

# Free creative destruction, marketing and the smartphone essay sample

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The concept of creative destruction is one of those ideas that seems obvious, but only after you already understand it. It comes from Joseph Schumpeter's groundbreaking book, *Capitalism, Socialism and Democracy*, first published in 1942. Schumpeter pointed out that capitalism is an "evolutionary process" that "not only never is but can never be stationary" (p. 82). Using biological terminology, he characterized capitalism as:

a process of industrial mutation that incessantly revolutionizes the economic structure from within, incessantly destroying the old one, incessantly creating

a new one. This process of Creative Destruction is the essential fact about capitalism (p. 83).

technology

Technological advancement underlies this process and, as new technologies create new products and categories, marketing evolves in order to fill new needs and wants. Specifically, technology is changing the marketing mix by making things 1) more convenient, 2) cheaper, 3) more easily available, 4) more versatile, and 5) more personal. Not all of these changes are appreciated by all market segments, as one person's convenience may be another's headache, and some of us will always prefer the familiar to the new. But those who wish to cling to the tried and true usually don't require marketing, for they already know what they want, although the particular item may be difficult to find at some point. The average person, however, generally responds to inventions and improvements that promise a benefit. The average person's life is more complicated and busier than that of his or her parents. Even as technology has made lives easier in many respects—

automatic washing machines, for example—it has also complicated our lives by giving us the means to be in contact with others 24/7. Now, the boss doesn't think anything of calling after hours and friends wonder why you didn't respond to that email they sent 20 minutes ago. This expectation of availability is driving consumers to seek convenience, which takes many forms, and is particularly evident in time-saving products such as ready-to-eat meals and bouquets of flowers, both of which can be quickly obtained from the convenience shop at the local gas station.

As demand for convenience products rises, supply rises to meet it, economies of scale are reached and prices begin to come down. Some suppliers will choose to compete on price, which will drop the cost further until services and products that were once available only to the well-off are now mainstream. Consumption is the foundation of capitalism.

Technology also creates products that offer consumers more choice in terms of options and features. This means that the grandfather who has no patience for a complicated cell phone can buy a Jitterbug brand that features just four buttons and does just one thing, make calls. But his granddaughter can get a versatile, hot pink, horizontal camera-phone designed for texting and watching wide-screen videos.

Personalization is increasingly important to many consumers. Thanks to laser technology, one can have a favorite quote engraved on the back of an iPad. A company called Open Sky will engrave the latitude and longitude of your favorite place on a bangle bracelet, all for a modest \$14.99. If monograms are not enough anymore, there are graphic designers who will create a personal logo so you can manage your personal brand in social media. 3D

printers take personalization to the max by creating artificial organs that are a genetic match to a patient's DNA. It may not be long before a "high-tech" industry devoted to the procurement, transportation and regulation of human organ donation is remembered as primitive, akin to the days of the iron lung.

the four ps

The classic 4 Ps of the marketing mix—product, place, price, and promotion—provide a useful lens for examining the way technology drives the destruction of old products and abets the creation of new ones. In fact, technology itself is subject to the same forces of creation and destruction as everything else. For instance, in 1860, the demand for Isaac Singer's home sewing machines was so great that his factories couldn't make them fast enough. The machines' popularity sparked the invention of new machine tools that sped up the manufacturing process, not just of sewing machines but of many other items that required precision grinding, and the old technologies went the way of the stone axe (Rosenberg, p. 441).

In considering the way the 4 Ps relate to technological developments, it is helpful to use a familiar example. The smartphone provides one in that it is a product that became available to the mass of consumers only relatively recently. Many people alive today can remember a time before mobile phones existed, and many of those same people could not imagine living life without one today.

There is a very funny scene in the 2010 film called *Wall Street: Money Never Sleeps*, which is a sequel to the film, *Wall Street*, made in 1987. In the original, Michael Douglas plays a very wealthy, big-shot trader who is sent to

prison for securities fraud. The follow up film opens with Douglas being released from prison, standing at a counter where the possessions he had with him when he entered prison are being returned. The cop behind the counter names each item as he hands it to Douglas. “ Walletkeys cell phone” At the mention of cell phone, the officer drops an obviously heavy, plastic object the size and shape of a brick in front of Douglas. The audience howls with laughter. It is amazing and hilarious to imagine a power broker strolling along Lower Broadway holding this clunky and cumbersome piece of equipment to his ear, and yet there was a time when this symbolized the epitome of privilege and accomplishment. This is the inspiration for choosing the smartphone as the vehicle of analysis for technology and the 4 Ps.

product: the smartphone

Just a single device, the smartphone, illustrates recent changes in marketing that were brought about by technological change. What could be more convenient than having one small, lightweight, easily carried device that takes the place of at least 10 different products: a watch, an address book, a note pad, a book, a television, a radio, a CD player, a pager, a hand-held game device, a camera, and—rather incidentally—a telephone? And, given its tremendous versatility, a good smartphone is relatively inexpensive, particularly when its price is compared to the total cost of all the devices one need no longer purchase.

place: everywhere

The place of sale is interesting for smartphones because the longer they are around, the more places there are to purchase one. Back in the 1990s, for instance, cell phones were available only from corporate entities that were

still thought of as telephone companies, such as AT&T and Verizon. They came attached to a two-year contract and pricing packages that required hefty monthly service payments. Once Apple introduced the iPhone, the place of sale began to loosen up so that today, with the market awash in manufacturers and mobile options, one can buy a pre-paid “burner” in the local convenience store; in some parts of the world, a good refurbished phone can be purchased on the street corner.

