

Post Graduate Diploma in Management, 2018-20

Business Innovation & Growth Strategy

Sub. Code: DM-453

Trimester – IV, END-TERM EXAMINATION, September 2019

Time: 2 Hrs 30 Min

Max Marks: 50

Roll No. -----

Instructions:

1. Students are required to write their Roll No on every page of the question paper, writing anything except the Roll No will be treated as **Unfair Means**. In case of rough work please use answer sheet.

SECTION A (3X10=30 Marks)

1. How can we use 'Component Knowledge' and 'Component Configuration' to explain different types of Innovation. Please explain with suitable examples.
(CILO-1) 10 marks

OR

Given the understanding that Innovation is about creating new value, how can this be used to develop a wholistic approach to explain the different types of Innovation? (CILO-1) 10 marks

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2. What is 'The Chasm'? How can companies overcome it? Please explain with the help of an example? (CILO-2) 10 marks

OR

Big-bang disruption does not follow the same pattern as traditional technology adoption. Please explain with an example for both (big-bang disruption adoption and traditional technology adoption). (CILO-2) 10 marks

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3. What is the role of external factors / environment in a company's ability to innovate? Please explain with an example. (CILO-3) 10 marks

OR

Is the ability to innovate a generic trait? Can one become more innovative? How? (CILO-3) 10 marks

SECTION B

(Case Study)

Note: Case Study is Compulsory (20 marks)

Threadless.com

Clothing is a huge industry and a daunting prospect for a new entrant. On the one hand there are large players with scale economies, sophisticated logistics, low labour cost assembly operations and advanced retail and distribution networks. On the other there are boutique, fashion-led houses with an emphasis on design, quality and customisation – and with a clientele prepared to pay high prices for these attributes. Yet a small US start-up – Threadless.com – has confounded those sceptics who felt there wasn't room for any new player, let alone one with no prior experience of the industry. Co-founders Jake Nickell and Jacob DeHart started the company with \$1,000 in seed money in 2000 although the idea was still more about building a web community than a major clothing business. *"It was just a hobby, a way for people to get their artwork out,"* Nickell commented in a recent interview. By 2002, the hobby had surpassed \$100,000 worth of T-shirts and attracted more than 10,000 community members, mostly artists in their teens and 20s. The user base has continued to grow from 70,000 members at the end of 2004 to more than 700,000 today. Sales in 2006 hit \$18 million – with profits of roughly \$6 million. In 2007, growth continued at more than 200 percent, with similar margins.

Nor was this a niche entry, trading on a specialised fabric or design or access to a boutique market. It has succeeded in one of the mainstream areas of clothing – the T-shirt. Amongst the most popular items worn on the planet, T-shirts as an overall business are huge – but making a successful business out of their design and manufacture can be a nightmare. First there is the design problem. Although there is a market for plain white T-shirts the real business lies in T-shirts with something on them – colours, pictures, slogans – essentially something which allows the wearer to express him/herself and which differentiates the T-shirt. And the problem is that different people want different designs – so to match the variety of designs any new entrant would normally need to recruit an army of specialist designers.

The problem doesn't stop there – whilst people undoubtedly want different designs the business depends on picking those designs which will have wider popularity. Otherwise the risk is that you will make a batch of, say, 50,000 T-shirts only to find there is no market for them. So another issue in starting up in the business is recruiting another army of market researchers to enable a better forecast of what is likely to sell.

Threadless didn't worry about these problems when it started up in 2000. In terms of the design problem their response was not to hire their own designers but rather to use the principle of 'crowdsourcing' – essentially engaging potential users in the process of designing their own T-shirts. On their website the company runs a weekly competition to which anyone is invited to submit designs. These could come from an 80 year old grandmother, a 3 year old boy or a professional textile designer. It doesn't matter – the model is simply to run a competition and use this as a way of attracting a high volume and variety of ideas.

That approach offers a way of dealing with the designer problem – but what about the market research? How would they know which of the designs might be a big seller and which a flop? Once again rather than try and second guess they make use of crowdsourcing

– asking the web-based market place of visitors to their site which of the designs on display are popular. There is, for each design, a simple voting scale running from liking to loathing the design in question. Using this voting system allows Threadless to gauge quickly which ideas are popular – and therefore which ones to commit to producing.

They receive around 800 submissions each week for the competition and, using the above system, pick the most popular 4 and put these into production. They make a batch of between 50 and 60,000 T-shirts – and already have many pre-sold because one option on the voting page is a tick box indicating the voter would buy the T-shirt if that design were available.

Designers of the winning entries receive \$2000 plus \$500 for every reprint. But the appeal of Threadless is less about money than recognition - *"It wasn't so much the money,"* says artist Glenn Jones, who won \$150 in a contest in 2004, at age 29. *"It was how cool it was to get your shirts printed."*

The company began as a typical internet start-up, requiring little capital or resources and involving only a handful of people – all the manufacturing etc is contracted out. But their success with the approach has enabled them to build a larger business based on the core principles of crowdsourcing and community building. Their experience is typical of a growing movement around 'mass customisation' in which users play a much more significant role in the front end of the innovation process. Companies like Muji in homewares, Lego in toys and Adidas in footwear are all making extensive use of the approach which owes much to the principles of user-led innovation first set out by Eric von Hippel.

Threadless have grown the customised community through targeting key niches – designs by young children for young children, professional and limited edition artist T-shirt designs, etc – but retaining the sense of user involvement in the process. On occasion, special contests— known as "Loves Threadless"—run in association with various sponsors. These contests set a theme for designs, with a selection of additional prizes being awarded to the chosen winner.

The success of the core Threadless concept has also led to several spin-off projects applying the model to neckties, accessories like wallets and bags and wallpaper, and their designs are also available as limited edition prints. They run parallel sites to support these like NakedandAngry.com, OMG and 15MegsofFame.com (in which the crowdsourcing/voting model is applied to mp3s of aspiring musicians with the potential prize of a gig in a live Chicago venue. They have also opened a retail store (2007) in Chicago where in addition to seeing and buying products there is also a design gallery and workshop where users can attend design classes. In 2008 they launched a weekly video segment called Threadless Tee-V on their website.

Questions: (CILO 1 to 3)

1. What kind of Innovation do you find in the Threadless.com case study? (10 marks)
2. What challenges is Threadless likely to face in its journey to becoming a US \$ 100 million company in sales? What will you do to overcome these challenges? (10 marks)
