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INNOVATION AS A STRATEGY. CASE: BANG & OLUFSEN

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## INNOVATION AS A STRATEGY. CASE: BANG & OLUFSEN

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The purpose of this thesis was to research how innovation can be used as a tool when creating a strategy. As globalization rose and international trade increased, so did the competition. Differentiation became a key factor for success as the customers got access to a larger range of products and services from a greater physical area. Innovation was found to be a very efficient way of differentiating and became an increasingly popular tool for success. Using innovation was however not risk free as applying innovation meant applying new and untested ideas that came with a large risk. Those risks could be lowered with detailed understanding of the surrounding industry and customers needs. This knowledge was gained by analyzing but for that knowledge was needed on what to analyze and what tools that should have been used. Therefore, this study aimed to document theoretical tools that could be used in the application of innovation in a strategy.

The theoretical methodology that was used for this research was exploratory research as exploratory research aimed to learn about a topic without using direct comparison of data. That was chosen as the theoretical tools were applied to create an example of how innovation could be developed, in this case of Bang & Olufsen. The research was based on the qualitative method that allowed the research to be based and explain theoretical tools and explore the topic in depth. The quantitative method was not applied to this research as this study aimed to explore and explain tools and phenomes that were relevant to innovation and using innovation in strategies.

The study found that innovation could be a powerful tool when it was successfully applied. Innovation became increasingly popular as it could be used as a way to differentiate from the competition. According to findings the understanding of the competition and the customers could be used to analyze what could be done differently and utilize that to differentiate from the competition and meet the customer's needs. There were risks involved when innovation was applied, but many of the risks could be mitigated during the development of the innovation.

In the case of Bang & Olufsen innovation was done by penetrating the market for headphones and Bluetooth-speakers. By implementing design, exclusivity and quality to the existing market Bang & Olufsen became the only brand to offer that solution to the customers. Bang & Olufsen's launch of the B&O Play product series they successfully managed to enter a new market area and expand their business while utilizing their core competences to set them apart from the competition.

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# 1 INTRODUCTION

What almost all organizations in the world has in common is that one of their main objectives is to earn money, but what then when different organisations compete about the same customers? Many organisations have addressed this problem with a strong strategy designed to beat their competition. Using innovation to do this is becoming increasingly popular and organisations are now constantly seeking new ways in which they can differentiate themselves in order to stand out. But how is innovation used in a strategy to gain an advantage? To answer that question four key areas of research will be addressed: innovation, strategy, innovation as a strategy and innovation for Bang & Olufsen, after which a conclusion will summarize the findings.

The first section, innovation, researches what innovation is and how it is used. This will create the base further on in the research when it will be applied on the case of Bang & Olufsen. To give the full understanding of what innovation is we highlight definitions from different sources and analyse similarities and differences.

It is the same research that is done in the second section where instead of innovation we take a closer look at strategy. Different definitions will be compared from different sources to fully comprehend this tool and how it is used. We also look closer at what elements there are to building a strategy as this will be used as the background information further on in the analysis.

When we move on to the third section, we will have established both what innovations and strategies are and how they are used. This information will now be used as a tool in which it will be explained how innovation can be used as a strategy. This part also works as a guide that highlights what to consider in the process as well as tools that can be applied to use innovation in a strategy.

When this has been established, we take a real-life example in the fourth section where we are focusing on the case of Bang & Olufsen and how they used innovation as a strategy. To understand this, we will look closer into the history of Bang & Olufsen and their motivation to use innovation. The tools documented in the third section will be applied to Bang & Olufsen as an example on how the tools can be used to create an innovation strategy.

Finally, in the fifth section the research findings will be summarized, and conclusions will be established along with recommendations for future studies.

### 1.1 Background of the thesis

The world has changed drastically over the past 20 years and so has consumer behavior. From optimism in the early 2000's to financial crisis from 2008 and now again to optimism. The introduction of smartphones, 4G network, webstores, vessels with a capacity of 20.000 TEU's, a boom in air transportation and much more. These all have the thing in common that they have influenced the business world drastically and the changes happens faster than ever. In fact, the 5 highest ranking companies on Forbes Fortune 500 list were in 2018 all technology companies (Shen 2018). Physical distances are becoming less and less important as the international trade is booming. The customers are now informed on what is available and where. These factors mean that the competition between organizations is stronger than ever and the factors that determine which companies comes out on top has changed.

With all these changes innovation has become a buzz word that is commonly used, particularly in business life. As the consumers now have a larger selection offered from a larger geographical area, organizations are seeking new ways for differentiation. Some of the world's most valuable organizations didn't exist five or ten years ago, but by innovating they achieved success by standing out. Just think about how Uber managed to go from a start-up to challenge the 100-year-old taxi industry within a few years just by being innovative. Previously, some of the most important factors in busi-

ness were production costs, streamlining production, brand etc. but it is becoming increasingly important to be able to adapt to market changes and to innovate, as the competition changes faster and is more creative than ever.

To illustrate just how important innovation is and how it successfully can be utilized in a strategy I have taken Bang & Olufsen A/S as an example. Bang & Olufsen is a world-renowned brand known for design and quality. The organization is based in a small city in the western part of Denmark, the same area where the author was born, and therefore the brand has had a special place in the area, as well as for the author. The financial crisis in 2008 hit Bang & Olufsen hard and made the sales on the luxury products drop rapidly in a time where focus was on price and savings. Bang & Olufsen ingeniously used innovation in their strategy to utilize their brand value to enter a new and unknown market. Bang & Olufsen managed to penetrate a new industry and set themselves in a place where no other brand offered a similar solution. Therefore, this example not only has personal interest for the author as a thesis writer, but it is also an excellent example of innovation successfully used as a strategy and can in this case be used to support the thesis and the readers understanding.

## 1.2 Purpose and objectives for the study

The purpose of this study is to create a guide that clearly explains how innovation can be used as a strategy, but also explain the individual parts that are necessary to get the full understanding of it, for example what is a strategy and what is it used for. It aims to be clear yet precise in a way that it should be both understandable and useful for the reader whether it is someone being introduced to the topic for the first time or it is an experienced executive in an international organization. The objective is therefore that this study works as a tool to understand what this topic is, how it can be used and what effects it can have. In other words, the study should introduce the reader to the topic in a way that enables the reader to successfully use the information in a professional manner. Additionally, it must inform why innovation often is so important. The study shall be based on a theoretical basis and then be backed up with the case study of Bang & Olufsen.

Specifically, the objective is therefore to tell how innovation can be used as a strategy, why it should be used as a strategy, what risks it comes with and how to implement it.

This thesis provides information that can be understood for readers without prior knowledge or experience about the topic.

### 1.3 Methodology

This thesis is based on exploratory research. This method is used as it in this case is the best way to clarify the different concepts handled in the thesis. Additionally, the research is made using the qualitative method.

This thesis will be based on exploratory research that aims to learn and explore about a topic, in this case innovation as a strategy. This is often the research method that is used when it is regarding innovation, as innovation is the implementation of a new idea there will not be any direct data to compare it to, instead exploratory research is done explore more information about this specific topic. Exploratory research is often the first stage of research when exploring a topic, and it is also it this stage where the proposition development is taking place. Exploratory research is naturally linked quite close with the qualitative research method (which is also the method used in this thesis) but can also be connected to the quantitative method. (Ipsos 2017)

The studies are made using a mono method qualitative method. This is done to ensure that all perspectives and details are covered in the research, so that the findings will be as precise and describing as possible. This has a huge emphasis as this research has the objective to cover the most important aspects of the chosen topics. The benefit of using the qualitative method is that it is possible to go more in depth with the knowledge and make more detailed findings. By using the qualitative method, the findings can be more precise compared to the quantitative method, it is however harder to generalize when using the qualitative method. Many of the theories that will be used in this research will be based on quantitative data, which means that they were based on objective findings, but in this context, they will be used to support the qualitative research. Compared to the quantitative method that is based on facts and data, the

qualitative method is based on findings and experiences. (Hammarberg, K., Kirkman, M. & de Lacey, S. 2015, 1-2)

#### 1.4 Boundaries

There are two boundaries of this thesis which are areas that may be partially relevant, but which will not be addressed in the thesis to ensure that the focus stays on the given topic. The two factors that will be addressed are global market trends and political environment.

Global market trends will have limited or no influence on this thesis as the thesis covers an extended time period with different trends. Global market trends might indirectly affect the covered topics, but they are not addressed as it depends on the region and the time of implementation. The topic would be difficult to fully cover, take the focus away from the actual topic and would not be particularly relevant at a later date after the publication of the thesis.

It is the same with the political environment that only will have indirect influence on the thesis and therefore will not be directly addressed. Like global market trends, the relevance of the political environment depends on the region, the time and not at least the industry. As this thesis addresses the topic from a universal point of view the political environment will not be addressed as this would take focus away from the topic as well make most of the thesis irrelevant for the reader as most of the thesis would not be relevant the persons field of interest.

## 2 INNOVATION

Innovation is all around us and has become a very frequently used word, particularly in business life. But before we start to talk about how it is used, we first need to establish what it is.



## 2.1 Definition of innovation

There are many different definitions of what innovation is; for example, the Merriam-Webster dictionary that defines innovation as something as simple as:

*The introduction of something new or a new idea, method or device.* (Website for Merriam Webster 2019)

Author Paul Slovic who is specialized in lateral thinking and innovation, defines innovation as:

*Creativity is thinking of something new. Innovation is the implementation of something new.* (Skillicorn 2016)

Author who is specialized in creativity and innovation Jeffrey Baumgartner defines innovation as:

*'The implementation of creative ideas in order to generate value, usually through increased revenues, reduced costs or both.'* (Skillicorn 2016)

There are hundreds of definitions and understandings of what innovation is, but these three definitions summarize the core of what innovation is. Despite the definitions being quite different, they all have the same core message; that innovation is the implementation of something new. In the business world innovation is often used as the implementation of a new product or service, or for example a new process within the organization. Examples of well implemented innovation was for example when Henry Ford managed to make an efficient auto assembly line with the Ford Model T that enabled him to mass produce cars at a lot lower cost than the competition, or when Apple with their iPhone rewrote what a phone could do. What is the core idea behind innovation is that when it is applied it has to add some value, for example lowered

costs or a new feature to a product that makes it stand out from the competition. Innovation is most commonly used in business life but is not limited to that. Innovation is around us every day.

A study of nearly 650 organization from Europe and North America found that those organizations that invested large amount in innovation infrastructure gained revenues of up to 70% higher than other organizations. This illustrates the major potential that there is with innovation when it is used optimally. How this is used will be addressed in the next chapter. (Randall 2005, 20)

## 2.2 How innovation is used

In today's business life innovation is a commonly used buzzword and innovation is seen as a key factor for success. Innovation is used as a tool that can enables organization to gain an advantage over the competition by creating new value that has not been offered before. This can be anything between a new way of producing a car to a new feature on a smartphone. What is a constant on innovation is that it is something new and unexplored that is now being implemented to reality with the scope of creating value. Innovation can also be used to create new ways to meet the customers' needs or create needs that has not yet been met. (Tredgold 2018) (Use innovation to grow your business 2019).

## 2.3 Strengths and weaknesses

Pros	Cons
Large possible reward	High level of uncertainty
Less competition	Increased risks
Redefining the boundaries	Large insides needed
	Time

The exact strengths and weaknesses connected to innovation is hard to define as they vary from organization to organization, and yet there are a lot of common denominators that characterizes innovation as we know it today. Please note that these findings are based on experiences and analysis by the author.

Despite the popularity of innovation, it also comes with several significant drawbacks that need to be addressed. As innovation is the implementation of something new, it is also unexplored and that creates many challenges for businesses as they try to innovate. There is a high risk connected to innovation as they enter unknown space which also creates a high level of uncertainty that makes it hard to plan far ahead. Businesses try to mitigate this issue by spending a lot of time and resources on analyzing possible struggles and challenges that they might encounter in the process. This means that there is a lot of costs related to a strategy that has no guaranteed success.

