The Beats Generation

by Bill Poston

I’ll admit to having a product and technology bias in my work in innovation. These things are tangible and most people can relate to the stories and lessons. The greatest innovations, however, combine a great product with a deep understanding of the market and the commercial side of innovation.

The story of Dr. Dre’s Beats told in the January 27, 2014 edition of Time Magazine is a great case of this type of innovation. Beats is a five-year-old startup with over $1 billion in annual revenue. They sell headphones to teenagers. Prior to Beats, headphones were either the things you got for free when you bought a phone or MP3 player, or they were expensive devices for professional audiophiles.

Beats exploited an opening in the market by combining stylish design with a different listening experience to create a fashion accessory that could be sold at a premium price. The insight was that younger listeners were not being served by the high end of the market. These consumers weren’t interested in musical “accuracy,” they wanted pumping bass and the sound of swaggering bravado.

Beats’ headphones are not technologically sophisticated. They aren’t even very well made. They didn’t invent a new way of making sound. They understood the market, designed a product to fill a void, and are generating over a billion dollars a year that could have gone to one of the established players in the industry.

Why didn’t Bose see this opening? Why didn’t Sony create a product to serve this demographic? Where was Sennheiser or Logitech’s Ultimate Ears? All of these companies had the resources and ability to do what Beats has done – but they didn’t. They got beat badly by a rapper with greater insight into a large consumer segment than all of their marketing and product development functions combined. It will be interesting to watch how last month’s acquisition by Apple will play out.

Is there a Beats out there in your industry waiting to scoop up revenue that should rightfully be yours?

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For the past 30 years, Bill has helped executives in technology-driven industries transform their competencies to deliver results. He is a highly regarded consultant, speaker, and writer on the topics of innovation strategy, product development, portfolio management, technology commercialization, and the software systems that enable innovation. Keep up with Bill’s latest research and thoughts on innovation and the rising role of the Chief Innovation Officer at www.TheChiefInnovationOfficer.com.