin bowling, also called the “Bowling Alley” in the “The Landscape of Technology Adoption Life Cycle” (Moore, 1999). The idea is to target one industry or sector, offering the whole product that is customized in the way to meet particular needs. Then if this sector is successfully targeted others will follow, like a domino effect. To maximize the benefit from the bowling alley, the early segment should be chosen with the following characteristics:
1. It is an attractive and growing segment.
2. It has influence with related segments.
3. The vendor can develop a whole product when being in the chasm that exactly meets the needs of this segment and that can also be adapted for related segments.
4. There are enough related segments to accelerate into a market that the product can dominate (Moore, 1999).

**Positioning**
Since both the product and the company have managed to survive the early market, they have some kind of presence already. As a result, proper positioning becomes even more crucial in the re-launch stage. There are two kinds of positioning during a re-launch: product positioning and company positioning. Product positioning means that in order for the customer to see the advantages against other competitors, the product must be whole. Company positioning means that the vendor must be seen as a market leader and that niche and re-launch strategies must reinforce this (Easingwood & Harrington, 2002).

**Market execution/attack**
It is important that the preparation, targeting and positioning is done properly, and if this is the case, the attack stage almost takes a life of its own. The timing is the key to any successful attack. In many cases there is only one chance to get the strategy right (Easingwood & Harrington, 2002).

*Stay focused*
One of the hardest parts when it comes to the marketing and sales forces is to be focused on the target segment. It is very tempted to go further than the targeted segment to win sales. However, it is dangerous to dive up your resources and can be compared to when dividing the troops in a war (Easingwood & Harrington, 2002).

*Build relationships with VARs*
Using Value Added Resellers is a way to complete the entire package. It allows the whole product to be brought to the market but also exposing it to other markets (Easingwood & Harrington, 2002).

*Get references in the targeted segment/segments*
Before the mainstream market will accept the technology, they prefer references. Especially from other people in the same industry and particularly from industry leaders (Easingwood & Harrington, 2002). Here comes word-of-mouth in the picture again, and as said before, word of mouth is the number one source of information, in both the starting face and the late market (Moore, 1999).

**2.3.4 Summary**

When facing the problems when launching a product, using already know strategies is a good suggestion. Also understanding the three major phases; launch, development of the whole product, and re-launch, will help the company to succeed. These three major faces include most of the points in Moore’s checklist of crossing the chasm:

Target customer
Compelling reason to buy
Whole Product
Partners and allies
2.4 Research questions

Together with trying to fulfill the purpose, the researchers will also try to answer these two research questions. They are closely related to the purpose and the necessary theories were presented earlier in the Theoretical framework.

- How do the manufacturers handle the launch and re-launch stage?
- How do the manufacturers use the strategy, “the whole product concept”, in the Swedish mobile phone industry?
3  Method

This method chapter will provide a deeper insight into what research methods has been used in this study. It will show the approach the researchers have used and how the different stages in the thesis have been tackled by the researchers. By explaining all the steps in detail, it will facilitate for other researchers to conduct the same study or make further studies in this area.

3.1  Research approach

When conducting this research the authors had two different approaches to choose from. Those were deductive and inductive approach. In the deductive approach, the researcher develops a theory and hypothesis and then tests it by designing a research strategy. On the other hand, inductive research is when the researcher collects data and then develops a theory from the data analysis (Saunders, Lewis & Thornhill, 2007).

Based on the purpose of the study the researchers have chosen a mix of the inductive approach and the deductive approach. The reasons why the researchers have chosen this mixed approach is because they are trying to understand a phenomenon by using existing theories and then gathering data to develop new knowledge, instead of explaining what is happening. The intention is to start with theory, move towards the empirical findings, and then back to theory again. The researchers will use general theories about High Tech marketing gathered through articles and literature that builds the theoretical framework for this research. Then the empirical data is to be collected and analyzed to be then compared to the theoretical framework and creating new knowledge for the mobile phone industry. Also, the topic that is to be researched is not explored in the same extent as other topics such as marketing, finance or accounting. For instance, when viewing the literature available from previous studies, it seems that there is only a couple of major researcher in the field, namely Geoffrey Moore and Christopher Easingwood. As a result, the access to secondary data is limited. In addition, the first studies by Moore were made in the 1990s; therefore, there are also concerns if the data is up to date. Furthermore, there are no specific theories for the mobile phone industry, only general theories for the High Tech industry as a whole.

3.2  Research strategy

The research strategy that the authors have chosen is the case study approach. According to Robson, a case study is; “a strategy for doing research which involves an empirical investigation of a particular phenomenon within its real life context using multiple sources of evidence” (Saunders et al, 2007). The phenomenon that the researchers wants to investigate is the concept “crossing the chasm” within the mobile phone handset industry, by using multiple sources (mobile phone companies). This approach is the most suitable when wanting to gain a rich understanding of a phenomenon within a specific context. According to Yin, there are four different case study strategies based on two dimensions; single case vs. multiple case, and holistic case vs. embedded case (cited in Saunders et al, 2007). Since there is no critical, extreme or unique case in the mobile phone handset industry, the authors has chosen the multiple case strategy. In addition, since the researchers’ goal is to use existing theories and to develop a new knowledge for the mobile phone industry, multiple
cases must be used. In this study, the cases are all the mobile phone manufactures that has a presence on the Swedish mobile phone market.

3.3 Data collection

There are two types of ways to conduct a research, either by using a quantitative or qualitative data. Quantitative data is based on numbers and are standardized while qualitative data is non-standardized and often requires classification into categories. The choice of method you are going to use depends on what problem the researcher has. Within the quantitative method questionnaires is used among other thing in order to gather information dealing with numbers and anything that is measurable, numeric data (Saunders et al, 2007). Qualitative data is collected with the help of for example interviews and replies. The qualitative research method tries to show a deeper knowledge within the research area with the aid of theories and other phenomena. This is in opposite from the quantitative method gives, that is a more broad picture and possibility that generalize for a bigger population (Svenning, 2003).

They authors have chosen to work with qualitative data since it is the most suitable method to gain an understanding compared to quantitative studies. Since the intention is not to generalize to the whole mobile phone industry and to make new knowledge, qualitative data is the obvious alternative. Furthermore, qualitative data is most suitable for the mixed approach and the case study approach that the researchers have chosen earlier.

The next step is to collect all the necessary data in order to fulfill the purpose and answer the research questions. When collecting data there are two different types; primary and secondary data. Primary data is collected by the researcher using methods such as interviews and questionnaires. The purpose with collecting primary data is that the data is unique, for both you and your research. Most research requires primary data and this is what students concentrate on when writing thesis on different levels (Saunders et al, 2007). The intention is to use phone interviews to collect the primary data (cf. 3.4). Further, the researchers also used time series based secondary data such as industry statistics and reports. The purpose was to collect statistics about the high tech and mobile phone industry.