When the innovation is successfully implemented there is however possibility for huge benefits. As this innovation brings value to the organization it can give the organization the edge over the competition which in the end can result in increased profits and fewer boundaries that makes the organization stand stronger.

### 3 STRATEGY

Even though we might not notice it we are surrounded by strategies each day. They follow us and help us influence our lives even for someone who does not know what a strategy is. At some stage in their lives everyone becomes capable of analyzing different scenarios and utilize it to an advantage. Strategies are most often known from business life. Here it is used as one of the most fundamental tools to ensure that a company is moving in the desired direction, but basically strategies is a part of the human nature and it helps us to reach the goals that we have in life.

#### 3.1 Defining strategy

There are many different definitions of what a strategy is, and they are very different in both length and phrasing. Through the research the author have found that there is no single correct different definition of what a strategy is, though all definitions have

the same basic meaning their approaches are very different. To make the best explanation of what a strategy is the author have taken 3 different, yet commonly used, definitions that highlights strategies from very different angles.

Marriam-Webster simply defines strategy as

*a careful plan or method: a clever stratagem* (Website for Marriam Webster 2019)

or

*the art of devising or employing plans or stratagems toward a goal* (Website for Marriam Webster 2019)

Expert in strategic clarity Ann Latham defines strategy in an article posted in the global business magazine Forbes. Here Latham defines strategy as:

*A strategy is a framework for making decisions about how you will play the game of business. These decisions, which occur daily throughout the organization, include everything from capital investments to operational priorities to marketing to hiring to sales approaches to branding efforts to how each individual shuffles his To Do list every single morning. Without a strategic framework to guide these decisions, the organization will run in too many different directions, accomplish little, squander profits, and suffer enormous confusion and discord.* (Latham 2017).

The Oxford Dictionaries defines a strategy as something as simple as:

*A plan of action designed to achieve a long-term or overall aim.* (Oxford Dictionary 2019)

Despite different approaches all 3 definitions conclude the same; that a strategy is a long-term plan with the scope of achieving some predetermined goal. The core idea of a strategy is to create value, in this case an organization, which most often means through maximizing profits as well as guiding the organization towards the future.

### 3.1.1 Mintzberg's 5 P's

The definitions stated above gives a good idea about what a strategy is, but a strategy is more extensive than what most definitions cover. This is why Henry Mintzberg, who is one of the world's leading professors within strategies, in 1987 developed the 5 P's. The 5 P's is a detailed explanation of what strategies actually are and what they include. Mintzberg developed the 5 P's to fully understand how extensive strategies actually are and what needs to be considered when a strategy is being developed and implemented. In the book *The Strategy Concept 1: Five P's for Strategy* from 1987 the theory is further explained. Despite the age of this book it is still highly relevant as the theory of the 5 P's is general for all strategies, and the importance of strategies keeps the book relevant. The 5 P's are broken down into; plans, patterns, positions, perspectives and ploys. The 5 P's do not make the previous definitions any less right, but the 5 P's tells what a strategy should consist of and can be used as a guide for what should be considered when creating a strategy. The 5 P's and what their individual meaning is, is illustrated in figure 1. (Mintzberg 1987, 11) (Jofre 2011, 5) (Website of Business Strategy Hub 2019) (Website for Håndbog for forretningsarkitekter & enterprise arkitekt 2019).

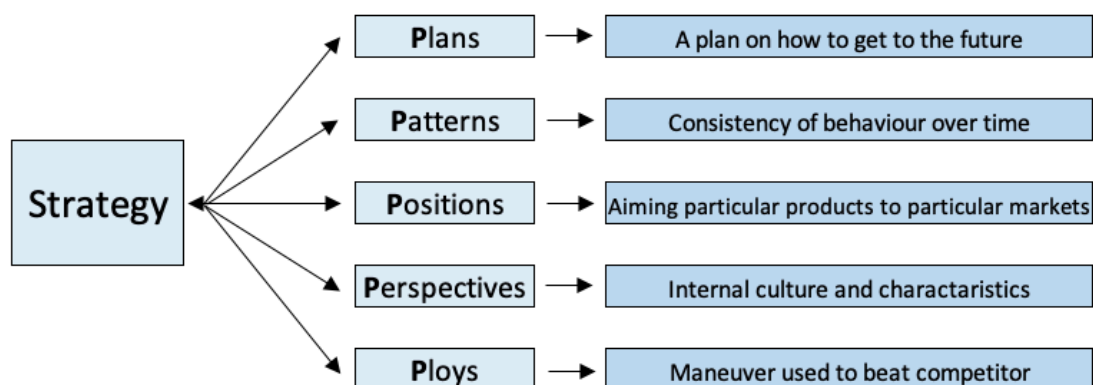


Figure 1. Illustration of Mintzbergs 5 P's. (Created by author based on Mintzberg 1987, 11-12)

First of all, every strategy should have a *plan*. A plan is a guide or a planned path for the organization to follow in order to achieve a preset goal. It is a series of actions the organization intend to take to reach a predetermined goal. One thing that characterizes plans are that they are always developed with a purpose on mind and that they are always made in advance. (Mintzberg 1987, 11-12) (Jofre 2011, 5).

The *patterns* are repetitive behavior that an organization uses. This might be intended but the organization but can also happen without further thought. This is also highly regarded to a company's marketing. Examples of this is for example when Tesla chooses only to produce electric cars, or when Apple uses the easily recognizable gloss white packaging with a picture of the product on the front for almost all their products. The patterns are often based on what have worked in the past, for example pricing, design or quality, and that previous success can be used to create continuous success. Often these patterns grow from just being a continuation of events to becoming a strategy for an organization. (Mintzberg 1987, 12-14) (Jofre 2011, 5-6).

The *Position* is used to tell what our position is relative to our competitors. Knowing which position a company is in relative to the competition lights up strengths and weaknesses for a company. The aim of positioning is to align the internal environment with the external environment of the organization. This can be done in several ways, for example using the knowledge about the market and the competition to differentiate as a way to create value, or to create a price that matches best between price and quality relative to the competitors. Either way, the main idea is that the organization base their knowledge about the external environment to position themselves in the market. (Mintzberg 1987, 15-16) (Jofre 2011, 6).

The *perspective* focuses on the organization internally and focuses on the culture and characteristics within the organization. According to Mintzberg, perspective in to an organization what personality is to a person. (Mintzberg 1987, 16). This is highly affected by the industry in which the organization is operating, take software developers for example who needs to constantly evolve to stay competitive with development versus a production factory where the sales are often determined on pricing. In a case like this the software developers would have a highly R&D focused strategy where the production company will have a strategy that is built around keeping costs as low as possible. There are also companies, for example Apple, who is highly dependent on both development as well as production costs, and therefore must have a strategy that focuses on both. It can also differentiate within an industry. Take Tesla and Ferrari as examples. Tesla is a relatively new car manufacturer where the mentality is focused on climate friendliness and innovation. At Ferrari, however, the mentality is focused

on stimulating the customers feelings. For the perspective to be successful it should be carried out through all areas of the organization so that everyone keeps the same values and focuses. If some parts of the organization are working with different perspectives, it might have a negative effect on the result. (Mintzberg 1987, 16-17) (Jofre 2011, 6).

As there is no way to avoid the competition in a strategy, the *ploy* aims to beat, disrupt or outsmart the competition. Examples of this is would be for a car company to introduce a new type of engine that was cheaper for the owner to run, or if they lowered the price to make the product better value for money compared to their competitors. In other words; it is a way directly aim at beating the competitors. As a part of the strategy the ploy is often used on a more short-term basis, as the competition changes all the time and if organizations focus too much on the competition it is easy to lose sight of their own paths. (Mintzberg 1987, 12) (Jofre 2011, 6-7)

## 4 INNOVATION AS A STRATEGY

Using innovation as a strategy sounds simple enough, but there are many factors to consider when it is researched in depth. There are many aspects to consider, and it is the innovation is unknown territory there is a great risk and no guarantee for success combined with it. As the stakes are higher so can the reward be but it takes a lot of planning and preparation to make a plan that is ready to take on the competition. That is why this chapter will look closer on differentiation and how to implement innovation as a strategy.

### 4.1.1 Blue Ocean Strategy

Before getting into how to use innovation in a strategy it is necessary to mention the Blue Ocean Strategy. The Blue Ocean strategy is one of the worlds most popular books on innovation and how to stand out from the competition, and it is also very relevant in this case. (Edwards 2018) (Website of Blue Ocean Strategy 2019).

The Blue Ocean Strategy is a strategic theory based on innovation that was first published in 2005 after many years of research. The authors Renée Mauborgne and W. Chan Kim from Institut Européen d'Administration des Affaires (INSEAD) had spent almost two decades prior to the publishing researching connections between innovation and success. (Edwards 2018) (Website of Blue Ocean Strategy 2019).

The theory is based on the idea that there are two oceans; the red oceans and blue oceans. The red ocean consists of the known market space, where the competition is defined. In the red ocean organizations compete against each other about gaining market share in a limited market. (Kim & Mauborgne 2015, IX).

The blue ocean represents the unknown market space that is yet to be explored. The goal of entering the blue ocean is not to beat the competition, but to stand apart from it and thereby make it irrelevant. (Kim & Mauborgne 2015, IX-X).

In order to develop these strategies, the authors created an analytic tool called the *The Four Actions Framework* that is designed to help when an organization that operates in a red ocean wants to develop a blue ocean. The Four Actions framework is based on these 4 areas; raise, reduce, eliminate and create. Their meaning and the connection between the four factors are illustrated below in figure 2. (Kim & Mauborgne 2015, 32).

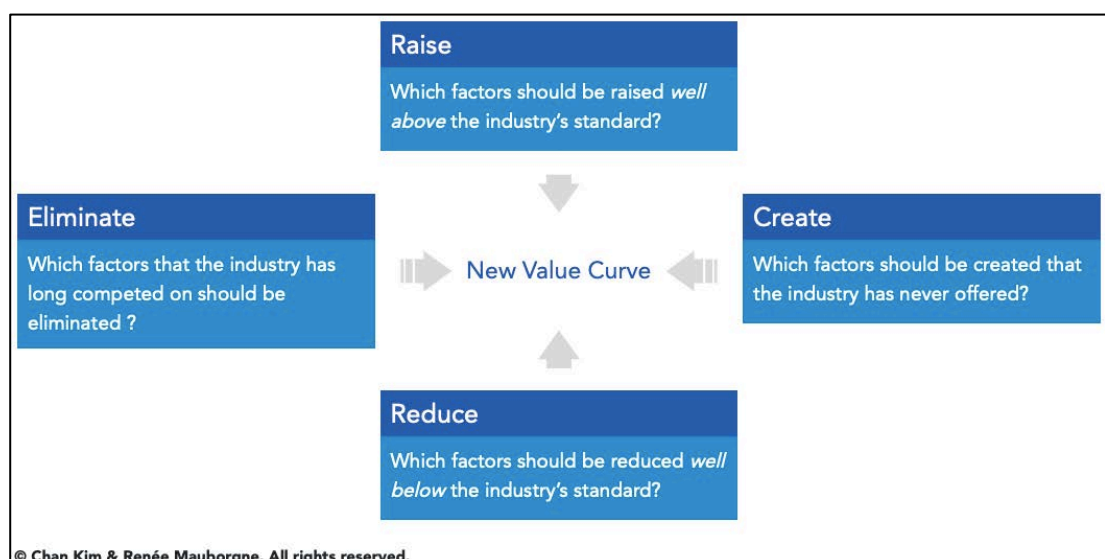




Figure 2. Illustration of The Four Actions Framework. (Website of Blue Ocean Strategy 2019).

The first word, **raise**, what factors that can and should be raised above the current standards of the industry. The focus here is to discover the factors that the industry has kept below the customers desired level and find out how the customers desires can be met or exceeded. Different organizations might have had too much focus on for example cost or efficiency, resulting in their product or service in the not meeting the customers' expectations, which leaves new opportunities for other organizations to utilize. (Kim & Mauborgne 2015, 31-32).

