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How to Market a Revolution

Every so often, an innovative product fails to achieve widespread adoption because companies don't connect the dots for consumers.

It has been 15 years since the DVR (digital video recorder) debuted to much fanfare at the Consumer Electronics Show in Las Vegas. It was instantly hailed as a revolutionary innovation, a paradigm shift like none yet seen in the half-century-old TV industry. If adopted widely, it had the potential to transform TV audiences from passive channel-surfers into programmers of highly personalised experiences, through its ability to record and play back analogue TV signals.

Having captured the attention of the industry, DVR soon went on to capture the public imagination by giving it a brand to latch onto: TiVo. After blanketing the airwaves with commercials featuring an empowering slogan ("TiVo: TV your way") and a mass-market-friendly logo, the brand became a household word. With the public apparently ready to make the technological leap, DVR seemed poised to break through in a big way. Technology market research firm Forrester predicted that by 2005, more than half of American households would have DVR.

A decade and a half on, reality has yet to catch up with these initial predictions. At the end of 2012, DVR had penetrated 41 percent of TV-owning households in the U.S.; current predictions have the technology achieving 48 percent penetration by the end of 2017. During the second quarter of 2013, "time-shifted" viewing (i.e. DVR or video-on-demand use) accounted for only 8.6 percent of total viewing hours in the U.S., according to Nielsen statistics.

So where did the sector fall short? Assuming initial estimations of DVR's potential had some truth to them – and the rave reviews of early adopters suggest they did – why has its market penetration lagged behind such comparatively dull products as DVD and Blu-Ray players? I explore these questions in my INSEAD case study **"Digital Video Recorders: Starting a TV Revolution?"** The lessons here apply to all companies that have accomplished, or seek to accomplish, possibly market-upending tech breakthroughs.

"Mousetrap Marketing"

As the developer of the first commercially available DVR, TiVo fell victim to classic "mousetrap marketing" assumptions, as in the aphorism often ascribed to the 19th-century American writer Ralph Waldo Emerson: "If you build a better mousetrap, people will beat a path to your door."

The mousetrap mindset clearly drove TiVo's mass-market approach in its early days. The firm spent heavily to reach as wide an audience as possible, with blind faith that getting the word out about this great new product was all the strategic focus needed. TiVo's 30-second TV spots left audiences with plenty of excited questions, but few concrete answers. For those, they would mainly have to head to electronics stores, the Internet being a less robust resource at the turn of the millennium than today.

As potential customers neared the point of purchase – brick-and-mortar stores – TiVo's friendly brand message fell away, replaced by whatever message salespeople believed would sell the product. Not investing in education for salespeople was a key error, but perhaps TiVo never should have sought to sell millions right out of the gate. Being more focused about target customer and distribution would have allowed for more control over the sales process, as well as given TiVo time to tinker with its marketing message and help viewers ease into the changes it was aiming to introduce. Believing the early hype about itself, the company overestimated the average consumer's ability and willingness to buy into the DVR revolution.

Identity Crisis

TiVo emerged at a particularly rocky crossroads period for the tech and media industries: Analysts agreed that TV's conversion from analogue to digital was inevitable, if not imminent; the Internet had pushed through to mainstream consciousness, but the extent of its impact was not yet fully felt. In the absence of a coherent marketing message, TiVo's growth was severely hindered by the uncertainties of the moment. Where DVR stood in relation to VHS was of particular concern for customers. From a marketing perspective, there was a Catch-22: Positioning TiVo as a beefed-up VCR (as many salespeople did) risked underselling its coolest features, but pushing the advanced features such as commercial-skipping might have overwhelmed and intimidated consumers.

TiVo's messaging was muddied further by the company's stated bid to become "the operating system for your TV set". Like an Internet service provider such as AOL, TiVo required users to pay for subscriptions on top of buying a device – so was TiVo a gadget or a service? And which household fixture was it designed to replace: the VCR or the computer or both? Without a firm grasp on the value created by the new technology, consumers had no trouble performing a cost-benefit analysis, with an unfortunate outcome for TiVo.

The high price point didn't help matters either. The first TiVo devices cost US$499, not including an annual subscription fee of US$99. Then as now, TiVo encouraged "lifetime subscriptions", which do not cover, as one might assume, the lifetime of the consumer – but rather the lifespan of the TiVo device. Given the technological uncertainty of the time, it's not hard to see why likely buyers stayed away in droves.

TiVo Today

Even TiVo's sole unequivocal triumph – its brand ubiquity – wound up working against it as rival manufacturers inked deals with pay TV operators and became serious competitors. Without a clearly established category with points-of-parity (i.e., features that are shared by all category members) and points-of-differences (i.e., features that allow you to stand out) the brand name entered common usage as a term for any DVR, causing a TiVo executive to complain, "People will know we talked about TiVo and think they have TiVo, [but will have] a generic product that isn't even ours."

But the good news for the firm is that, thanks to its own partnerships with cable TV providers around the world, TiVo is in more homes than ever before – about 4.8 million, a far cry from the sorts of numbers bruited in the early days. And the company is trying mightily to regain its innovation mojo with its latest line of Roamio hybrid set-top boxes that can stream content to mobile devices. Just as in 1999, TiVo has a daunting marketing challenge on its hands.

Advice for Innovators

To avoid repeating past mistakes, TiVo, and by extension all ambitious innovators, should remember the three key obstacles to innovation adoption: the *understanding gap, attractiveness gap*, and *behaviour change gap*. Failing to bridge any one of these can lead to a fatal disconnect between company and consumer, no matter how great or beneficial the product. Bridging the gaps means finding clear, compelling answers to the following questions:

1. Understanding gap: What is it? What is it for?

- Does it naturally fall into existing categories?

2. Attractiveness gap: What does it give/take away?

- Is it easy to see or experience the value?

3. Behaviour change gap: What do I need to change?

- How much change is required to get these benefits?
- Who has to change?

Innovative products do not create the conditions for their adoption in the market; rather, market change is a process that must be managed. The contrast between TiVo and Netflix is illuminating. TiVo was more ground-breaking and visionary than Netflix, but the latter much better managed to keep the three obstacles low. Even when an innovation is truly revolutionary, it should not be marketed as such. Market your revolution in carefully delineated stages, always with reference to what the consumer is already familiar with. Points of reference are just as important in product design: The face that a product presents to the world should always be recognisable. TiVo got the customers' attention, Netflix got the customers' business.

Failure to manage the change process was a main cause of the eventual DVR letdown. Unable to bridge the critical gaps for consumers on its own, TiVo could gain adopters only through (often economically unfavourable) deals with cable and satellite operators, its ostensible competitors. You could say that DVR was caught by its own mousetrap.

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