3.3.1 Literature review

The first step in the data collection process was to review all the available literature concerning the topic “crossing the chasm” and strategies to reach the mainstream market. As mentioned earlier, the theories and literature was then used as a base of knowledge before starting the actual data collection. The relevant information that was found and could be connected to the purpose and research questions was compiled under “Theoretical framework”. The researchers used scientific articles, which were collected from scientific search engines like Google scholar, Scopus and Business Source Premier. Some keywords that were used in the literature review search were;

- High Tech
- Strategies
Another source that has been used is the local student library. Some of the most significant books for this research have been;

- Moore’s “Crossing the chasm”
- Mohr’s “Marketing High-Tech products”
- Saunders “Research Methods for Business Students”

### 3.4 Interviews

The strategy that the author will use for collecting primary data is telephone interviews due to the need of qualitative data. In addition, since the researchers purpose is to gain an understanding, interviews is the best strategy, since it gives the best opportunities to receive in depth data. Furthermore, the choice of interview follows the researchers’ choice of approach (mixed), strategy (case study) and data (qualitative). Therefore, interviews are the best method to collect primary data. Interviews can be done in many different ways; an interview could be highly structured and formalized in the way of using standardized questions for all the respondents. They could also be informal and unstructured and using this way will yield to more of a conversation (Saunders et al, 2007). The main types of interviews are structured, semi-structured and unstructured (in-depth) interviews.

When looking on those different interview methods, the one that will best answer the purpose and problem is semi-structured interviews; since they have some pre-stated questions that they would like to have answers to. Also, the questions can be changed depending on the person being interviewed. Furthermore, the researchers are looking to have more of a discussion and therefore semi-structured interviews would be most appropriate. The interview structure was built upon an interview template that was based on the purpose of the research and research questions, to easier analyze the empirical findings. The interview was divided into the sub-sections; The technology adoption life cycle and the chasm, launch and re-launch and the whole product concept.

The reason why the researcher only chose interviews is because the need of more in depth data, and surveys would only generate quantitative data, and that is not of interest. Also this method allows the researchers to go back to the respondent after the data has been transcribed, categorized and analyzed, if they have further questions or if something is unclear. The reason why the researchers’ choose telephone interviews over regular face-to-face interviews is because access, speed and cost. One of the participants was located in Lund, Sweden and the other three were located in Stockholm, Sweden. The distance to both Lund and Stockholm from Jönköping would have been over 600 kilometers back and forth. Further, the researchers’ would have probably been forced to travel to Stockholm several times since it would not have been likely that the interviews would occur on the same day. Since the travel costs and time required were too high the researchers’ decided to perform telephone interviews instead.
3.4.1 Selection of cases and respondents

It would be impossible for the researchers to interview the whole population and all the individual cases due to the restrictions in this study. Therefore, the researchers intend to use samples instead. There is a sampling frame available for this research but since there are some restrictions in this research, the sampling frame is not suitable. A sampling frame would in this case be a complete list of all mobile phone handset manufacturers within the industry that has a market presence in Sweden. The main restrictions were that some cases did not have any interest in participating in this study. Further, some cases had an interest in the study and were happy to receive a final copy of the study, but could not participate in the study since their availability did not fit the researcher timeframe when the interviews were going to be conducted. The timeframe that the researchers had was from week 47 to 50, 2008. The timeframe for the interviews was decided upon when the researchers were done with all the preparations and when the deadline was for the final copy to be handed in.

The cases for this research were two of the major mobile phone manufacturers regarding worldwide and Swedish market share, Sony Ericsson and LG Electronics, were Sony Ericsson control 50% of the Swedish market. The selection criteria’s for the cases were that they had to be top 6 mobile phone manufacturers regarding to Swedish market share in 2008, with a regional office in Sweden. A regional office was an important criteria for this research since the respondents must have specific knowledge about the Swedish market. Therefore, the researchers took contact with the six largest manufacturers (see 1.1); Sony Ericsson, Nokia, Samsung, Apple, LG Electronics and HTC. Unfortunately, HTC’s office for the Swedish market was located in London and therefore they did not meet the researchers’ criteria’s. In the end, Sony Ericsson and LG Electronics were they only two cases that had an interest in participating and could meet the researchers’ timeframe.

After having decided upon the individual cases, the researchers had many discussions with several employees within these two companies in order to find the most suitable respondents. To get a broader perspective and perhaps different views within the individual cases, the researchers decided to use one respondent from the product development department and one from the marketing department. These two departments were the most relevant ones to study. The researchers only did two interviews in every company since the two departments in both cases were small with few employees working in a group. Therefore, making more than one interview in the same department would yield the same results. This statement is also backed up by the respondents that expressed this themselves. In the end, the respondents were chosen upon certain criteria’s such as complementary experience and skills. Further, it was important that they had appropriate position in the company so that they had a good overview of the company’s operations and knowledge about the Swedish mobile phone market. The two individual cases and the four respondents are presented more in detail in Companies and respondents 4.1.

3.4.2 Interview Process

After the four most suitable interview respondents had been chosen, the researchers supplied the respondents with some background material about the research and an interview template with the interview questions (see 9.4), so that the respondents could prepare
themselves before the actual interview. The background material is not included in the appendix since it was a shortened version or a summary of this thesis with the purpose of describing the research for the respondent. All the interviews, interview template and background material were carried out in the Swedish language. However, since English is seen as a universal language and the rest of the research is in English, the interview template has been translated to English. For the interview, the researchers choose a quiet apartment with the availability of a regular phone with speaker function as their setting. A regular phone with speaker function was important for the interview since the researchers digitally recorded the interview with a computer. The interview was then saved as an MP3-file on the computer and allowed the researchers to review the interview and access certain parts of the interview faster than with a regular tape recorder. Also, for the best audio reception and quality of the interview, a regular phone was chosen instead of a mobile phone. Since, an audio recorder was used; it allowed both researchers' to actively participate in the interview that was an advantage in the interview. The interviews lasted approximately 60 minutes each and allowed for a lot of information to be exchanged between the researchers and the respondents. The interview started with the respondents' permission to audio record the interview and was followed by eventual pre-interview questions from the respondents. Then a short presentation about the researchers and their research was made and after that, the respondent introduced himself (name, age, company, position, etc). The interview was of semi-structured type, which means that some questions were fixed for all respondents but the follow up questions depended on the answer received from the fixed question. Most of the respondents were familiar with the theoretical framework and had prepared in beforehand. When the interview was finished the respondents asked when the thesis would be finished and if they could receive a final copy. Some of the potential respondents that declined participation in the early stages also showed interest in the research and asked for a final copy. The interviews ended by a final discussion and questions and were ended with the researchers thanking the respondent of taking time to participate.

3.5 Analyzing data

Since the researchers have used a template approach based on the theoretical framework to structure the interviews, the most logical is to use a template analysis approach. As mentioned earlier, the interview has been structured into sub-sections based on the purpose of the research and research questions. A template analysis approach means that the empirical data is divided into categorizes to make it easier to identify and analyze themes, patterns and relationships. This approach allows also the researcher to code the data in a hierarchal way with the most important sections in the top. Further, the approach allows the researcher to revise the template in order to fit the research (Saunders et al, 2007). The empirical data on the digital audio recording was first transcribed manually to text form in the Swedish language before being categorized and analyzed. The transcribed interviews are not included in the appendix since the empirical data is categorized and presented together with the respondent's presentation, under empirical findings. The only thing that is left behind from the transcribed documents is redundant information not relevant to empirical data such as presentation of the researchers and the research or discussions about general questions asked by the respondent. However, by transcribing all the interviews it made it easier for the researchers to analyze the data and find certain sections in the interviews. The pre-determined sections in the template are the life cycle and the chasm, launching and relaunching and the whole product concept. The first section, the life cycle, will act as an introduction to find out how the manufacturers perceive the different groups in the life cycle and will follow by the phenomenon “the chasm” that is common in High Tech industries.
The second section examined how the manufacturers launched and re-launched their products to reach the mainstream market. Finally, the last section, investigated the strategy, “the whole product concept, that is a common strategy to reach the mainstream market.