The second word, **reduce**, are the factors that can be lowered compared to the current standard of the industry. Here may be things that other organizations previously have been overdeveloping in the desire of outperforming the competition, but with no actual gain. Instead it may come with increased costs and take more resources. Therefore, there can be an advantage by taking a step back and take the factors to a level where they require less resources and costs, as that in this case can be done without any performance loss. It is unnecessary to compete on factors that does not give any value to the organization. (Kim & Mauborgne 2015, 31-32).

The third keyword, **eliminate**, are the factors that are a result of the organizations within the industry competing against each other that are no longer relevant and therefore can be removed. The aim of this is to remove factors that the competition previously has been competing on. Often organizations are so keen on outperforming their competitors, that they overlook key changes in market trends and consumer behavior. This means that these factors that previously were essential, now are outdated and irrelevant. Sometimes they are even a drawback to the customers. Therefore, there might be an advantage to gain by removing these factors that previously has been a factor of competition. The advantage there is to gain depends on the situation but can for example be a more attractive product or lower production costs. (Kim & Mauborgne 2015, 31-32).

The fourth keyword, **create**, are the factors that should be created but the industry has never offered. This is focused on finding new and innovative ways to create value for

the customers, that no competitors have yet offered. Being the first to offer new value to the customers may give an advantage as it can create differentiation from the competition and can give more freedom to, for example price setting, as no competitors offer the same solution. (Kim & Mauborgne 2015, 31-32).

The two words reduce and eliminate are both focused on where savings can be done to improve the cost structure of the organization. The research done prior to the launch of the book *Blue Ocean Strategy* showed that it was rare for executives to systematically focus on savings and cost cutting in areas where industry is already competing. (Kim & Mauborgne 2015, 32). The other two words, create and raise, are focused identifying new ways to improve the value for the customer and create a new or higher demand. When the four words in this tool is used in a combination, it identifies ways to rethink the ways that value is created for the customer within the industry. This tool helps to consider where savings can be done, but it also looks in to different industries for inspiration on how to develop the customers experience and create value. If this is done successfully the original competitive values of the industry becomes irrelevant, as the organization then will use different factors to create customer value than the former competitors. (Kim & Mauborgne 2015, 32-33).

This analyzing tool sets itself very much apart from the traditional analyzing methods, like for example Porter's five forces in which the aim is to analyze the competition to find out where their strengths are in order to outcompete the competition. Instead, this method instead tries to figure out what the competition could be lacking and how to utilize that to the organizations own advantage by creating a *Blue Ocean Strategy*. When a *Blue Ocean Strategy* successfully is created, the former competing factors within the industry will be irrelevant as the organization now will offer a different or increased value to the customer relative to the industry. (Edwards 2018) (Kim & Mauborgne 2015, 32-33).

## 4.2 Implementing innovation in a strategy

A strategy is essentially used for making decisions and utilize options in order to have the best chance at succeeding, while innovation can be strong tool to achieve these strategic goals. As a result, innovation can be highly effective when it is implemented optimally to the strategy, if it is not, then it can be very costly for the organization in many ways. Almost all businesses are aware of the potential of innovation; according to Finnish innovation specialists Viima 96% of executives have stated innovation as a strategic priority, however, Viima also found there to be a lack of a clear innovation strategy especially amongst established businesses as they tend to focus optimizing their existing business. (Myllylä 2018) (Lafley & Martin 2013, 20-22).

When using innovation with the aim of advancing in a strategy, the term *innovation strategy* is used. The challenge of an innovation strategy is typically to get the organizations aims and working patterns to align with the scope of the strategy as this usually requires a lot of resources, while creating the innovation strategy itself is easier. Aligning the innovation strategy and the business strategy is however an important step of innovation strategy as where innovation and strategy normally would be separate focus points there can be created synergy by incorporating the two together. By doing this, all interests are covered, and the organization will have one clear path to follow, without having to worry about compromising one over the other. So, by combing innovation and strategy together into an innovation strategy, organizations can get a clearer path, no need to prioritize one over another, as well as an efficient solution that will not need a lot of effort or rework during the implementation. But for all this to be successful, they have to make sure that the innovation contributes to the strategy of the organization and vice versa. (Myllylä 2018)

### 4.2.1 Strategy Choice Canvas

A good to use for creating an innovation strategy is *the strategy choice canvas*. This is a 5-step tool that breaks up the strategy in to steps and analyzes what to do and why.

The 5 steps are:

- 1) Aspirations to win
- 2) Identifying the market
- 3) Defining the value proposition
- 4) Core capabilities
- 5) Management systems

(Lafley & Martin 2013, 20-22).

Before going more into details about the individual topics, this illustration can be used to show what questions should be asked in the creation process. These 5 questions are the questions that are asked when defining the 5 topics mentioned above. The 5 areas will be further addressed below in figure 3.

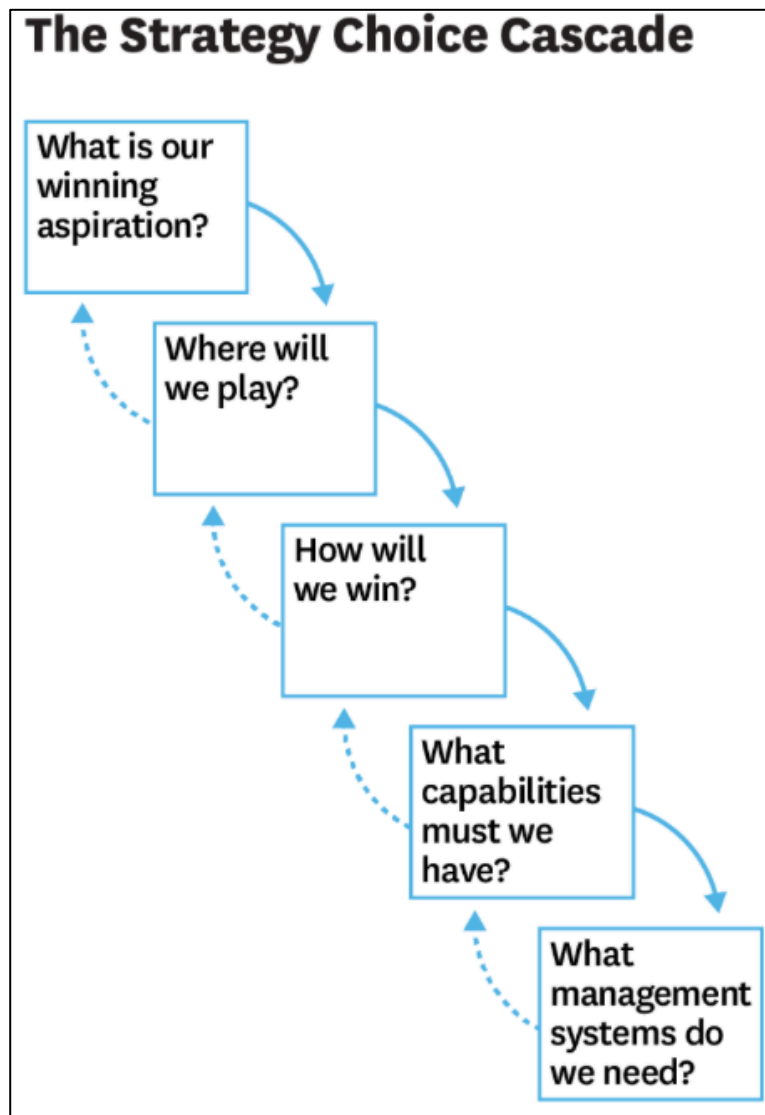


Figure 3. Illustration of The Strategy Choice Cascade. (Martin 2017).

The first step in the tool, aspiration to win, is focused on the goals. It is the definition of what the ideal outcome for the future is and a target that the organization can strive to achieve. It is done by asking what the desired outcome of implementing the innovation is and what value it can give. The aspiration to win can be different things depending on the industry, for example revenue, the best user friendliness in the industry, highest quality or similar. The important thing is that it gives a defined target to aim for. The aspirations are the most important step of the five, as it is the base for several of the other steps. (Lafley & Martin 2013, 24-25).

The second step in the strategy choice cascade is where the market of operation is identified, which means mapping the customers as well as the competition within the industry. This step is crucial for the success of the strategy as it is in this step that it is

decided what will be offered to whom. This step is also rather detailed as it will map the customers and try to understand their behavior and analyze them from demographical and geographical perspective. Most external topics relevant to the strategy are addressed here, for example; in the industry of operation who are the competitors? Who are the customers? Which sales channels will be used? Which markets are targeted? etcetera. (Lafley & Martin 2013, 25-27). A theoretical example of this could be phone manufacturer Huawei creating a high-end smartphone with focus on design and quality, but unlike the competition this phone has a new camera that can film in 3D which has never been seen before. This phone would have Apple's iPhone and Samsung as their primary rivals and the phone would be offered globally primarily through phone stores and selected resellers that buys them directly from the manufacturer. The target customer is 25 to 50 years old and has the economic freedom to pay the premium for a luxury phone. The customer is a person who is interested in gadgets and technology. This step can be put more in to details, but this example gives an idea of what this step consists of. Understanding and mapping the customers are further explained in section 4.2.2.

The third and likely most important step in creating an innovation strategy is the defining of the value proposition. This is where it is defined what innovation will help stand out from the competition in order to beat the competition. Since the whole motivator for innovation strategy is to gain a competitive advantage over the competition the focus should be on creating value. Creating value for the customer can be done in many ways, for example by offering a lower price than the competition, having a new feature, increased product life span etc. It can be many other things too depending on the industry or market, but the main point is that it will give a competitive advantage. The value proposition isn't only about the implementation of the innovation, it is about the strategy as a whole and how to succeed. Many things are considered, for example the price level, the level of quality, the level of service and how many customers are reached. (Lafley & Martin 2013, 27-30).

It is possible to gain an even larger benefit by being able to become a player in the blue ocean among the red oceans. This can be a great benefit as it not only enables the organization to beat the competition, but it makes them able to make the competition irrelevant. (Myllylä 2018) (Website of Blue Ocean Strategy 2019).

The 3 steps prior to this looked at the fundamental capabilities of the organization. In step four, Core Capabilities, the target is to assess and develop the organization's capabilities. In this step it is addressed what knowledge and skills the organization has available, and what needs to be improved or can be improved. There are 6 areas that need to be considered: culture, R&D, behaviors, values, knowledge and skills. Addressing these areas tells where the organization could and should improve, but also helps to tell what the strengths and weaknesses are within the organization. These core capabilities help to contribute to the success of the strategy, and they are the skills that help the organization to reach success. The capabilities can be based on previous experience or staff with knowledge in the area. For example, if the innovation is a new security system for a car and it is implemented by a car manufacturer, it can be a benefit to have staff with knowledge and experience of security systems. If none of the staff have experience within this field, it is possible to partner with another organization or hire consultants who can help the company improve their capabilities. (Myllylä 2018) (Lafley & Martin 2013, 30-32).

The fifth and last step, management systems, looks at what systems can help to measure the performance of the innovation or strategy at different parameters, but also systems that can support the innovation. A good way to ensure that the performance targets are met is by using Key Performance Indicators (KPI's). KPI's are predetermined goals that help an organization to monitor their development over time. KPI's are most often used to measure the organization's performance, such as shareholder value, revenue growth or profit margin. KPI's can all be measured, which means that it is often not applied to measuring for example job satisfaction or similar, but rather applied to more objective values like profit or return-on-investment. (Website of Investopedia 2019). The best way to measure depends on the organization, industry, etcetera. Management systems are however also related to systems that can support the development of the innovation. An organization may have a certain technique or system that they use when they develop new products, or certain tools that they use. The systems vary from organization, industry etcetera, but what is important is to find the systems relevant for this specific strategy. (Myllylä 2018) (Lafley & Martin 2013, 32-33)

#### 4.2.2 Customer mapping

As mentioned in part 4.2.1. it important to understand the customers. A good way to get to understand the customers is through a customer profile that uses segmentation to map the customer. The customer profile segments the customer into 3 areas: customer job, pains and gains. The 3 areas are further analyzed using subcategories that are mentioned hereafter. The ultimate goal of making the customer profile is to create a *fit*. There is a fit when the customer profile meets aligns with the products and services. The steps involved in customer mapping are explained in figure 4, before they are explained in depth below the figure. (Osterwald, Pigneur, Bernada & Smith 2014, 9-12).

