

READING THE WORLD

VOLUME 1, ISSUE 5

JULY 2, 2004

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BEWARE RESENTFUL CUSTOMERS

There is no such thing as disruptive technology. This contradicts what many readers of Clayton Christenson's "The Innovator's Dilemma" believe. Technology itself can not be disruptive! People's **applications** of technology can be disruptive. So what would motivate people to disrupt an industry? Deep resentment and anger, the kind demanding nothing less than a revolt!

To understand how this can occur, let's look at the record industry. For decades, the record industry grew through a series of innovations, offering new products with new features that customers valued. There was the 33, the 45, the cassette

tape and finally the CD. Along with new products came a variety of artists and music. By giving customers better choices, earnings and stock prices rose.

At some moment the record companies, perhaps desperate to satisfy their shareholders, began to take more than they gave. The industry's insistence that customers pay for 12 songs when only 3 were good, produced widespread dissatisfaction. Unable to buy their music elsewhere, customers were held hostage to increasing album prices. Caught in resentful bondage, they got angrier and angrier. Napster, founded by Shawn Fanning offered these angry custom-

ers a choice. In revolt, 70 million flocked to Napster in less than two years. Rather than offer customers affordable music downloads, the RIAA shutdown Napster, temporarily squashing the revolt. Napster was followed by Kazaa, a download service that the industry was unable to stop. In desperation, the RIAA resorted to suing 14-year-old kids! Shortly thereafter, Apple's iTunes, gave music downloaders a legal choice. Freed from resentful bondage, customers happily paid for iTunes and the iPods to play them on. In less than 2 years, Apple captured 70% of the download market, sold millions of iPods and doubled their stock price. When a

company takes more than it gives, it puts its financial future in jeopardy. The company may not even realize that it is taking too much. Perhaps the new products and services are more than the customer can use and therefore a price increase is unacceptable Christenson calls this condition an "overshoot." When customers are forced to pay for products they don't value, resentment will grow.

Like an avalanche, this buildup of resentment will send them swiftly to the first available choice. Desiring freedom, this choice need not be better, just good enough. Listen for the resentment and act quickly!

SPECIAL POINTS OF INTEREST:

- *HMOs, insurance and pharmaceutical companies hold their customers in resentful bondage.*
- *When change gives customers a choice, they will bolt.*
- *Reimportation is like Napster for chemicals and will free customers.*
- *Reimportation will be legalized.*
- *Look through the lens of resentful bondage. Avoid companies with customers in resentful bondage; buy companies that free them.*

NAPSTER FOR CHEMICALS

Companies that hold their customers in resentful bondage are easy to find; mood is a great tell. Consider healthcare. Have you noticed your premiums and copays keep rising? Do you find fewer of your prescriptions are covered? Does it upset you knowing these prescriptions can be purchased for much less in Canada? Do you feel trapped?

The legalization of drug reimportation will free you

from this trap. It is like Napster for chemicals, opening distribution channels and changing the game. As more and more of us begin purchasing drugs from reimportation services, the drug companies, insurance companies and local pharmacies will need to change their businesses. Drug companies will have to change their pricing. Local pharmacies will need to match the pricing and

service level of online reimportation services. Insurance companies will need to adjust their coverage and copayments to reflect the lower costs otherwise customers may choose to self-insure.

Using this resentful bondage framework we avoid companies that hold their customers in resentful bondage, and buy companies that free them.