3.6 Trustworthiness

In order to increase the trustworthiness of this study, the researchers took some measurements. The first step was the pre-interview stage, i.e. preparations. According to Saunders et al, (2007), “prior planning prevents poor performance” (Saunders et al, 2007, p. 320). By carefully preparing in beforehand, the researchers made sure that the interview would yield the best possible result. This was achieved by supplying the respondents with the interview template and background material about the research, well before the actual interview took place, so that the respondents could prepare themselves.

To make sure that no data was lost during the interview, the researchers digitally recorded the whole interview, that later could be easily reviewed. Further, to avoid interviewer bias, the researchers carefully controlled their comments and tone of the voice, to avoid imposing their own beliefs. The respondents are usually reluctant of sharing sensitive corporate strategies and therefore respondent bias may affect the trustworthiness. However, by asking questions in a different manner, the researchers did their best in order for the respondents to reveal and discuss sensitive topics. In addition, to avoid respondent bias between the respondents, the same interview strategy was used, together with all the pre-interview material.

To assure that all the data was recovered, the researchers manually transcribed all the interviews to Word documents. One clear disadvantage with telephone interviews is that you cannot observe the non-verbal reactions from the respondents. However, this was partially compensated by listening to the voice of the respondents. Further, to increase trustworthiness, the researchers used a template analysis approach when categorizing and analyzing the data.
4 Empirical findings

In this part the answers from the interview questions given by the research respondents are presented. This part starts with a short presentation of the respondents and their companies and is followed by the result from the interview, divided into sub-sections according to the interview template.

4.1 Companies and respondents

As mentioned earlier in the method part the researchers decided to use two cases; Sony Ericsson and LG Electronics, two of the major mobile phone manufacturers. Within these two cases they chose to conduct two interviews per case with a total of four interviews. In this first part of empirical findings the cases and respondents are presented.

4.1.1 Sony Ericsson

Sony Ericsson was founded in 2001 and is a 50:50 joint venture between Sony Corporation and Ericsson. Today the corporation employees around 7500 people around the world. Sony Ericsson Mobile Communications is a multinational corporation that provides mobile multimedia devices including feature rich phones, accessories and PC cards (Sony Ericsson, 2008).

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<tr>
<th>Company</th>
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<tbody>
<tr>
<td>Respondent</td>
<td>Joakim Liljedahl</td>
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<tr>
<td>Position</td>
<td>Category Management Manager</td>
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<tr>
<td>Date</td>
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Joakim Liljedahl is 36 years and works as Category management manager for Sony Ericsson in Stockholm, Sweden. He has been working there for about 1 year. He is responsible for Business-to-Business (B2B) product management and business management for the Nordic and Baltic markets. Joakim has a marketing background from Stockholm’s University, 1998. After graduating, he worked for Ericsson in Lund, Sweden, in the global product management department until 2001. When Sony Ericsson was founded in 2001 he moved to Miami, USA, and worked with product marketing for the Latin American markets for 1 and a half year. After, Miami, he moved back to Sweden and worked as a consultant for brand strategies and communication for 2 years. After that, he moved to Amsterdam, Netherlands, to work for Tomtom within product marketing for 1 year.

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<td>Respondent</td>
<td>Andreas Eriksson</td>
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<tr>
<td>Position</td>
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<tr>
<td>Date</td>
<td>12 December 2008</td>
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Andreas Eriksson is 37 years old and works as Head of Product Development for Sony Ericsson in Lund, Sweden. He has an engineering education within telecommunication and started to work at Ericsson in Stockholm, to develop systems and introduce new technologies for 4 years. After that, he moved to Lund to start working as product manager for consumer goods for Ericsson. Then he was involved in the creation of Sony Ericsson to later move to USA to lead the product management team there. After, his employment in USA, he moved back to Lund to work as Head of Product Development.
4.1.2 LG Electronics

LG Electronics was founded in 1958 and is a multinational corporation based in Seoul, South Korea. The corporation has about 82,000 employees scattered over 110 different locations worldwide and in 2007 they had a turnover of 44 billion US dollars. LG Electronics is divided into four different business units; Mobile communications, Digital Appliance, Digital Display and Digital Media. They are one of the largest manufacturers of mobile phones, air conditioning systems, washing machines, optical storing devices, DVD — and Blu-ray players, flat screen TVs and home entertainment systems (LG Electronics, 2008).

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<tr>
<td>Respondent</td>
<td>Johan Lidenmark</td>
</tr>
<tr>
<td>Position</td>
<td>Nordic Marketing Manager</td>
</tr>
<tr>
<td>Date</td>
<td>3 December 2008</td>
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Johan Lidenmark is 37 years and works as Nordic Marketing Manager for Mobile Communications. He works for LG Electronics in Stockholm and has been working there for only 5 weeks. But, he has over 7 years of experience from the mobile industry and has been working as consultant, entrepreneur, and the last three years for the Swedish phone operator, Tele2.

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<th>Company</th>
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<td>Respondent</td>
<td>Erik Andersson</td>
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<tr>
<td>Position</td>
<td>Product specialist</td>
</tr>
<tr>
<td>Date</td>
<td>27 November 2008</td>
</tr>
</tbody>
</table>

Erik Andersson is 32 years and works as Product specialist for LG Electronics in Stockholm, Sweden. He has been working there for 2 years. Erik works with product testing and software validation but also with technical sales support for the market. He has an engineering background within mechanical physic and electro technology with a focus on Telecom.
4.2 Result

The result from the transcription process and categorization is being presented in this heading. The result is divided into three sub-headings according to the interview template; The technology adoption life cycle and the landscape of technology adoption life cycle, launch and re-launch and finally the whole product concept. Redundant information not relevant to empirical data such as presentation of the researchers and the research or discussions about general questions asked by the respondent has been left out. Some of the empirical data are overlapping to the other sub-sections and the readers should take this into consideration. Then these three sub-headings have then been divided into the four respondents.

4.2.1 The Technology Adoption Life Cycle and The Landscape of Technology Adoption Life Cycle

Sony Ericsson - Joakim Liljedahl

When discussing the different groups in the life cycle, Joakim says that they exist in all industries but it may be even clearer within the mobile industry. To attract the different groups, different strategies and communication is needed since the customers have diverse preferences and like different products.

Before moving to the mainstream market, it is of great importance that the early market is satisfied because if the early market is not happy with the product they will let the people in the mainstream market know. Innovators often have a large social network and they are famous of making their voice heard. The mainstream market will only buy the product if the innovators are happy with the product. So the mainstream market are more drawn back and scared of new stuff and buys the product first when it has been on the market for some time. This group can be reached with normal marketing and the highlight should be on the way the product makes the consumer’s life easier. The mainstream market for Sony Ericsson consists of 65-70% of the total market. Further, the laggards represent around 15%.