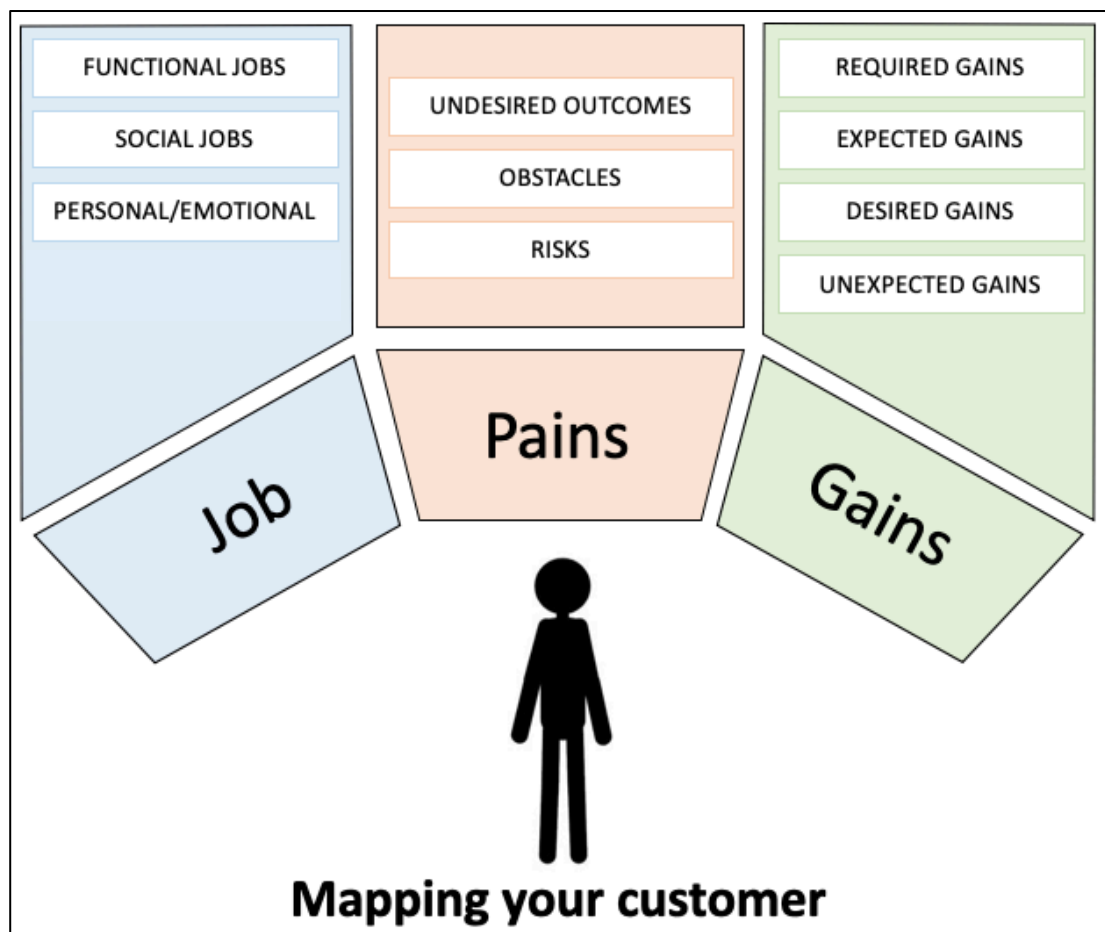


Figure 4. Illustration of the steps including in the process of mapping the customers.

The first thing to be addressed in the customer profile is **job**. The job segment takes a look at what the customer is trying to achieve or get done in his/her life; professionally



as well as personally. It is important that this is seen from the customer's point-of-view as each person is different and looks at things in different ways, and therefore the customer might have different values relative to others. To clearly map the job, it is further sub-categorized into 3 focus areas; *functional jobs* which are the often-smaller choices that characterizes our everyday, such as doing the dishes, following an exercise plan or similar. Then there are the *social jobs* which looks at how the customer wants to be looked at by others from a social perspective, for example they dress in a suit to be perceived as competent or they act relaxed to be perceived as stress-free. In other words; what they physically do to be perceived in a certain way. The last one is *personal/emotional jobs*. This is when the customers actively do something to give them a specific feeling. For example, taking a new job with the scope to increase job satisfaction or starting to invest in stocks for the excitement. The context is also an important factor in these customer jobs as they affect the customer. There might be limitations or other factors affecting. For example, people are likely to behave differently around different people and are likely to be affected by other people's individual opinions and experiences. However, even with all these things considered, every person is different, and these jobs might have more or less importance depending on the personality and context. People have different patterns and there are variables that are very hard to map but still have to be acknowledged and considered. (Osterwald, Pigneur, Bernada & Smith 2014, 12-13).

The **pains** are the things gives the customer a negative feeling while doing something, that therefore makes them dislike doing it or not do it at all. This could for example be not wanting to do the dishes, mow the lawn or go to work. Pains are also related to the possible risks that comes with doing a job poorly or not doing it at all. Pains are further segmented into 3 subcategories that all has to be established in order to properly map the pains. The pains are subjective, and the importance of different topics may vary between individuals, it can however be a large advantage to know what is important to different persons and why as it gives a better understanding of whom the customer is. People are also triggered at different points, but to know when most customers are triggered can also be important. For example, if a customer thinks that the electronics store is too far away then how many kilometers are too far? It depends on the individual person. (Osterwald, Pigneur, Bernada & Smith 2014, 14).

The first subcategory the book refers to as *undesired outcomes, problems and characteristics*. This part looks at how the pain affects the customer from a practical, social and external point-of-view. Practical is for example that a solution not just have positives, but it can also have a negative influence, like for example, how mowing the lawn makes it look good and makes someone feel good, but it takes hours of their spare time that could have spent on something else more enjoyable. Here the customer would ask themselves what downsides comes with doing this. The social aspects focus on how doing makes them look to others and here the customer ask themselves what they believe that others will think about what they do, like for example “what will people think about me if I buy this expensive designer TV?”. The external aspect is the things that comes along with doing something but isn’t directly a part of it. An example of this is someone who wants to buy a new tv but doesn’t like to drive the long way to the electronics store, which in this case would have a negative influence. Then the customers ask themselves “what do I have to do for this/what does this make me do”. (Osterwald, Pigneur, Bernada & Smith 2014, 14).

The next subcategory that is mapped are the *obstacles* which are the things that stops the customer before they ever get started. This is for example someone who didn’t buy earphones despite the need and want for them because none of the available options were waterproof or compatible with their phone. (Osterwald, Pigneur, Bernada & Smith 2014, 14).

The last subcategory is the *risks* that looks at what the aftermath or consequence could be e.g. “can I buy this product and still pay my house rent?” or “by buying the expensive model I can not afford the insurance for it so if it breaks, I have lost the money”. (Osterwald, Pigneur, Bernada & Smith 2014, 14).

In the book Value Proposition Design some specific examples are given on questions that can be asked as a way to map the customer pains. Some of the best examples on what to ask the customers given in the books are “How do your customers define too costly? Takes a lot of time, costs too much money, or requires substantial effort” and “What barriers are keeping your customers from adopting a value proposition? Are there upfront investment costs, a steep learning curve or other obstacles preventing adoption?” (Osterwald, Pigneur, Bernada & Smith 2014, 15).

The **gains** are the positive emotions and advantages that the customer seeks. There are different types of gains, for example the ones that the customer expects, but there are also some that may surprise the customer. The importance of the specific gain varies from person to person, as some things are just considered to be nice to have while other things are considered to be essential to the customer. There are 4 different types of gains which are the required gains, expected gains, desired gains and the unexpected gains. (Osterwald, Pigneur, Bernada & Smith 2014, 16).

The first type of gains are the *required gains*. These are the minimum requirements of what a solution should be capable of. Without the required gain the solution wouldn't work. For example, if someone buys a car it is expected to have the ability to drive or if someone buys headphones it is expected that they have the ability to play music. In other words, the required gain is the most basic expected function, the ground stone, of the item's capabilities, and without this function the solution wouldn't work. (Osterwald, Pigneur, Bernada & Smith 2014, 16).

The second type of gains are the *expected gains*. These gains are non-essential, but still expected. For example, if someone buys a TV from Bang & Olufsen it is expected to have an up-scale design and to be built from exclusive materials, or if someone buys a car it is in most cases expected to have a radio even though it is not essential. (Osterwald, Pigneur, Bernada & Smith 2014, 16).

The third type of gains are the *desired gains*. These are the gains that someone doesn't expect but still would like a lot. This could for example be someone looking for a used car. The person would like to have cruise control in the car, but if he/she finds a nice one without it is not a deal breaker that it hasn't got cruise control as it was not expected in the first place. If a customer is asked what they would like, it is most likely to be the desired gains that will be mentioned. (Osterwald, Pigneur, Bernada & Smith 2014, 16).

The last type of gains are the *unexpected gains*. These goals are beyond what the customer has desired or wished for, which means that it also exceeds the customers' expectations. Take airplanes as an example. During the 2010's Wi-Fi has been integrated

into many planes and has become increasingly popular. The new offering to the customers keeps them entertained which is something that just a decade ago seemed unlikely. The Wi-Fi gives the passengers the possibility for entertainment and enjoyment during their travels, where before it was common to be bored and wait for the journey to be over as there were no sources of entertainment. (Osterwald, Pigneur, Bernada & Smith 2014, 16).

The book Value Proposition Design gives some specific examples on what to ask in order to think of new possible customer gains. Two good examples of this is “What quality levels do they expect, and what would they wish for more or less of?” and “What do customers dream about? What do they aspire to achieve, or what would be a big relief for them?” (Osterwald, Pigneur, Bernada & Smith 2014, 17).

### 4.3 Risks

Before the innovation is finally implemented to the strategy, it is important to identify the risks that it comes with. As the market space to be entered is yet to be explored it is an unknown market space and therefore it is important to be braced for uncertainties. There are many different ways to calculate risks, most of the tools are however often quite complicated and only applicable to a certain industry. There is however a simple tool that can be applied to any situation in any industry; a risk matrix. Despite not being a very precise way of measuring the risks it is used in this research due to its skill as a universally applicable tool that gives a good understanding of the risks involved and can be used by person without prior experience of risk assessment. A risk matrix is a simple tool that lets the organization understand the risks in a simple way. It helps to analyze what the risks are, what the likelihood of it happening is and what the severity of it happening would be. Figure 5 shows an example of how a risk matrix can look. (Website of CGE Risk Management Solutions 2019) (Website of Smartsheet 2019).

Severity	Catastrophic	5	5 Review	10 Unacceptable	15 Unacceptable	20 Unacceptable	25 Unacceptable
	Hazardous	4	4 Acceptable	8 Review	12 Unacceptable	16 Unacceptable	20 Unacceptable
	Major	3	3 Acceptable	6 Review	9 Review	12 Unacceptable	15 Unacceptable
	Minor	2	2 Acceptable	4 Acceptable	6 Review	8 Review	10 Unacceptable
	Negligible	1	1 Acceptable	2 Acceptable	3 Acceptable	4 Acceptable	5 Review
			Extremely improbable	Improbable	Remote	Occasional	Frequent
			1	2	3	4	5
Likelihood							

Figure 5. Illustration of a risk matrix. (Based on website of CGE Risk Management Solutions 2019)

In this example the matrix has 5 times 5 fields and has values going from 1 to 5. This can be adapted depending on the matrix and depending on the situation and the preciseness that it needs. The 5 times 5 size has been chosen as it is a good model to easily illustrate the idea of using the risk matrix. (Website of CGE Risk Management Solutions 2019).