And, of course, there is also the internet. E-commerce has taken off like a rocket and is still in the process of evolving. First, brick-and-mortar retail stores began to sell online. Then, a few visionaries opened retail operations that had no physical locations; all transactions took place over the internet. Now, Amazon, once an online book store, has blossomed into a mega-department store and the local pizza place is expected to have a web presence, even if it’s just a listing on Google Business. There are banks that exist only online and workers who have never met their colleagues in person.

Also of note is the trend toward collective websites like Etsy, which provides online store fronts for boutique businesses seeking to reach upscale buyers who will pay a premium price for handcrafted and artisan products—ironically, those things that were once mainstream but have now been eclipsed in the creative destruction process. Amazon and eBay do something similar with small retailers, who can advertise new and used items in their own store fronts that are embedded in the larger mega-sites. These small businesses compete on price, rather than the elite ground of novelty or perceived quality, which are the province of Etsy and similar sites.

price: drops with product familiarity

With most products, the faster and cheaper it is to make and the more ubiquitous it becomes, the cost to the consumer drops. Things that were formerly expensive come within reach of the wider population.

As noted earlier, the price of a cell phone is now much less than when they first became popular in the 1990s. When smartphones came along early in this century, their prices followed a similar pattern. There are still some models that carry a big price tag, but if one shops carefully and considers used or refurbished models the price will be dramatically less. This is true for all types of consumer electronics, and has been since the first transistor radios were introduced in the 1950s. What starts out high always comes down as the product becomes common and the novelty wears off.

promotion: the special sauce

As the price drops on the now familiar products, enhancements are developed to add value to the product and justify its price. These enhancements are usually features that are nice to have, but not essential, and they serve to extend the life of an existing product before something new comes along to replace it altogether. Sometimes they are options to personalize the product, such as with engraving or choosing a favorite color. This is where the fourth P, promotion, comes in.

Promotion involves convincing consumers that they need a product rather than merely wanting it. When a product is first introduced, promoting it is relatively straightforward. The ad agency and PR people talk about the purpose and features of the product—what it does and how it can make a consumer's life better. After the product, in this example a smartphone, is

around for awhile, promotion needs to be more clever, as well as more persuasive. This is the point at which marginal improvements are usually the focus of creative promotional activities. Other inducements may be bundled with a new smartphone, such as good deals on data plans or free accessories like cases and ear phones (Kang, et. al., n. pag. ).

Also, the variety of promotional activities will often expand. In the beginning of a product's lifecycle, running ads on popular TV programs and a contest on social media might be all that's needed to spark sales. As the product ages, there might be creative point-of-sale promotions, celebrity endorsements and public events designed to gain visibility for the product. A good example of this value-added approach is Apple's attempt to extend the life of its iPhone 5 by offering a choice of colorful cases and setting a price that was much lower than its other iPhone models (Wilson, n. pag.). In this case, the make-over didn't work, as the underlying technology of the 5 left a lot to be desired and users didn't hesitate to say so on social media and in Mac forums. The 5C move was surprising, given Apple's supposed marketing sophistication. Although the C wasn't targeted to the company's savvy first-adopters, this tech-loving group was very vocal about the product's flaws, which probably contributed to its middling sales. At this point, the C is given away free by most service providers and is quite clearly on its way to oblivion.

Amazon fared better with the tweaks it made to its basic Kindle e-reader. When sales began to lose out to more versatile, colorful tablets—including Amazon's own Kindle Fire—the company introduced an upgraded version of its basic Kindle called the Paperwhite. Everything about this new device was

geared toward the traditional, serious reader, including technological improvements designed to create a reading experience that was visually more like reading a page in a printed book (Aamoht, n. pag.). The Paperwhite does nothing but display books—no camera, photo storage, social media apps or anything else. It costs a bit more than the stripped-down, basic Kindle, but not so much as to outstrip its perceived value for a niche of dedicated readers.

In addition to the improved reading experience, Amazon created two Kindle readers' programs to encourage purchase of e-books using the Kindle coding. One is a series of Kindle Daily Deals, where four books are available for very low prices, such as 99 cents and \$1. 99. The other is a club called Kindle Unlimited where, for \$9. 99 a month, a subscriber has unlimited reading privileges and unlimited listening to audiobooks—and, a subscriber can do this on any device, even a competing tablet or e-reader. (However, Amazon's free Kindle app must be downloaded on the non-Kindle device in order to read the books.) Creative promotions like this help to boost sales of both the Kindle devices and the Kindle books, as well as keep the brand in front of consumers.

Once one understands the creative destruction principle, examples of it are noticeable everywhere—in home appliances, automobiles, sporting goods, toys, and on and on. It also seems to operate with services. Blacksmithing is the obvious example, but more contemporary instances are services such as TV and typewriter repair or messenger services.

In the marketing mix itself, particularly with promotion, many techniques that were widely used just five or ten years ago are virtually unheard of

today. Themed, newspaper advertising supplements are rare these days, as are many of the lower-tech vehicles like flyers and posters. Search marketing and social media often take the lion's share of a promotional budget, although television still seems to claim a good portion as well. The cable business is slowly fading away, while internet TV is gaining share and the new Apple watch seeks its niche. Coming up on the outside, Google Glass may replace them all. Or there will be something entirely new, that none of us today even dreams of, but that we will amaze us all.

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