When discussing about the chasm, Joakim do not really think that is a problem for Sony Ericsson. He means that not every mobile phone that they release is a direct new technology; instead, it is built upon existing technology with incremental changes. The technology is known to be reliable and to function among the consumers. Therefore, there does not exist any major gap. However, there have been mobile phones that have faced this problem, like the Motorola Indium and Nokia Ngage. These products were not just like normal mobile phones and used new technology. In addition, the benefit of the technology was not clear for the consumers and was a reason why they never reached the mainstream market. In the beginning when mobile phones were a new technology they had a big impact on the market since the consumers could clearly see the benefits of the technology. A recent trend in mobile phones is that touch phones are replacing traditional buttons and he mentions that it will take some time before the mainstream market accepts this technology. When talking about phones that never reached the mainstream market, Joakim mentioned the two models G700 and G900. The difference between these models was the price and that the more expensive one had a better camera and Wi-Fi. Sony Ericsson believed that there was a market for both models but it turned out that the consumers in this segment were all will-
ing to pay the extra money to get the better phone. As a result, they had to take the cheaper model of the market and main reason is because Sony Ericsson is launching many phones and some will always fail.

Sony Ericsson – Andreas Eriksson

Andreas believes that there exists different customers groups and this has been known during a long time within the mobile phone industry. During the last years the mobile phone industry is becoming more like the electronics industry, were you can more clearly see the different groups. For example, you have those people that are early with adopting a new technology. When trying to reach these different groups, the company must have a clear target picture and product proposition; which consists of price, design and technical support, when trying to reach the customers. Furthermore, this is not the only road to take. If, the life cycle is viewed as a timeline instead, the products are more directed to consumer groups, and then some products have a longer life cycle. Those technologies that have been developed can then reach a larger market.

When a new and radical technology is launched, the chasm becomes more apparent. For example, in the beginning of 2000, GPRS and 3G was introduced and a clear chasm could be identified. The problem was that the customers could not see the advantages with the new technology, like taking a photo of the family and uploading it on the Internet with the phone. However, this is what people are doing now but was possible also possible then if the clear benefit of the technology could be identified. Therefore, when there are major shifts in the technology the customers really do not adopt it directly.

When the researchers mention some phones that failed to reach the mainstream market, Andres responds that they may have been taking a to large step in technology. Sometimes it is not beneficial to be one-step ahead of the consumers. It is more suitable to take half a step but still get the reaction; “ahh I have not thought about this, but it sounds good”, from the consumers. Then the company knows they have taken a large enough step and still gotten the mainstream customers along the ride. To reduce the chasm when launching a new technology one must really stress the link between the technology and use or benefit. This is called an “enabler” and allows the technology to be transformed into applications that helps the customers understand the benefits. Apple’s Iphone is an example, were the technology has been successfully transformed to create a whole proposition or statement. It has small functions that build a positive overall experience.

LG Electronics – Johan Lidenmark

When asking about the different customers group in the life cycle, Johan answers from two perspectives. The first one is a more general opinion that more and more mobile phones companies start to think in these terms. Then his personal opinion is that it is more about maximizing the sales of the product. The early market does not consist of a large amount of people, but they are still important customers, in that sense of creating a good brand image that will create a boost effect throughout the curve. One thing that the model does not bring up that could strengthen the model, is that it does not take into consideration different clusters and segments. The traditional view on the targeting groups according to age has changed to clusters and segments were the focus is incentives and shared interests among consumers regardless of age. That also is of importance and gives Moore’s model a new dimension. The model is too much product directed and during the last years more
and more companies work with customer need instead, and not around the product. These
groups fall into different phases therefore it is easier to target campaigns with different
content and to follow the product longer during the life cycle. The different market needs
decides the strategies to reach the consumers.

It is important of knowing the target groups, the customers’ incentives for purchase and
the needs that are covered with the product, and this is something that high tech compa-
nies in general are bad at. When a product is launched, the companies tend to focus on the
production line and forget to think on the customers. One problem is that the consumers
take too long time to understand the benefit from a new high tech product. In his opinion,
the chasm causes problem since it is not always they manage to get the products on the
mainstream market, and strategies like sell-out is still not based on market demand. In the
end, the goal is to generate money. With only a single product, the chasm becomes more of
a problem but it can be reduced since many manufacturers have large portfolios of prod-
ucts that they can use to target several target groups simultaneous. He also elaborates on
the recent trend with touch phones and that will be the dominate technology in the future
and reach the mainstream market when prices starts to fall. Johan does not have any speci-
ic example of a phone that failed in crossing the chasm. Consumers are extremely selective
and if the consumers cannot understand the logic with the phone, it will never reach the
mainstream market. Another important thing is not to launch too many phones at the same
time or too close to each other. Because there are many phones being launched all the time
and this can create a big mess and the target groups will not be able to take in all the in-
formation. There are also some external factors that affect the success of a product. Most
of the largest phone operators have “road maps” and have demands on the manufacturers
when a product will be launched. Since the operators usually place large orders, they have
large influence on when a product is launched. However, it is not always possible since the
operator in Sweden have strong influence, which results in that LG and other mobile man-
ufactures lose control over the launch. Another external factor is the struggle for resources
and within LG; the focus cannot always be only on mobile phones.

LG Electronics – Erik Andersson

Defining the different customer categories is something that is of great importance and is
something that is put a lot of resources and work in to. In the goal of getting to the main-
stream market there is no short cut, so understanding your customers and the different ca-
tegories is important, to make the road smoother. A large initial investment is made on re-
search and manufacturing and therefore the goal is to have the product live through the
whole life cycle. The mobile phone industry is rather special in that sense that mobile
phones are seen as a personal item that you always carry with you and have your whole life
in, with notes, photos and numbers to all friends. The interest for mobile phones is broad.

When asking about the chasm our gap between the early and mainstream market, it was a
theory that Erik was not familiar with, but he understood the concept. In the mobile indus-
try, there are segments that are overlapping each other so there is no actual gap our chasm.
Mobile manufactures make large efforts to identify the various target groups so that the
gaps can be minimized. The chasm is no direct problem and instead should be seen as a
challenge to build a product, identify target markets and use the right marketing to maintain
interest for the product throughout the whole life cycle.
4.2.2 Launch and Re-launch

*Sony Ericsson – Joakim Liljedahl*

To describe the early market, Joakim uses the mobile phone X1 Xperia as an example. This model is a new and highly technical product and is exactly what the early market are interested in since they are driven by having a phone that no one else have. They are extremely interested in technology and other products in general and the X1 fulfills these needs. The most efficient way of reaching them is by press releases and PR. The goal is to create word of mouth, meaning that people will start talking about the product and highlighting the positive about the product. The early market is a group that is relative easy to reach since they actively search for new products and information on the internet on blogs, forums, tech sites etc. Providing them with some pre launch information will simply satisfy this group. Innovators are the people that sign up on the waiting lists for the product or are sleeping outside the stores waiting for the phone to be released. However, this is a small group, smaller than three percent according to Joakim. The early market represents of around 15% for them.