The vertical steps of this model illustrate the severity. This is how big the consequences are if risk is realized. In this case it is judged on a scale from 1 to 5, where 1 has negligible consequences and 5 would be catastrophic consequences. The horizontal step of this model illustrates the likelihood. This means that it is judged on a scale from 1 to 5 how likely it is to happen. With 1 it is extremely unlikely to happen and with 5 it will likely happen frequently. (Website of CGE Risk Management Solutions 2019) (Website of Smartsheet 2019).

The number given on each of the sides are then multiplied with each other which gives a score that can be applied to the matrix. The scores 1-4 means that it is an acceptable risk. Both the likelihood and the consequence would be relatively small in this segment. The scores 5 to 9 has a larger risk and it is at this stage the organization would have to review if it can be avoided or if the reward is worth the risk. The scores 10 to 25 means that the risk is at an unacceptable level. (Website of CGE Risk Management Solutions 2019).

An example of the risk matrix would be a person who is driving in the winter snow on slippery summer tires because the person does not have winter tires. They drive the car 10 kilometers to work five days a week throughout the winter. As these tires makes the car easy to slide and since it is done for an extended period of time the likelihood of driving into a ditch is relatively high despite the driver being cautious. This gives the likelihood of 4 as it is likely to happen but it likely wouldn't happen frequently. As the driver knows that it is slippery, he drives slowly which means that an impact would happen at a low and safe speed where it is likely only to cause damage to the front bumper of the car. A front bumper is relatively cheap to repair which makes the severity minor, which gives a score of 2. This equals a total score if 8, which means that the driver should review if it is worth the risk.

It is however important to be critical about these risk matrixes as they are often based on the analysts own analysis or interpretation of the risk. This means that in some situations the matrixes may not based on objectivity. This can be mitigated by using data as a basis for the matrix when available or by only using the matrix for guidance. (Website of CGE Risk Management Solutions 2019).

## 5 INNOVATION FOR BANG & OLUFSEN

Now that it has been established how innovation is applied to a strategy and which tools to use, it is time to apply to a real-world example. The example is based on Danish premium hi-fi and TV manufacturer Bang & Olufsen (B&O). The premium hi-fi and tv market were largely affected by the financial crisis of 2008 and B&O was struck too. They mitigated the dropping sales revenue by entering a new industry which became the introduction of the B&O Play product series. B&O used their knowledge and brand value to enter the market of headphones and Bluetooth speakers which at the time was a whole new market for the organization. B&O became the first organization to produce luxury headphones and Bluetooth speakers to the mass market. In this chapter the tools and theory explained previously in this study will work as a benchmark for analyzing how B&O might have developed the B&O Play-series. Unfortunately, B&O have not wished to attend in any interviews regarding this topic, however, much

of the thoughts and circumstances prior to the launch of B&O Play has been well documented and will be used as background information for the application of this example. This example is not based on B&O's own explanation but is rather an analysis by the author of what B&O's analysis is likely to have looked like. However, it is backed up by statements given by B&O's Manager Internal Communications Morten J. Madsen as well as by Jens Boye Rasmussen whom was the B&O's Project Development Manager at the time and was directly involved in the development. In other words, this chapter gives an example of what B&O's plan could have looked like. This chapter will be based on the theory previously explained in this study, accessible information and data, statements from company representatives as well as the author's own analysis. The analysis is based on the background information, the author's personal views and external sources where referenced. This analysis is only partially based on actual events from the launch of B&O Play, instead it is made as an example of what developing innovation into a strategy may look like and which things needs to be considered in the process.

## 5.1 Company background

Before going on to the analysis itself, background information is needed to make the analysis as precise and well justified as possible. First, the history of the organization is documented. Bang & Olufsen A/S was founded in 1925 by the two engineers Svend Olufsen and Peter Bang near a small city called Struer in the western part of Denmark. They started producing radios in a room at Olufsen's parents farm and their strategy was to build radios that were of high quality on the outside as well as on the inside. Their radios were an immediate success and B&O expanded their production already in the 1930's to additionally consist of gramophones as well as amplifiers designed for cinema use. To keep growing their sales while also maintaining their high brand value B&O began to sell their products through a number of selected authorized dealers throughout the 1930's and 1940's. (Christensen 2012).

B&O met continuous success but had a critical set back in 1945 where their factory was blown up by Nazi soldiers as a revenge for numerous B&O employee's participation in the resistance. Just one year later the factory was rebuilt, and the production could continue. (Christensen 2012).

During the 1950's B&O introduced televisions, tape recorders and stereo gramophones to their product portfolio. This was a lucrative business as there despite many domestic competitors were very limited import of electronical products on their Danish home market. This, however, changed radically in 1960 as Denmark became a member of EFTA (European Free Trade Association) which suddenly brought a large selection of foreign products to the Danish market which radically enlarged the competition. (Christensen 2012).

This sudden change forced Bang & Olufsen to change their strategy from being focused on the well-known domestic market to having an export-oriented approach. This new approach was an immediate success, in fact, it was so successful that from 1960 to 1962 the export raised from 4,5% of their revenue to 20%. B&O utilized this and introduced a row of new and innovative products with quality and design in mind and build two new production facilities in the nearby cities of Skive and Lemvig. (Christensen 2012).

A large part of the revenue gained by the new international approach was invested in R&D. It was particularly in the 1970's that Bang & Olufsen became world renowned for exclusive minimalistic design and their state-of-the-art technology that was appealing to an audience with a higher purchasing power than the average consumer. While most of their Danish pre-EFTA competitors closed as a result of too intense international competition, Bang & Olufsen kept gaining traction as one of the most desired brands within exclusive electronic products. In the late 1970's they introduced their first combined solution, that combined the different products (radio, gramophone, tape recorder and a remote control) into one device, which became a new and groundbreaking selling point. Their products were so innovative that several of their products became a permanent part of the world famous MoMa (Museum of Modern Arts) in New York. (Christensen 2012).

In the mid 1970's B&O reached 2.500 employees and in 1977 it became a publicly listed company with an A-stock and a B-stock that, while ensuring B&O financially, also secured the owners continuous control of the organization.

In 1981 B&O reached a milestone with 1 billion DKK (Danish Kroner) in revenue of which 75% came through export. They continued having 75% export but doubled their revenue to 2 billion DKK already in 1990. Bang & Olufsen utilized their positive results by expanding into new markets. Examples of this is a partnership with medical giant Novo Nordisk that together with Bang & Olufsen launched an innovative pen



that could precisely dose insulin into diabetes patients. Another example is Dutch electronics company Phillips who after a long partnership as a B&O supplier bought a major stake in B&O. (Christensen 2012).

Unfortunately, the rapid expansion resulted in a cost heavy structure which, together with increased competition from Asia, meant that the early 1990's was affected by deficits at B&O. To mitigate the negative development a new management was hired to simplify the structure and make it more cost efficient. The new strategy was a success and in the financial year of 1993/1994 Bang & Olufsen were once again profitable. This trend continued all the way till 2008 where the organization managed to drastically increase the revenue while only expanding the work force a little. In 2001/2002 the revenue reached 4,2 billion DKK. (Christensen 2012).

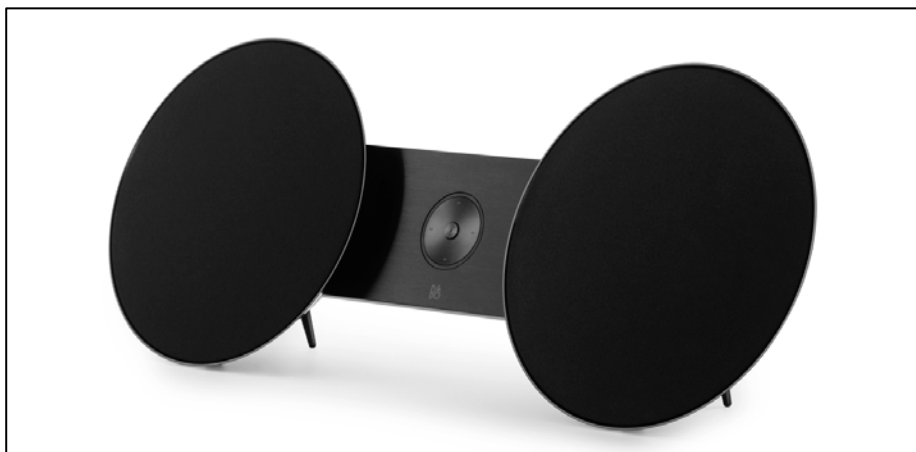
In 2008 the financial crises hit the world and especially the high-end electronics market, where B&O were operating, took a hard hit as the consumers to a large degree stopped spending money on products in this segment. The whole industry was in recession and Bang & Olufsen was no excuse. As a result, their revenue dropped to 2,8 billion DKK in the financial year of 2008/2009, which remained the same level in the following year. Profit changed to deficit, but B&O acted fast and introduced what they called the 'Pole Position' strategy in 2008. Like in the 1990's the organization tried to become profitable by focusing on their core competences and selling away unnecessary divisions and subsidiaries, while outsourcing divisions where it was beneficial. An electronic platform that could be adapted to all devices was created to keep R&D costs as low as possible. The brand remained loyal to their core values 'design, quality, user-friendliness and innovation, while they kept their focus on a high-income segment whom sought for a premium experience and at this time 80% of B&O's revenue was gained from their own stores. (Christensen 2012).

## 5.2 B&O Play

The B&O Play-series (also known as Beoplay) was introduced in January 2012 with an initial offering of 4 products. (Annual report 2011/2012, 7) (Annual report 2011/2012, 1). Beoplay is a series of Bluetooth speakers and headphones sold under the Bang & Olufsen brand. The aim of the introduction is to raise Bang & Olufsens

brand awareness globally and reach new customers (Appendix 2). Despite being different types of products compared to B&O's traditional portfolio, the values used on these products remain the same, which for B&O are quality, design, usability and innovation. (Website of Beoplay 2019) (Christensen 2012). The series is aimed at a younger audience than the rest of B&O's portfolio. (Bang & Olufsen har succes med historisk transformation 2018). In financial year 2017/2018 B&O Play became a part of B&O's remaining portfolio and is no longer a division of itself (Appendix 2). B&O's Internal Communications Manager Morten Juhl Madsen, whom was also employed at B&O during the launch of B&O Play, explains that the B&O Play series is aimed to be a supplement to B&O's traditional product portfolio. The objective is to gradually increase the organizations revenue and to reach more customers. (Website for LinkedIn 2019) (Appendix 2). The main innovation that will be focused on in this analysis is how B&O positioned themselves in a marketplace where they were the only brand with this type of solution. B&O added different innovations too, for example the possibility to customize the sound experience through an app, but these innovations will be mentioned to back up the main innovation (Website of Bang & Olufsen 2019).

Picture 1 shows the B&O Play model Beoplay A8 that will be further explained below the photo.



Picture 1. Example of a B&O Play product; Beoplay A9. (Bennetzen 2014)

An example of a B&O Play product is the Beoplay A8. The Beoplay A8 was launched in 2012 as one of the first B&O Play products. It is a small speaker system designed

to be on a table or hang on the wall. It is compatible with all modern music playing devices, for example iPhones, tablets or laptops. Bang & Olufsens Chief Executive Officer at the time, Tue Manton, chose the Beoplay A8 along two other products to be the first B&O Play products to be launched. According to the Project Development Manager at B&O of the time (his current position is Customer Quality Lead) Jens Boye Rasmussen, whom was directly involved in the development of B&O Play and has over 30 years of experience at B&O, the product itself was designed by a design studio that partners with B&O and stood out from the competition with amplifiers in each unit for the best sound quality and a system that B&O calls Adaptive Bass Linearisation (ABL) which adapts the bass to give the most pleasant sound experience to the user. (Appendix 1) (Bennetzen 2014) (B&O Play Beoplay A8 Speaker System overview)

### 5.3 Strategy

The first thing to do is to define the organizations innovation strategy. The strategy for B&O can briefly be defined to be *securing future interests by utilizing brand strengths to differentiate in new industries*. This means that the strategy for B&O is to utilize the brand value and brand awareness that they already have and apply that to set them apart in an industry with no similar solutions, which in this case is the market for headphones and Bluetooth-speakers. It will be done by analyzing the current market and find out what can and should be done differently and utilize that in order to create a blue ocean where B&O will be in a position where they are the only brand to offer these products and services. The strategy is also to improve the organizations revenue and profit, while improving brand awareness without compromising the brand value.

### 5.4 Blue Ocean strategy

As the Beoplay-series is the first to offer luxury headphones and Bluetooth speakers to the mass market, it has put them in a position where they are the only player within the field. But before they entered the headphone and Bluetooth speaker segment, they have analyzed the industry. They discovered a way to successfully differentiate.

#### 5.4.1 Four actions framework

This can be done by using the four actions framework (raise, reduce, eliminate and create) which was mentioned in the theoretical part of this this research. Below is an example of how Bang & Olufsen might have analyzed the market.

Starting with raise, which are the factors that should be raised above the industry standard. Aligning the Beoplay-series with B&O's brand, experience and values, means that several factors has to be raised above the industry standard. The first and most obvious factor is sound quality. The sounds quality has to stay well above the standard of what the competitors offer. Another thing is design. The industry has limited focus on design and are designing the products to be practical and cost efficient. The Beoplay-series has to raise the quality of the design and design the products for comfort, experience and looks. A third thing that should be raised is the quality. This counts the quality of the materials and lifespan. The industry standard is to use plastic which is known to be cost efficient, however using materials of higher quality, like aluminum and leather, can increase the quality of the product while increasing the lifespan. A last thing that can be raised is the service level. The products within the industry are primarily sold through outlets with low levels of service. However, by using their own stores B&O can control and increase the service level, and also make sure that the service level is aligned with the level received by customers for the rest of their portfolio.

The second factor is reduce. As keeping costs low has been one of the main competitive factors within the industry it is hard to find things to reduce as savings has been done in a large amount of aspects. There is however one important thing that can be reduced and that is the supply chain. The industry is currently categorized by a large number of importers and resellers. By selling primarily from B&O's own stores the margin can be kept high as the products will be sold to the consumer for the same price but only one organization has to earn money on the sale. This fits very well with B&O as an organization as they already primarily sell their products through their own stores.

The third factor is eliminate. There are two factors that has been identified that can be eliminated; the use of buttons and the use of wires for connectivity. As hi-fi products

in this industry has gotten more functions over the years the number of buttons has increased. With the application of more buttons the complexity is increased which comes with an increased cost and it makes it harder for the customer to use. By swapping the buttons with a touch-sensitive pad all these problems can be mitigated. Besides the development costs, a touch pad makes the structure simpler and more reliable, as well as it can make the production cheaper as it is only one part is needed relative to many sensors etc. that comes with the use of buttons. It also simplifies the use for the customer and increases usability significantly. Also, the wires that typically comes with products in this field can be removed. As all Beoplay products includes wireless Bluetooth connectivity the wires that often are included on similar products becomes unnecessary and can therefore be removed from the package. This keeps the manufacturing costs down while it gives the possibility to make smaller packaging which can lower the logistics costs.

The last factor is create. A thing that Beoplay can offer that is a completely new offering is personalization of sound experiences. Through an app provided by Bang & Olufsen that can be downloaded to all smartphones, tablets and computers the customer gets access to the sound settings. This means that the customers can customize their sound to their preference or optimize the sound to the music genre. The technology to implement this is already available in the products the only expense for B&O to implement this is the development of the app. (Website of Beoplay 2019).

In summary, what B&O has to change compared to the competitors for them to create a blue ocean is to improve the materials that are used for the products, improve the sound experience, the service level and the supply chain. The sound experience, materials and service contribute to the user experience, while a simplified supply chain can improve the margins. They also personalize the experience through customizable sound settings through their own app. On the other hand, they can simplify the experience by removing physical buttons and instead use a touch-sensitive pad instead that gives the user access to all functions in one place. They also have the options to lower costs and make the packaging smaller by removing the cable that comes as standard in many products as it is not necessary with the Bluetooth connectivity.

## 5.5 Strategy Choice Cascade

To ensure that the strategy is created as an innovation strategy that makes a blue ocean for B&O the Strategy Choice cascade is used. Here it is identified what has to be done and why. Here the five steps previously mentioned, aspirations to win, identifying the market, defining the value proposition, core capabilities and management systems are here analyzed.

### 5.5.1 Aspiration to win

First the motivation for the implementation of B&O Play is defined. The goal for the implementation is to successfully enter the market for headphones and Bluetooth speakers as the first brand to offer these items with luxury in mind. The series is implemented with the purpose of strengthening B&O's finances and create a sustainable economy that secures future interest.

### 5.5.2 Identifying the market

As the price level of the B&O Play-series varies significantly from B&O's traditional portfolio, so does the target audience. As most Beoplay products are at a price point of around 750 to 3750 DKK (Approximately 100 to 500 Euro) they are a lot more affordable to the average consumer compared to traditional B&O products. (Website of Bang & Olufsen, 2019). This makes it possible for most consumers who are willing to pay the premium over the cheaper alternatives to get the money necessary for them at one point or another during their lives.

Morten J. Madsen from Bang & Olufsen defines the target customer for B&O Play to be energetic young individual whom has an energetic approach to life. They do not go for the obvious choice, instead they actively seek unique characteristics. They buy premium products as a reward to themselves. Additionally, they are prepared to spend large amounts of money on experiences (Appendix 2).

The author uses Madsen's statements as a background for the further definition of the target audience. As the Beoplay products need another product for them to work (smartphone, tablet or similar with music available) and primarily uses Bluetooth as

their source of connectivity, the target customer is someone whom is updated on electronic devices and has a device that is pairable with the Beoplay-device. This customer is typically 18-35 years old. The target audience can be divided into two categories; headphone audience and Bluetooth-speaker audience. These categories and their characteristics are illustrated below in figure 6.

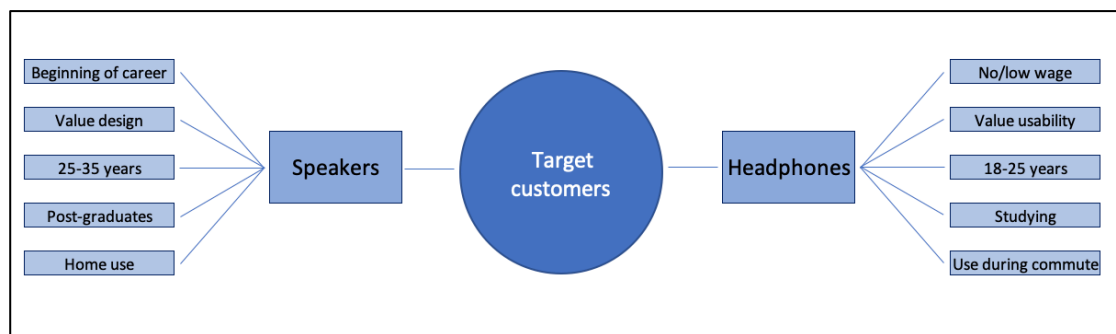


Figure 6. Illustration of the targeted audience.

The target audience for the headphone user is 18-25 years old and we can identify them as young commuters. They are likely to be studying or have lower wage jobs where they have to commute between school/job either with public transport, bike or similar as they do not yet have the funds to support running a car. Instead they purchase headphones to increase the comfort while commuting. Quality and usability are essential for these customers as they will use the headphones during most days and in all types of weather, therefore it is critical for them that they get a product of high quality that can sustain these factors.

The target audience for the Bluetooth speakers are however in the age of 25-35 years old and can be identified as post-graduate design enthusiasts. The target customers here are post-graduates that are in their beginning of their careers. They value design and quality, but they do not have the salary or savings to fund the more expensive products that B&O previously has been known for. However, they do have a job with future opportunities which gives them the personal and financial freedom to invest in speakers within this price range. This audience uses the speakers as a fashion item or a piece of furniture, that besides the function of playing music has to support the design of their home. They are willing to pay a premium over cheaper alternatives if a product is of higher quality and timeless design which enables them to keep the product over an extended period of time which justifies the price.

### 5.5.3 Customer map

The further understand the potential customers and what they are looking for, a customer map is created. As Beoplay is launched as a product series the target audience are mapped as a whole.

The first category is the jobs and it's four subcategories; functional jobs, social jobs and personal/emotional jobs.

Starting with the functional jobs. The functional jobs are in this case how the customer intends to use the products. The customers typical wish is to increase enjoyment while doing something physical. This is for example to be commuting, doing dishes, mowing the lawn etcetera, or just to lean back and enjoy the experience of music being played.

The social jobs refer to how the customers want to be perceived (or feel they are perceived) by others while using the product. The customers who buys a Bang & Olufsen product buys a product where design is a high priority and a product that comes with a brand name that signals exclusivity. Compare that to for example what a Rolls Royce is to cars, what Prada is to clothes or what Rolex is to watches, just in a smaller scale. The customers of this segment are therefore someone whom care about how they are perceived by others. They do not wear it to be noticed as the design is quite conservative, but to send a signal of wealth or authority. They wish to send a signal that they know what they want.

The personal/emotional jobs focus on what the customers wish to feel when they use such a product. For this audience it is not important to feel that they have gotten good value for their money nor is it important for them to feel that they have saved money during their purchase. It is however important to them that the music is presented to them in one of the clearest ways possible. In other words, the quality of the music is very important. And that does not only count the music, but also the design, usability, comfort and quality. These customers do not wish to compromise. They want the experience to be exclusive throughout. People of these types are typically perfectionists as it gives them satisfaction when a product is of this quality, but it might also be music



lovers that buys these products because hearing music clear gives them a certain feeling.

The second category of mapping the customers are the pains. These are the undesired outcomes, problems and characteristics, obstacles and risks.

Starting with the undesired outcomes, problems and characteristics. These are the downsides that comes with buying and using these products. A downside that is worth mentioning is regarding the customers that buys the headphones and intend to use the products for their commuting. An undesired outcome for them will be that they will be less aware in traffic as it will be harder for them to hear the traffic. This can make it harder for them to be safe in traffic. Another undesired outcome is the space that the products take, which is an issue especially for commuters too. Unless they have storage space with them while commuting that will have to wear or carry the products while commuting.

Then there are the obstacles which are the factors that might keep the customer away from getting the products in the first place. An important factor here is convenience and physical distance. As these products are more expensive than the competition customers might want to experience them before buying, but that may be hard as B&O intend to primarily sell Beoplay through their own stores. This means that there will be a limited number of outlets selling these products and that physical distance may be too long for some possible customers, who then are more likely to buy substituting products that are easier accessible.

The last of the pains are the risks. There is a risk in affordability as the target audience for Beoplay is quite young and many still haven't begun or are in the start of their careers they might not yet have the economic freedom to buy high-end electronics like Beoplay.

The third and last step are the gains which are the outcomes that the customers gets from buying these products. The gains are further subcategorized into the required gains, expected gains, desired gains and unexpected gains.

Starting with the required gains which is the minimum level that the potential customers will accept. In this case it is the ability to play music.

The next gain are the expected gains, which are the things that aren't necessary for the item to fulfil its purpose but is still expected. In this case this is the ability to play music of high quality, to be of made in high quality, have a minimalistic and timeless design and to be built from premium materials. These are expected due to the high-end pricing and the B&O brand.

The third gain are the desired gains. These are the gains that are not essential to the customers, but they would still like to have. In this case it is user-friendliness. The customers wish the product simple to use and fast to connect. They do not wish to have to read manuals before using the products, instead they wish to be able to use the item anywhere despite what they are doing.

The fourth and last gain are the unexpected gains. These are the gains that the customers do not expect as they did not imagine it was possible. In this case it is customizability. The ability to customize the music style to each person's own preference is something the customer did not expect as this is new to this segment.