In the launch stage the goal to make the early market curious and create an interest about the new product. As mentioned, the early market actively searches for information and new technology mainly using the Internet. This is a fact since they keep records and statistics on the number of people that searches the Internet, according to Joakim. They usually make launch campaigns against the early market to test the product and it is rare that a second large re-launch campaign is made for the mainstream market. Sometimes they make smaller re-launch campaigns 4-5 months after the first launch when they offer several different colors. Sony Ericsson calls this “sell thought campaigns”. However, for so called “class products” that do not have large innovation value, like the Walkman phones, they usually skip the early market and the launch is directed towards the mainstream market directly. In the mainstream market, they work close with phone operators, which results in campaigns in the stores. This is because the operators with subscription plans often sell the phones. A lot of focus is on the price and therefore they use broader medias. So there is not that much of their own launch campaign and then a wide re-launch campaign, so the focus for them is on the initial launch. To illustrate this further, Joakim uses the example with the K810. In the launch stage the focus was that it was the first and leading 3,2 MP camera mobile phone. The phone received positive feedback from the early market and had a life-time of nearly 2 years. At the middle and end of the life cycle, it became a strong “base phone” with a lower price. The innovators were presented with new competing phones but the K810 became strong in the late majority and even the laggards. The K810 is a good example of a phone that was extremely innovative when launched and became very broad at the end of the life cycle before taken of the market.

When it comes to the different parts that included in the launch stage and re-launch stage; market preparation, targeting, positioning, execution, Joakim says that these are in general all covered and important. Market preparation is of great importance and there is a lot of work with phone operators since it is important that they push out the mobile phone on the market by marketing them. Therefore, they show the operators their portfolio of product before the mobile phone is launched and sharing information planning campaigns. Before making the campaigns, it is of course important that the targeting and positioning is done.
According to Andreas, re-launch feels a little bit unfamiliar, and he would rather describe it as making an extra push. When you do an extra push, the product is wider positioned and incorporates other user properties. However, he is not sure if this is called a re-launch. The market preparations in the launch stage starts with looking at the market and consumer trends. After that, the product proposition is chosen, including marketing and launch plans. Sometimes competitors join forces to develop and launch a certain technology. A recent example is the operating system, called Symbian. Sony Ericsson does not target existing customers, and Andreas believes that this strategy is more used by the phone operators when a new phone is introduced. However, the have their own community, sonyericsson.com, were existing customers can download various things. They have also launched a campaign together with phone operator, Telenor, to encourage customers and consumers to download music.

LG Electronics – Johan Lidenmark

The important part is the launch then and Johan is not sure if the re-launch is relevant since the product is no longer news. The importance are to understand the target groups and the incentives and were these fit into the curve. This leads to the use of right strategies and activities to maximize the spread and the opportunity for sales.

The most important tools to prepare the market for a launch are the use of PR, press releases, communication and testing. Depending on the product and how it is defined, the pre-launch solutions may differ. In the early stages differentiation is important and to highlight certain features to response from the market from all the “noise”. When entering the mainstream market it is important to find a price level that differs from the competitors and that is enhanced by the key features. Innovators and early adopters are searching for information and are reached when launching the mobile phone. The product specifications usually decide if they will accept or reject the product. This is something we keep in mind when choosing the market mix for the early market. Then for the mainstream market, another market mix is used. The laggards are usually not selected since they are not the target market and due to lack of resources.

LG Electronics – Erik Andersson

When discussing the launch and re-launch stage, Erik says that it depends on what type of product you have. He explains this with a real example with the mobile phone KU990 or Viewty that has been on the market for one year now. When it came it was a good phone and had a 5 megapixel camera, so to say a “hajen telefon” (shark telephone) that was expensive when first launched. The early adopter liked it and it became a success on the mainstream market. When introducing it on the mainstream market, there is no major relaunch, instead there is a shift in the way of marketing the mobile phone and identifying the right target groups. No matter how much is spent on marketing, an innovator or early adopter will never buy a 1-year-old product, so it is just waste of money and effort.

Reaching the early market is according to Erik relatively easy. Just by releasing pre-launch information will catch the attention of the early market but also of magazines like Mobil and M3 and even the daily press. Another strategy is to create “baffs” on the market, meaning that you select some forums and partners that you work closely with in the goal of
creating a word of mouth around the product before the launch. Then when moving towards the mainstream market, targeting is important, so depending on what segment, the strategies change. Strategies that are used to reach the mainstream market are BTL, ATL and sell activities. BTL is “below the line” and could be TV-ads that target a large mass. ATL is “above the line” and could be print ads in stores.

There is one moment were a re-launch could be used; it is if you launch a mobile phone before the summer, you might have to do a re-launch after the summer. The reason is because the summer is a slow period and people are on their holiday.

When it comes to what is included in the launch stage, market preparation is an important part. There is a lot of work together with the resellers; to educate them and sharing information. This is done to make them more motivated to sell the products and this should be done before the product is launched.

4.2.3 The whole product concept

Sony Ericsson - Joakim Liljedahl

When mentioning the whole product concept, Joakim knew what the theory was about. According to him, this is a concept that is of great importance and is constantly used by Sony Ericsson. The generic product is the mobile phone and the accessories that are included in the box. These accessories could be memory card, hands free, stereo headphones for listening to music and radio. Stereo headphones are important when selling the walkman phones since they are both a mobile phone and a MP3 player. Furthermore, USB cable for moving photos and music between the mobile phone and the computer and a battery charger. The extra items that come with the phone are according to Joakim also the generic product but according to others, it could be seen as the expected product. The content in the box does not change when the phone moves from the early market and in to the mainstream market.

The augmented product is a stage that Sony Ericsson really works with. Usually they launch their phones with 1-2 different colors for the early market. A few months later, they do a re-launch together with the operators and expand the offering with more colors. Partnerships are important for Sony Ericsson and they work closely with the music, movie, video game and sports industry. When working with music companies they release albums with artists, when selling the phone. This means that when buying the mobile phone you will have the songs on your phone, able to download them from Internet free of charge or getting the whole CD. In some cases, the customers also have been given a Bluetooth speaker to their mobile phone. Two examples of music artists that they have worked with are Kent and Madonna. Sometimes when wanting to take the next step, they work with “activations”, which could mean that the customers are able to win VIP tickets to a concert when buying a Walkman phone. They are working with the music business since Sony Ericsson is associated with music and that the concept has worked really well. However, it is not only the music business that they are working with, they have done campaigns with EA Games during the soccer championship or with the James Bond movies were you can win tickets. Some of these campaigns are done during the launch stage but mostly during the re-launch stage to broaden the offer.
When it comes to potential product and mobile phones, it is something that is not relevant for this industry since the market is driven by news and the prices fall fast. A mobile phone that lives 2 years globally only lives 9-12 months in Sweden because Swedish people are always interested in new products. Therefore, it is better to take the product of the market and introduce a new, instead of trying to keep it alive a bit longer. This stage is more relevant for repurchase industries, consumer goods and food products were people buy the product repeatedly. When consumers buy new phones they do not want to buy the same phone again.

Sony Ericsson – Andreas Eriksson

When discussing the whole product concept, Andreas says, that the whole product concept is used to create additional value for the consumers. This is something that is used when trying to create a greater value for the product. For instance, when you have walkman mobile phone (music mobile phones), you may like to have better headphones. Therefore, better headphones are used to change the value of the proposition. If we take an example from Sony Ericsson, the T902 phone, that had a campaign with the Bond movie recently; when they introduced a new color. This is also an example of an augmented product. In addition, that you can download applications from sonyericsson.com. Finally, potential product is something that does not exist according to Andreas.