#### 5.5.4 Defining the value proposition

The value proposition is the plan for how B&O will succeed with their strategy. With the Beoplay-series the strategy is to succeed by being the first brand to offer high-end headphones and Bluetooth-speakers to the mass markets. The strategy is also to align the Beoplay-series as well as possible with B&O's remaining product portfolio and brand. This is done by applying B&O's values to products from the headphones and Bluetooth-speaker segment. What this practically means is that B&O will develop and produce headphones and Bluetooth-speakers that are superior to the competition in quality, design, innovation and user friendliness. The price will be placed significantly above the current market prices to make the products more exclusive and desirable. The products will mainly be sold through B&O's own stores which ensures that they

are able to control the service level, but the products will also be sold through a number of resellers that improves the reach.

#### 5.5.5 Core capabilities

The core capabilities can be simplified to be the skills and knowledge that B&O has that they can use to make this strategy successful, but also the areas where they need to improve. As mentioned in part 4.2 the core capabilities are divided into 6 areas; culture, R&D, behaviors, values, knowledge and skills. B&O's Morten J. Madsen explains that the B&O Play-series requires competences from different parts of Bang & Olufsen, but that there is a division focused only on sales and administration in Copenhagen (Appendix 2).

The first thing that is assessed is the culture. As the Beoplay-series are developed on the same values that the rest of B&O's product portfolio (quality, design, innovation and user friendliness) the culture should align perfectly with the Beoplay-series. (Christensen 2012). B&O has a long history of producing products with these exact values, so the culture is already aligned, it is just applied to new products. It is a major advantage that all parts of the organization already work to fulfil these values which means that no new values have to be communicated and no external assistance is needed for this to be successful.

The second capability is the R&D. As an innovative and experienced audio and TV manufacturer B&O already has a lot of knowledge and information within this segment. Also, their R&D staff are qualified and experienced within this type of products which makes them well qualified to develop the Beoplay-series. B&O already uses the materials and most of the technology in their current portfolio, for example touch pad technology etcetera. One area that is almost certain to require R&D investments is the design of the series. Like all other products they need to be designed, but with headphones fit and comfort are also important factors, which means that B&O will have to make research in creating the optimal solution before they can launch the products. The current staff are however likely to have the skills to make that research without

external help. Where B&O might need assistance is when it comes making the products water resistant as well as adding the noise-cancellation feature to their headphones which are not features applied in B&O's remaining product portfolio. B&O is likely not to have any experience within this field and they would therefore likely have start from scratch in developing these features. In that case it may be an advantage to purchase this technology from other organizations or to hire specialists within the area, as developing technology like this can be a slow and resource heavy process. The use of technology from other B&O products can also help them to secure a position without any competitors as the organization already has so much experience and knowledge about innovation and high-end electronics which means that it can be easier, faster and cheaper to develop this type of products. The brands already operating in the industry has very different experiences and information, which means that they would have to use a lot of resources and R&D investments to gain the knowledge that B&O already has.

The third factor is the behavior. The behavior is largely down to the management of the organization as it is their responsibility to ensure that the behavior is the same throughout the organization. The management needs to encourage the whole organization to be creative and use their skills to innovative. They need to be critical when developing as it is an opportunity to learn and possible findings may be able to be applied to the rest of their portfolio as well. The whole organization needs to use all their experience and information and then start designing the products from scratch. Professionalism is important during the development as a project of this magnitude may be all deciding for the organization's future. Efficiency and structure, as well as a well created strategy is all important for the success.

The fourth step, values, are closely related to the culture. The values when it comes to the product design are the same as the values of the rest of B&O's product portfolio. There are 4 main values that the products will be built around; quality, design, innovation and user friendliness. (Christensen 2012). These values have been the same for B&O for many years and their brand is largely build up around those values, which is why using these values for the Beoplay-series ensures that the products and the brand fits together. If the values of this product series and the brand does not align it can

harm the brand value of the whole organization which is why it is important that they are aligned.

The fifth step is knowledge which were briefly addressed under step two, R&D, as well. With decades of experience of producing, developing and innovating products within the field, B&O has a large amount of knowledge within this field that they beneficially can apply to the development of the Beoplay products. Their history as an innovative hi-fi manufacturer has not only taught them about technology and sound, but also on what procedures to follow when developing new products. Therefore, they are likely to already have procedures for product innovation all the way from development, to manufacturing and distribution. This is knowledge that can help make the whole development process efficient and professional. Bang & Olufsen also already has a lot of technology, like user interfaces, apps, speakers, etcetera, that they can directly implement to the Beoplay-series without any further development. Using technology that they are already using saves resources and makes the production simpler and cheaper.

The sixth and last step is skill. B&O has a lot of skills as they have over nine decades of experiences of working with the values used to develop Beoplay. As an innovative organization that develops innovative products within the audio and TV segment there is a great amount of skills to utilize in the development process. What is documented is that during the design process B&O got help from the design studio David Lewis Design. As of the example Beoplay A8, the product itself has been developed by B&O but the physical design been outsourced to David Lewis Design which has been a partner of B&O for many years (Appendix 1). B&O's skills within development, procurement, manufacturing, management and distribution works as a tool to utilize. Besides their prior experience, their staff is also highly qualified to cope with this development process as they were initially hired to do similar jobs. The management should have prior experience of similar tasks and therefore they should qualify to control this process of hiring or leasing qualified staff in order to get the skills that has been necessary. In this case this was done by hiring a design studio for the design process. Additionally, Bang & Olufsen worked with Apple to make their products compatible with each other. (Appendix 1)

In summary, when it comes to product development and implementation the Beoplay-series aligns well with B&O's competences, experience and remaining portfolio. B&O should have the skills and competences to develop, produce and distribute the series by themselves. However, there are a couple of exceptions when it comes to making the products water resistant and use noise-cancellation technology, which are areas where B&O might need help externally. These two factors aside, the organization should perform well in all factors and can beneficially utilize their knowledge and experience during the development and implementation of the Beoplay-series.

#### 5.5.6 Management systems

Management systems are important both during development and selling. For the organization to measure if their targets are met, they need Key Performance Indicators (KPI's) that they can use to measure how they are performing.

During the development stage there are several ways to measure how the performance of the development is going. The best KPI's to use during development is a timeline and a budget for the development costs. These should be implemented as they help to make sure that focus is kept, their internal deadlines are met, and the costs are being controlled. It helps the organization always to follow the development closely, as well as keeping the overview of the project as a whole. This is a benefit as it makes it easier to calculate for example how delays in one department may affect the other departments, or how delays in the development can cause unexpected costs. It also helps to map how many resources are needed for different stages. The profit margin and costs-per-unit can both be calculated during the development stage of the products. The aim is to keep the costs-per-unit as low as possible which will naturally improve the profit margin too. All money saved on costs-per-unit can in the end be seen at the profits, which is why it is important to keep the costs as low as possible. B&O can use profit margins from their different product ranges as guidance.

These tools can also be used as KPI's during the sales of the products. Here a timeline and a budget can help the organization to keep track of if they are reaching their targets within the planned time. They can also measure on an organizational level or,

in other words, measure how the introduction of the Beoplay-series has developed the organization as a whole. This can be measured on the revenue growth and profits for example. The revenue growth can be an important factor as it tells in which direction the organizations revenue is developing. If successful, the introduction of the new product series should contribute to a positive revenue development, as well as a positive development regarding the profits. It has to be noticed however that these two tools when used to measure the organization as a whole not only measures the development of this products series, but the result of the development in all departments. In a situation like this where the organization is entering a new market with new products brand value and brand awareness becomes very important factors to the whole organization. The brand value is important to measure as there is a risk that offering B&O products in a lower price range will decrease the value of the brand to some customers, however there is also a chance that launching the Beoplay product range will improve brand awareness giving the public more knowledge about B&O. Precise information on these can be hard to get, but can be mapped through for example surveys.

## 5.6 Risks

There are always risks of using innovation as a strategy as it is unknown territory. For mapping the risks, we use the tool defined in part 4.3, the risk matrix. There are two risks with implementing Beoplay that has been identified which are decreasing brand value and not meeting sales expectations. The risks connected to the case of implementing B&O Play for Bang & Olufsen are illustrated below in figure 7.

Severity	Catastrophic	5	5 Review	10 Unacceptable	15 Unacceptable	20 Unacceptable	25 Unacceptable
	Hazardous	4	4 Acceptable	8 Acceptable	12 Unacceptable	16 Unacceptable	20 Unacceptable
	Major	3	3 Acceptable	6 Review	9 Review	12 Unacceptable	15 Unacceptable
	Minor	2	2 Acceptable	4 Acceptable	6 Review	8 Review	10 Unacceptable
	Negligible	1	1 Acceptable	2 Acceptable	3 Acceptable	4 Acceptable	5 Review
			Extremely improbable	Improbable	Remote	Occasional	Frequent
			1	2	3	4	5
Likelihood							

Figure 7. Illustration of a risk matrix. (Based on website of CGE Risk Management Solutions 2019)

The first risk that has been found is related to the brand value for B&O as an organization. Launching the Beoplay product line which makes B&O products accessible for the masses may make the brand less desirable for the audience that buys their more expensive products. In brief, there is a risk that launching Beoplay will decrease B&O's brand value and therefore also decrease sales for their more expensive products as they would become less desirable. This is unlikely to happen as the Beoplay-series will be the most desirable products within their industry which gives the likelihood a score of 2. The impact would however be major and could hurt the whole organization as their brand is one of their primary selling points. Removing the brand would be hazardous for B&O as it could make the whole organizations future depend on the performance of Beoplay. Therefore, the severity of this risk is a 4. This gives the risk a score of 8 which is in the *review* field. The consequences of this risk happening could have a huge impact on the organization, however as the industry is challenged as well as B&O the consequences of not doing anything could be major as well which is why implementing Beoplay is likely to be worth the risk as the possible reward is large.

A second risk that has been identified is not meeting sales expectations. If the Beoplay series does not meet the sales expectations then the revenue of the sales might not be big enough to give the expected return-on-investment and cover the R&D costs of the



project, which could have a negative impact on the whole organization. This situation is however very unlikely as B&O already has a lot of the technology available, has a high brand value and sells through their own stores which gives them a lot of knowledge about their customer's habits. Therefore, the likelihood gets a score of 1. If it however did happen the consequence would be major as the organization have had a hard time during their past financial years and are in need of a positive development. As they are a publicly listed company, they are also dependent on their investors trust in the organization. However, this would not be hazardous as the organization still has a large portfolio of products that they can rely on for sales. Therefore, the severity gets a score of 3. The total risk gets a score of 3 which is at an acceptable level.

## 6 CONCLUSION

In conclusion, innovation is created when something new is being implemented. Innovation has become a frequently used word as globalization has made differentiation increasingly important. Innovation can be a powerful tool, but it also comes with increased risks as innovation is exploring the unknown. Analyzing the market and the potential customers can lower the risks as it gives increased knowledge about what can be done differently and what the customer seeks.

A strategy however is a long-term plan that aims to reach a predetermined goal. The strategy defines what the goal is and how it is planned to be reached. The basic idea of implementing a strategy is to create value. For businesses this value is often a profits goal or similar key performance indicators.

When innovation is used in a strategy as an innovation strategy it becomes a powerful tool. However, despite being a strategic priority for many organizations there is a clear lack of a clear path for organizations as they do not manage to develop it into an innovation strategy. An innovation strategy is a strategy on how to successfully use innovation as a tool on how to create value by differentiating from the competition. As the strategy is based on innovation it comes with risk and uncertainty, but the reward can be high if the innovation strategy is successful. The risk and the uncertainty can be

lowered by using and applying analyzing tools that maps the current industry and what should be done differently compared to the competition, as well as mapping customers and what their needs are in order to understand what the customer seeks in the product or service. In this research specific tools were shown and illustrated to use for professionals as well as beginners. The research works as a guide on the most important things consider when creating a research strategy.

The tools are applied to a real case for illustration. The case is applied to the Danish premium TV and Hi-Fi manufacturer Bang & Olufsen and their introduction of the innovative headphones and Bluetooth speaker series B&O Play. B&O created a Blue Ocean Strategy as they penetrated the market for headphones and Bluetooth speakers as the only brand with a product that was of high quality and with focus on design. B&O utilized their brand value of design, quality, user-friendliness and innovation and used that as a strength for them to stand out in the new industry. The new customer segment that B&O are targeting are typically 18-35 years old and has lower purchase power than the typical B&O customer. The new target group and unique place in the industry sets Bang & Olufsen apart from their competitors and opens up for a huge potential while keeping the risk at a level where it is acceptable.