LG Electronics – Johan Lidenmark

Johan is not familiar with the specific model, but that it is exactly how they work and think. When discussing co-branding and “give aways”, it is a struggle if these methods aim to build a brand image or just sending away a phone. An event with give aways does not have an effect on the mobile phone itself and the combination of activities to change the offer is always scaled against brand awareness and if it can create further sales in the future or if it is only a short-term sales measure. With two giants, Sony Ericsson and Nokia on the Swedish market, they have to instead work with micro-marketing and finding alternative solutions to make them heard on the market. It can be done with co-branding, give aways or the use of other networks such as the Internet or social networks. The focus should not only be on selling the specific product but also on brand image, price, potential future sales and how the consumers perceive the product.

Johan describes the expected product as accessories such as battery, charger and headphones. This offer does not change from the launch to the re-launch. When talking about augmented product he describes the model, Viewty, and its camera that was not expected by the consumers and that differed from the competitors. Something that changes for the re-launch stage is design features such as new colors. Many of the things that can include in the augmented product in a re-launch, such as software or applications, through partnerships are controlled from the headquarters in South Korea. However, many of the manufacturers like Sony Ericsson and Nokia are more moving to become more of “content suppliers” instead of mobile phone manufactures. Many of the newer manufacturers are working with content directly from the Internet. LG is a young actor in the mobile phone industry and has not yet worked through all the stages in the whole product model. Competitors such as Sony Ericsson, Nokia and Apple are stronger in these stages and one reason is because they get huge support from external sources to strengthen their offers.
Erik was not directly familiar with this concept but after showing some example from the computer industry, he understood what the theory meant. LG does not use this strategy and they have the expected products like battery charger, headphones and USB cable that do not change from the launch to the re-launch stage. Further, give ways and co-branding is not that LG uses. Giving memory cards and other things away can have some bad results in the future since the sales of accessories could decrease. Furthermore, this is a concept that they are working on, and one example that he brought up was that together with laptops the mobile phone could create a good combination that would be a augmented products, but that is also all for the moment. According to him, this concept is more of a tactic then a strategy.
5 Analysis

As mentioned earlier, the analysis part is structured according to a template analysis approach. The structure will follow the interview template and empirical findings with the three main categories; the life cycle and the chasm, launching and re-launching and the whole product concept. To avoid a long-winding and repeating analysis the two cases will be compiled under the same heading.

5.1 The Technology Adoption Life Cycle and The Landscape of Technology Adoption Life Cycle

Ericsson and LG Electronics stress the importance that there are specific groups in the Swedish mobile phone industry, according to the Technology Adoption Life Cycle. The trend has been that these groups have been even clearer and easier to define. For instance, the development in Information Technology (IT) has made it easier for the early market to acquire information about new mobile phones. This issue is further discussed and analyzed later in this section and in 5.2. Further, both cases stress the importance of understanding the customers and their preferences that confirms the validity and importance of the life cycle. However, the life cycle focuses too much on the technology instead of the consumers. By adding, the consumer dimension into the life cycle, it would become more relevant for the mobile phone industry, were the trend has been to focus more on the consumers and not on the product and technology. Historically, companies have divided the clusters and segments according to age, and this has changed to focus more on incentives for purchase and shared interests regardless of age. The researchers believe this is the case also since the technology life cycle is more intended for one-technology-fits-all type of markets. However, since the mobile phone is being portrayed as a personal item, there exist several segments with different preferences such as smart phones, music phones, camera phones and simple standardized phones.

When putting together the theoretical framework, the researchers believed that the technology life cycle could be used to describe the whole industry. However, this was a wrong assumption since they have identified two critical types of products within the mobile phone industry; “innovation products” and “class products”. Innovation products are mobile phones with a high innovation value that creates interest among the early market consumers, i.e. Sony Ericsson X1 Xperia and LG KC910 Renoir. The distinct innovation products on today’s market are smart phones and touch phones. On the other hand, there are class products that have no significant innovation value, for instance Sony Ericsson’s Walkman phones. Therefore, these types of mobile phones will never attract the attention from innovators and early adopters since they are only interested in new technology and innovations. That is why the manufacturers usually launch directly to the mainstream market and ignore the early market, since there is no early market (innovators and early adopters) for class products. Further, since there is no early market, the chasm does not exist between the early market and mainstream market. Therefore, class products can best be described by the traditional product life cycle. However, this strategy do not work on innova-
tion products since the mainstream market needs references and assurance of the reliability of the product, that only can be provided by the early market.

Moving over to the chasm, none of the cases seems to think that there exist any significant chasms or gap in the mobile phone industry. The researchers have identified three main reasons for this. Note that this only applies to innovation products, since there is no chasm for class products. Firstly, there are only incremental changes in technology in the mobile phone industry. Incremental changes in technology imply that the changes in the mobile phones are so small that it is still known to the mainstream market and that uncertainty is low. The researcher believe also that IT has played a significant role in reducing the chasm and uncertainty. As mentioned earlier, it is easier for the mainstream market to find information regarding a certain product or technology. For instance, a consumer can view multiple instruction videos on Youtube and educate themselves on new products and technologies. Secondly, the companies are focusing more on highlighting the use and benefit of the product, instead of the technology. When GPRS and 3G was a new technology, Sony Ericsson highlighted the technology itself. However, the customers could not transform this superiority to a practical and logical use. When they instead started to highlight the use, such as the possibility of uploading photos on the Internet or just surfing the Internet, these technologies had a true breakthrough. Finally, there are groups in the life cycle that are overlapping each other. Large efforts are put into targeting these groups in order to minimize the chasm.

However, the researchers identified two possible external forces that could widen the chasm. The first one is that manufacturers that has less market shares and market influence, has a harder time controlling the date of the launch. As mentioned in the empirical findings, operators have “road maps” on when they need to launch a product and since they usually place large orders they have a huge bargaining power. It is important for the manufactures to control the launch date since the consumers will not be able to take in all the information if many products are launched close to each other. However, it does not exclude that the manufactures will lose control over the planning and launch process. In addition to market share, this problem could also be related to local and foreign manufactures; were local manufactures are given more influence with the Swedish operators. Secondly, companies that have several products in other industries, always struggles against the other business units for resources from the central unit. The restrictions in resources could prevent the marketing activities and campaigns when launching a new product. This is something that pure mobile phone companies do not experience since all the attention and resources are always available for them.
5.1.1 Mobile phone adoption life cycle

The researchers are trying to illustrate Swedish mobile phone market by combining the product life cycle, technology life cycle and class and innovation product. As illustrated, the chasm has been significantly reduced and is only relevant for the life cycle for innovation products. For class products with no innovation value, the early market has been excluded from the cycle, since these groups have no interest in products without any innovation value. There exists no gap for class products, since the definition for chasm is; the gap between the early market and mainstream market. Note that, normally a product life cycle is not bell shaped. However, in order to incorporate it together with the technology life cycle the researchers had to change it. Also, keep in mind that with in all stages there are multiple segments for class and innovation products.