Recommendation for further studies are to include global market trends and include political environment. These two factors were not handled in this study but may affect the process and outcome of developing an innovation strategy.

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## APPENDIX 1

Statements to author from Morten J. Madsen, Internal Communications Manager at Bang & Olufsen and Jens Boye Rasmussen, Customer Quality Lead at Bang & Olufsen.

Morten Juhl Madsen <mjm@bang-olufsen.dk>

Fre 09-08-2019 10:01

Hansen Mathias ✉



Kære Mathias,

Tak for din email. Som omtalt i vores årsrapport for 2017/18, så opererer vi ikke længere med B&O PLAY brandet og har heller ikke en selvstændig forretningsenhed under det navn – se blandt andet side 9 (<https://investor.bang-olufsen.com/financial-information/>). Det betyder, at alle produkter i dag er samlet under Bang & Olufsen brandet i tre forskellige produktkategorier – se beskrivelse på side 10. Jeg tænker, at det måske har betydning for din vinkel og de spørgsmål, du ønsker at belyse.

For en aktuel opdatering på vores strategi kan du tage et kig på årsrapporten for 2018/19, der blev offentliggjort den 11. juli.

Med venlig hilsen

**Morten Juhl Madsen** | Manager, Internal Communication

Phone: +45 4030 8986 | Email: [mjm@bang-olufsen.dk](mailto:mjm@bang-olufsen.dk)

## BANG & OLUFSEN

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Morten Juhl Madsen <mjm@bang-olufsen.dk>

Ons 14-08-2019 12:04

Hansen Mathias ✉



Hej Mathias,

Jeg har indhentet lidt oplysninger/svar hos en kollega, som var involveret i de første Beoplay produkter. Hvis du får brug for det, hedder han Jens Boye Rasmussen, i dag ansat som Customer Quality Lead.

Mvh. Morten

### 1. Hvilken kundetype ønskede i at henvende jer til med introduktionen af Beoplay A8?

På dette tidspunkt var der kommet gang i salg af mobiltelefoner og mange var begyndt at anvende digitale lyd-tjenester fremfor at lytte CD og Radio.

Beoplay A8 var B&O's take på et produkt som kunne supportere disse kundetyper.

### 2. Hvilken værdi ønskede i at tilføje markedet med Beoplay A8?

Med anvendelse af flere af vores teknologier såsom Adaptive bass linearization samt Free – Wall -Corner switch.

Jeg har ikke lige kunnet finde Product Management Informationen; men her er link til en anmeldelse på produktet: <https://www.whathifi.com/b-o-play/a8/overview>

Beoplay A8:

Beoplay A8 works with all devices. Whether it's an Apple iPhone, iPad or iPod, an Android phone or tablet - or even a laptop you're playing your music from, it'll go hand in hand with the A8. No problems whatsoever! There is also an exchangeable dock that lets you place your mobile phone or tablet elegantly atop of the stereo system. This way you'll have a cool, central resting place for your device - and it'll even be charged while playing out your music. Want to use cables? You can do that too. There are connections for both Mini-USB cables and phono cables. The choice is all yours.

### 3. Havde i internt i virksomheden ressourcerne og erfaringerne til at udvikle Beoplay A8? (fx. brug af design studie til design eller outsourcing af produktionen).

Produktet er designet af David Lewis design studios som er mangeårig samarbejdspartner med B&O; og produktet er udviklet af Bang & Olufsen.

Vi havde samarbejde med Apple p.g.a. support for docking til deres dengang 30-pin stik.

Daværende Direktør for B&O Tue Mantonu udpegede Beolit 12, Beoplay A8 og Beoplay A9 som de første produkter til salg i Beoplay A/S – alle fremtaget af Bang & Olufsen.

### 4. Hvilke primære faktorer fik Beoplay A8 til at skille sig ud på markedet?

Se anmeldelse på produktet: <https://www.whathifi.com/b-o-play/a8/overview>

Airplay - Support for wireless sound transmission via WiFi: support af iPod/MP3/PC/MAC player,

Design

Placeringsmuligheder med mulighed for placering på Stand og Wall bracket

Lydkvalitet (Aktive højttalere med indbyggede forstærkere til hver enhed)

Adaptive Bass Linearisation (ABL)



## APPENDIX 2

Statements given by representative from Bang & Olufsen to author and to former study about Bang & Olufsen and B&O Play (Pedersen & Pedersen 2014).

Fra: **Morten Juhl Madsen** [MJM@Bang-Olufsen.dk](mailto:MJM@Bang-Olufsen.dk)  
 Emne: RE: Bachelorprojekt omkring B&O / B&O PLAY  
 Dato: 21. feb. 2014 15:35  
 Til: Mikkel Dissing [mikkeldp@hotmail.com](mailto:mikkeldp@hotmail.com)

Hej Mikkel,

Jeg har været ved at kigge lidt nærmere på jeres spørgsmål.

Om baggrunden for at lancere B&O PLAY sagde vi i august 2011:  
*Mod slutningen af 2011 vil Bang & Olufsen lancere en ny produktkategori med det formål at tiltrække nye kunder til brandet. Produktkategorien vil bestå af en serie stand-alone produkter, som bygger på Bang & Olufsens kompetencer inden for design, lyd, connectivity og brugervenlighed – på baggrund af Bang & Olufsens tilgang til kvalitet.*

*Produkterne vil blive solgt gennem Bang & Olufsens B1-butikker samt gennem komplementære detailsalgs-kanaler. Målet er at øge kendskabet til Bang & Olufsen brandet globalt og tiltrække nye kunder. Selskabet har indgået en aftale med Apple omkring europæisk distribution af disse produkter via Apple butikker. Aftalen komplementerer en allerede eksisterende aftale om salg gennem Apple butikker i USA. Produkterne under den nye produktkategori vil også blive solgt gennem en ny Bang & Olufsen branded digital online butik.*

*Den nye produktkategori forventes at blive en betydelig drivkraft. Hensigten er at levere gradvis omsætningsforøgelse og generere nye kundeemner til den eksisterende Bang & Olufsen distribution, der tilbyder det komplette produkt sortiment, integreret service til hjemmet og hjælp til installation. Ledelsen af den nye produktkategori er på plads og lokaliseret i København.*

Mht. spørgsmålet omkring samarbejdet med Apple – hvis det altså går på distributionen – så er der jo i dag tale om, at B&O PLAY bliver solgt fra en lang række andre salgskanaler end Apple-butikkerne: tredjepartsbutikker, stormagasiner, kædebutikker mv. Men det er rigtigt, at vi primært lagde ud med Apple-distributionen, som var en oplagt mulighed for at komme i kontakt med en ny målgruppe, som forhåbentlig med tiden kunne blive til Bang & Olufsen kunder.

Der er selvfølgelig gjort mange overvejelser omkring positioneringen af B&O PLAY i forhold til Bang & Olufsen. B&O PLAY er "stand-alone" produkter rettet mod en yngre og mere "digital" målgruppe end de mere klassiske Bang & Olufsen produkter, men der er fra start gjort meget ud af at betone, at B&O PLAY produkter er premium-produkter. De trækker på Bang & Olufsens kernekompetencer inden for design, lyd og brugervenlighed tilsat Bang & Olufsens tilgang til kvalitet. På den måde er B&O PLAY produkter tænkt som et godt supplement til de mere klassiske Bang & Olufsen produkter.

Hvis du/ I har uddybende spørgsmål eller gerne vil følge op over telefonen, er I velkomne til at vende tilbage.

God weekend.

Mvh. Morten

Med venlig hilsen / Best regards

**Morten Juhl Madsen** | Manager, Internal Communication  
 Phone: +45 9684 5035 | Mobile: +45 4030 8986 | Email: [mjm@bang-olufsen.dk](mailto:mjm@bang-olufsen.dk)

**BANG & OLUFSEN**

Fra: **Morten Juhl Madsen** MJM@Bang-Olufsen.dk  
 Emne: RE: Bachelorprojekt omkring B&O / B&O PLAY  
 Dato: 4. mar. 2014 15.34  
 Til: **Mikkel Dissing** mikkeldbp@hotmail.com

Hej Mikkel,

Vi kan ikke sætte noget præcist tal på, hvor mange medarbejdere, der beskæftiger sig med B&O PLAY. Der er en lille, dedikeret organisation, som kun arbejder med B&O PLAY – fx inden for salg – men derudover trækker B&O PLAY på resten af Bang & Olufsen organisationen, når det handler om ressourcer inden for udvikling, produktion osv.

Vi kommunikerer ikke salgstal for hverken B&O PLAY eller Bang & Olufsen produkter. Der kan dog hentes lidt informationer om omsætning via tredjepartskanaler i den seneste halvårsrapport på side 13: [http://www.bang-olufsen.com/UserFiles/File/Investor/BO\\_1309\\_F.pdf](http://www.bang-olufsen.com/UserFiles/File/Investor/BO_1309_F.pdf)

Der er dog mere at hente i webcastpræsentationen efter den seneste halvårsrapport – side 10: [http://www.bang-olufsen.com/UserFiles/File/Investor/BO\\_Q21314\\_webcast\\_F.pdf](http://www.bang-olufsen.com/UserFiles/File/Investor/BO_Q21314_webcast_F.pdf)

Mvh. Morten

Med venlig hilsen / Best regards

**Morten Juhl Madsen** | Manager, Internal Communication  
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## BANG & OLUFSEN

**Bang & Olufsen A/S** | Peter Bangs Vej 15 | DK-7600 Struer | Denmark  
[www.bang-olufsen.com](http://www.bang-olufsen.com) | [www.beoplay.com](http://www.beoplay.com)

Fra: **Morten Juhl Madsen** MJM@Bang-Olufsen.dk  
 Emne: RE: Bachelorprojekt omkring B&O / B&O PLAY  
 Dato: 12. mar. 2014 16.00  
 Til: **Mikkel Dissing** mikkeldbp@hotmail.com

Hej Morten og Mikkel,

Jeg ville kigge på virksomheder som Bowers & Wilkins, Libratone og Beats by Dre.

Officielt siger vi fig. om B&O PLAY og om målgruppen: "Med udgangspunkt i Bang & Olufsens stolte traditioner for fremragende design, godt håndværk og nyskabende produkter er B&O PLAY en fortolkning af de samme værdier i en helt ny type produkter til unge, stilbevidste og aktive byboere."

Jeg kan uddybe med følgende uden at kunne sætte køn, alder mv. på målgruppen:

Kernemålgruppen for B&O PLAY produkter er kendetegnet ved en ungdommelig og energisk tilgang til livet; livet skal leves, ikke observeres. Det er ikke folk, der sidder på sidelinjen, de deltager i spillet.

Det er forbrugere, for hvem friheden til at være spontane betyder noget. Den unikke og mindeværdige oplevelse findes ofte i det spontane og ikke-planlagte. Det er afgørende for personerne i kernemålgruppen, som bliver lige så motiverede af at erhverve og samle erfaringer som af at erhverve ejendele.

De ser sig selv som tænksomme og intellektuelle forbrugere og vil aktivt opsøge brands som matcher denne opfattelse. De kigger efter brands med dybde i de historier, der bliver fortalt, snarere end de går efter de åbenlyse valg – der er ikke noget tilfældigt over deres tilgang til indkøb af luksusvarer. Jagten på brands med dybde omfatter også selve produktet. De går aktivt efter produkter med unikke og karakteristiske egenskaber og en forventet lang levetid.

De er meget sociale i fritiden, og de giver ofte udtryk for, at sport, restauranter, barer og andre sociale mødesteder betyder noget for dem – steder, som afspejler denne forbrugers 'work hard-play hard' mentalitet. Deres forbrugsvaner afspejler deres livsstil. Når de gør store indkøb, er det ofte drevet af en følelse af at belønne sig selv. De er også klar til at bruge store beløb på oplevelser.

Mvh. Morten

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