5.2 Launch and re-launch

In the mobile phone industry, an initial launch is used when the product is to be introduced. However, a re-launch stage is not used in the Swedish mobile phone industry and all the preparations are done in the launch stage. The explanation could be that mobile phones are very news driven and in Sweden, they have a short lifetime, normally 9-12 months. On the other hand, it is common that the manufacturers give the product an extra push into the mainstream market. This is usually done together with the phone operators to reach a wider market and create additional value. This is connected to the whole product concept and further discussed in 5.3. Since there are no chasm or early market for class products, the launch stage will be discussed regarding innovation products. However, some of the strategies may work for class product as well, when launching directly to the mainstream.
Market Preparation
Market preparations are of the utmost importance in the mobile phone industry, when a new product is launched. The most important strategies when preparing the market are pre-launch information and alliances. The early market should not be underestimated; even though this is a small group they possess great influence and will determine the boost effect for the rest of the life cycle. They are so-called gate-keepers for the rest of the market since they are always first with adopting a new technology or product. The early market is famous of making their voice heard by writing product reviews or on blogs and forums. This information is then easy accessibly by the mainstream market. This is something that both Sony Ericsson and LG Electronics are aware of and therefore the initial pre-launch information becomes extremely important to create interest among the early market. When a press release is released, various tech sites but also daily newspapers such as Aftonbladet will acquire it. Then the information is spread throughout the Internet via forums, blogs and websites such as Youtube. It has made it a lot easier to create word-of-mouth around a new product and therefore it is important that the early market is satisfied before moving to the mainstream market. If the early market is not satisfied with the product, the mainstream market will never adopt the product. Reaching them and creating interest is easy due to development in IT as mentioned earlier. Another strategy is to create “baffs” on the market, meaning that you select some forums and partners that you work closely with in the goal of creating a word of mouth around the product before the launch.

When preparing the market, working closely with the Swedish phone operators is important for a successful launch. Since, many of the innovation products are sold through the operators with subscription plans, the manufacturers should work closely with the operators regarding planning campaigns, educate them and sharing information. In the end, the operators push out the mobile phones and therefore they should be motivated to sell and, educated regarding the product specifications.

Targeting
As mentioned earlier, reaching the early market is easy in the mobile phone industry, since this market is actively searching for new information and products. When targeting the mainstream market the companies use a broader approach and medias. The segments are divided into incentives and shared interests, instead of age. The mainstream targeting strategies are usually decided in the launch stage.

In the mobile phone industry, the researchers did not notice any significant targeting of current customers by the manufacturers. Instead, the targeting of current customers is usually done by the phone operators. The researchers believe that it is important to target current customers since it is always cheaper, compared to finding new ones. The manufacturers should concentrate on creating loyal customers. This could be achieved in cooperation with the operators, by offering existing customers special offers, when a new product is launched.

Positioning
In the past, the focus has been on technological superiority, for innovation products. This could be appropriate for the early market, since they have better capacity to transform the superiority into a use or benefit and to create interest. However, for the mainstream mar-
ket, it is advisable that the technological superiority is used as an “enabler” from the beginning, i.e. use the technology to make it logical and practical for the consumers.

**Execution**

When it is time to launch the product, it is important that the previous preparations stages has been covered. Since the Swedish mobile phone market is highly competitive, and there are only small differences between the competitors, the focus should be on brand name and competitive advantages. This is also appropriate since there are only incremental changes in the technology in the industry. Further, due to the competitiveness, it is hard to cultivate a winner image. The company and product that has come the closest in perfecting this strategy is Apple’s Iphone 3G. Before the launch, it is important that the company has created a strong word-of-mouth around the product. This is usually done by pre-launch information, but also creating “buffs” on the market.

### 5.2.1 Market launch for innovation products

In figure 5-2-1, the market launch for the Swedish mobile phone market is summarized. The purpose of this figure is that the reader can get a clear overview about the different stages when launching an innovation product for the Swedish market.

![Market launch diagram](image)

Figure 5-2-1 Market launch for innovation products
(adapted from Easingwood & Harrington, 2002)
5.3 The whole product concept

As it turned out, the whole product concept appeared to be an important and frequently used strategy in the Swedish mobile phone market. The recent trend has been that the companies are moving from being mobile phone manufacturers, towards being content suppliers. Many companies are also working with content directly from the Internet. The most important strategy are partnerships in order to execute the whole product concept, and not only with operators but also with third party companies. However, the researchers and the respondents believe that there are improvements to be made in this strategy. Some companies have made greater progress in the development of the whole product concept, e.g. Apple and Sony Ericsson, then other companies. This strategy is used for both innovation and class products to increase the value and widen the position of the product. It can be seen as, giving the product an extra push to increase sales and interest.

**Generic product**
The generic product in the mobile phone industry is obviously the mobile phone itself. This is something that is consistent throughout the whole life cycle.

**Expected product**
Expected product are the accessories that comes in the box when buying a mobile phone. The minimum requirements that customers expect to receive when buying a phone are; power adapter, USB cable and headphones. The manufactures are reluctant of changing this content for the mainstream market since it will have negative effects for their partners that are selling after market accessories. Customer support could also be placed under this category. However, mobile phone owners often turn to their mobile phone operators first, when they have a problem.

**Augmented product**
To develop the augmented product, partnerships are of great importance. An augmented product needs to create a surprise effect for the consumers. The most common augmented product is to change the design and color of the phones. This is done a couple of months after the initial launch together with a specific mobile phone operator. Another strategy is to use co-branding or give aways, to increase sales and awareness. Sony Ericsson is the company that is most associated with this strategy in Sweden, and has been achieved by close partnerships with for instance music and movie companies.

**Potential product**
Since a mobile phone has a life span of 9-12 months in Sweden, potential product has a small relevance. However, one way of increasing after sales revenues and increasing the overall value of the phone, is by so-called “appstores”. Apple is a company that has used this strategy in a good way by offering existing Iphone customers the possibility of purchasing additional applications and games. However, for this strategy to work, the company must have partnerships since it would be too costly for the company to create all the applications and games themselves.
6 Conclusion

In the conclusion, the researchers will answer the purpose and research questions. In this part, the researchers have highlighted the most important findings.

- **The purpose of this thesis is to conduct a qualitative study within the Swedish mobile phone industry to understand how the manufacturers' products are crossing the chasm.**

First off, it is important to distinguish between two kinds of products in the Swedish mobile phone industry; class products and innovation products. These two types are the researchers own definitions. Class products are defined as “mobile phones with no significant innovation value for the consumers”. The phones are basic mobile phones with few features and innovative technologies and will therefore never attract the attention of the early market. As a result, the manufacturers usually launch their product directly to the mainstream market and thus, ignoring the chasm.

On the other hand, innovation products are “mobile phones with high innovation value” and will therefore attract the interest of the early market. Since, there exists an early market there will naturally be a gap. However, the chasm in the Swedish mobile phone industry is narrow due to incremental changes in technology, development of IT, changes in how to market new technologies and overlapping groups in the life cycle. However, the researchers have identified some firm-specific factors that could widen the chasm. The factors are related to the amount of influence on the Swedish market and the structure of the company.

These two types of products has created two different life cycles in Swedish mobile phone industry and are illustrated in 5.1.1. The figure’s main purpose is to describe the Swedish mobile phone market by combining the product life cycle, technology life cycle, innovation and class products. For innovation products, the chasm has been reduced and for class products, the early market and chasm has been excluded. To make a successful crossing of the chasm it is of up most importance to work closely with partners and alliances. No manufactures can solely survive by themselves in the Swedish mobile phone industry.

- **How do the manufacturers handle the launch and re-launch stage?**

When launching a new mobile phone, both the cases used the stages market preparation, targeting, positioning and execution. The emphasize in the launch stage should be on the market preparation stage to create an interest among the early market, e.g. provide pre-launch information and work with alliances. Some other important strategies to keep in mind are to target the early market and current customers, emphasize technological superiority for the early market and then use the technology as an enabler for the mainstream market and to create a word-of-mouth around the product. The reasons why the early market and market preparations are so important is because the early market serves as gatekeepers for the mainstream market and the impact on the early market will determine the boost effect throughout the rest of the life cycle. Keep in mind that the launch stage is discussed regarding the innovation products, since the class products lack an early market and chasm. The most important strategies for the different stages has been summarized in 5.2.1.
A re-launch stage is not used among the cases since mobile phones are news driven and has a short lifetime. Instead, the whole product concept is used, to give the product an extra push and add extra value.

- How do the manufacturers use the strategy, “the whole product concept”, in the Swedish mobile phone industry?

The whole product concept is a commonly used strategy in the industry to add extra value to increase the sales in the mainstream market. The different stages in the whole product concept are generic product, expected product, augmented product and potential product. Generic product is defined as the mobile phone, expected product with accessories and augmented product by design changes or gives aways. The most significant difference between manufacturers occur in the augmented stage and the use of co-branding and give aways. Finally, few manufacturers have reached the potential product stage mainly due to the short life cycle and costs involved.

In order to implement this strategy, partnerships and alliances are important. This strategy is new for the industry and some manufacturers have made greater progress then others. The recent trend is that many manufacturers are moving towards being content suppliers and also working with content directly from the Internet. Another trend seems to be that the manufacturers are putting more emphasizes on this strategy. However, the overall conclusion is that there are still improvements to be made in this strategy.
7 Discussion
The researchers will end this study by using a reversed funnel approach. The main parts that will be discussed are criticism towards the study, the implications of the study and recommendations for further studies.

7.1 Implications
The Swedish mobile phone industry consists of few actors; Sony Ericsson, Nokia, Samsung, LG Electronics and Motorola whereas the first two holds the majority of the market share. Two new manufacturers on the market are Apple and HTC. Since Nokia and Sony Ericsson are “local” manufacturers, they have an advantage on the market compared to their smaller competitors. A parallel can be drawn towards the car industry and the local manufacturers, Volvo and Saab that have a strong market share in Sweden. Another reason could also be that Nokia and Sony Ericsson are putting more effort in marketing in order to establish a strong home base market.

The mobile phone itself is not a high tech product, many of them are products with incremental changes building on previous technology, like GPRS and 3G, that can be defined as high tech technology. This is something that goes is waves between changes of industry standards. The focus should maybe not be on high tech theories. Here one could draw parallels to the TV industry. When moving from the normal TV to the flat screen TV, this was something new. When the flat screen TVs were launched they were high tech products, but today they are more seen as a standard.

The mobile manufactures is obviously one group that will have use of this study and gain from it, especially when it comes to the whole product concept. This is a concept under construction and not fully developed and the respondents were interested in our thoughts about the subject. Since the research is limited to the Swedish mobile phone market, foreign mobile manufactures may gain understanding on the process of launching mobile phones on the Swedish market. Furthermore, mobile phone operators and electronic stores selling mobile phones may get more understanding of launching mobile phones and that highlighting the use and not the technology of the mobile phone is more suitable.

7.2 Critique against the study
Criticism towards the study is that only four respondents were used in this study. Instead of adding more respondents in the cases, it would have been advisable to choose a third case with two more respondents. The reason is because they are working in small close groups in the different departments and companies and conducting more interviews would yield the same results. Also, conducting face-to-face interviews would be more favorable, due to the fact that it is more reliable when it comes to case study. Further, by conducting face-to-face interviews, it is easier to access sensitive strategies and the possibility to monitor the respondents’ reactions and body language.
7.3 Recommendations for further studies

When conducting the interviews, the respondents were talking about customer preferences and how important it is to focus on them instead of the technology. The theories chosen by the researchers are highlighted from a company and technology perspective that focuses on technology superiority. During the last years, this has changed, so when conducting further studies, choosing the consumer perspective could be more proper. In addition, since this study was limited to the Swedish market, it could be relevant to conduct the same study on other markets, in order to find different strategies that may be used.
8 References


9 Appendix

9.1 Development of High Tech GDP vs. U.S GDP

(Devol, 1999)

9.2 Worldwide Market share 2006-2008

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<thead>
<tr>
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<tbody>
<tr>
<td>Nokia</td>
<td>39,4%</td>
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<td>34,2%</td>
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<tr>
<td>Samsung</td>
<td>17,3%</td>
<td>14,1%</td>
<td>11,2%</td>
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<tr>
<td>Sony Ericsson</td>
<td>8,6%</td>
<td>9,0%</td>
<td>7,3%</td>
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<tr>
<td>Motorola</td>
<td>8,5%</td>
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<td>21,4%</td>
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<tr>
<td>LG Electronics</td>
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<td>7,0%</td>
<td>6,2%</td>
</tr>
<tr>
<td>Other</td>
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<td>17,7%</td>
<td>19,7%</td>
</tr>
<tr>
<td>Total</td>
<td>100,0%</td>
<td>100,0%</td>
<td>100,0%</td>
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</table>

(IDC, 2008)
### Top ten fiasco mobiles

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<thead>
<tr>
<th>Rank</th>
<th>Mobile</th>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>Iridium Motorola</td>
</tr>
<tr>
<td>2</td>
<td>Neonode N1</td>
</tr>
<tr>
<td>3</td>
<td>Samsung B&amp;O Serene</td>
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<td>7</td>
<td>Nokia 7700</td>
</tr>
<tr>
<td>8</td>
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<tr>
<td>9</td>
<td>Magcom</td>
</tr>
<tr>
<td>10</td>
<td>Motorola A920</td>
</tr>
</tbody>
</table>

(Mobil, 2008)
9.4 Interview Template

The interview will be semi-structured that aims to create more of a discussion between the researchers and the respondents. Some questions will be pre-determined for every respondent but will also be open-ended which means that the follow-up questions will differ from case to case.

1.) Short presentation of the research and the researchers (5 min)

2.) Presentation of the respondent (name, age, position, work task, time of employment etc)

Interview questions (example of follow-up questions in italic)

The Technology Adoption Life Cycle and The Landscape of Technology Adoption Life Cycle

1.) According to Moore, the market is divided into groups (see figure 1 in the interview material). How do you view this in the mobile industry?
   How do you identify the groups? Do the groups require different strategies? Do you view the market as a whole without groups? What people are included in the groups? What strategies do you use for the different groups?

2.) According to the same researcher, there is a gap called "the chasm" between the early market (innovators and early adopters) and mainstream market (early and late majority) that makes it harder for the companies to reach the mainstream market (see figure 2). How do you view this gap?
   Does the chasm create significant problems for you? Has your view and knowledge of handling the chasm changed over the past years? Why do you not see the chasm as a problem? Have your company had any mobile phones that never reached the mainstream market? Main reasons for why they failed?

Launch and re-launch

3.) According to Chris Easingwood, a high tech company has to do a launch for the early market and then do a re-launch for the mainstream market (see figure 3). Do you agree with him?
   Is it sufficient with only one launch? Are some launch stages missing or redundant (market preparation, targeting, positioning, execution)? How do you handle these stages? What strategies are used and not used? Which are the most important strategies?

The whole product concept

4.) One of the most important strategies to reach the mainstream market is to create an end-to-end solution or the whole product concept (see figure 4). Is it a strategy that is used by you?
   Can you describe more in detail the different stages in the model according to your company (generic, expected, augmented and potential product)?