

FIRST GENERATION ENTREPRENEURS NEED TO HAVE DIGITAL MAKEOVERS FOR NEW AGE CONSUMERS CHALLENGES AND OPPORTUNITIES FOR FGE'S TO RIDE DIGITAL ECONOMY

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Abstract

The paper focus is on the role, importance and characteristics of digital innovation for first generation entrepreneurs. The paper also discusses about challenges and opportunities for digital innovation. The paper also shows radical change and development is beyond imagination in a way that digital innovation is the most important source of competitive advantage. The study through some light on one of the major player in toy industry, Mattel, Inc, toy manufacturers needs to transform: The Business is no longer only manufacturing or making a product, doing ATL & BTL activities, and making it available in stores.

Keywords: First Generation Entrepreneurs, Digital Innovation, Mattel Inc, ATL & BTL Activities.

Introduction

Digital innovation is the application of new technologies to existing business problems or practices. The process is continuous, and should takes place in phases of the manufacturing/making of the product with each phase having advancement of technology. Digital innovation is becoming a game changer. The chances/options for a first generation entrepreneur to adapt digital innovation in there processes has many folds: it helps in enhancing traditional manufacturing processes with digital technologies; it helps in fulfilling the real time requirement of the toy industry consumers instantly; it gives entirely new manufacturing system with advance technologies to meet various challenges prevailing in the market:

- **The Heterogeneity of the Digital Innovation Ecosystem:** The ecosystem of digital innovation has many layers. The tangible one consists of hardware manufacturers and network operators that require huge capital investments and R&D expenses. Higher layers include software producers and platforms whose success depends on network effects and consumer base size. The mix of digital innovations is established deep and firmly in the heterogeneity of the digital innovation ecosystem.
- **Mutual Interdependencies:** Inter dependability between various elements is a defining characteristic of digital innovation. There are research programme to produce knowledge, however, various new products and services are brought into the market through SMEs and FGEs. Big companies create ecosystems that hold their size to attract smaller companies.

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- **The Global Reach of Digital Innovation:** Digital technologies allow firms to reach out beyond physical borders at virtually no cost. This creates opportunities to increase the return on their innovation efforts. However, building global market presence requires substantial funding for the scale-up phase. So far, however, few European digital firms succeed globally. Important roles in this process also play on technology markets, i.e. second-hand markets for ideas and technologies.
- **ICT Play a Vital Role** in producing economic sector as well as, it enables technologies to facilitate the modernization of organization and their financial performance throughout the economic sectors. Digitally-enabled organizations are the main sources through which digital technology is transforming the economic and social benefits in the market. These firms are also more likely to become high-growth companies and to survive longer than traditional non-digital ones. Digital organizations follow the opportunities connected with the changing pattern of innovations.
- **Digital Innovation Disrupts the Economy and Society:** Radical innovations transform the entire economy and society. This disruption through digital innovation leads to lots of scope/opportunities to create new societal challenges. Disruptions activated by digital innovations also have negative implications, e.g. re-location of economic activity and jobs transformation.

The Importance of Digital Innovation for First Generation Entrepreneurs

To face the challenges and opportunities and to have a competitive edge in the industry, entrepreneurs must adopt the concept of digital innovation. Digital innovation is an endless process which leads to an increase in the profit and gives competitive edge to the organization. It is the implementation of the latest technologies for achieving maximum productivity while minimizing operational costs. In spite of having frequent change in technologies why still we need to adopt digital innovation as the key to a successful first generation entrepreneurship:

- **Men Don't Matter Much, Technology Does:** A manpower based work force is an old tool and being expensive due to its working hours and high production costs. This is an industrial revolution era, where entrepreneurs need to reduce cost and digitally innovative. The JIT Production System, Smart manufacturing process by Mattel Inc. are few examples. They work on real time production process and efficiently saved out on production and labor costs, all the while bridging the giant gap between market demand and supply.
- **Technology is a Good Servant, but a Bad Master:** As an entrepreneur, it is crucial for to understand that technology is a highly volatile concept. It changes every day and accordingly the way the market functions. As a first generation entrepreneur, need to be technically update with the technologies revolving around otherwise inefficiency may lead to disruption for your future companies. For example, Atari, the manufacturer of the successful video game consoles in the 1970s eventually lost to its competitors due to its inefficiency in making technological advancements in their video game quality and for their better experience.

- **A Social-Media Junkie Consumer Base:** Now a day's consumers are equipped with the latest technology and user friendly interface, internet driven and that's what is called as digital era consumers before that the old school traditional media plays the role of advertisement. To secure and reach out to your target base, it is imperative to pop up on their digital screens across multiple social media platforms. For example: Farmville, Candy Crush, etc.
- **Digital Creativity is Inevitable:** As a first generation entrepreneur, one cannot afford to ignore the digital revolution that may lead to zero survival in the industry. For example Barbie again revived after adopting digital innovation in their production and advertisement.
- **Service at the Click of a Button:** The tech-savvy consumers are bit impatient and looks forward for impromptu services. Digital innovation is an absolutely necessary tool to derive full benefit from the targeted consumer market. For example, online Toy store, like Toy Cart, Hobby toys, is giving tough competition to retail toy stores everywhere with its state-of-the art technological application of fast-paced online shopping and smooth digitalization of its processes.
- **The 'Know It All' Consumers Vs. Cut-throat Competition:** Digitally equipped consumers are well versed with their buying options. They know exactly from which mode they will get their desired product or services for that they will not think about shedding their brand loyalty, and put more emphasis on their expectation from the product/services.

Digital Innovation, although indispensable for business creation, expansion and success, involves adequate investments throughout its business cycle. Digital innovation doesn't solely imply automation of a brand's processes; it is a better understanding of one's product, the current market trends, and your consumers' needs. First generation entrepreneurs can learn from digitally innovative companies to avoid disruption in their business ideas, staying relevant to the new age audience, tackling its competitors and securing a successful future. Characteristics of digital technology that play an important role in facilitating digital innovations:

- The homogenization of digital data
- The programmable digital computing architecture
- The self-referential nature of digital technologies.

The main challenges and opportunities for innovation emerges primarily from convergence and digital materiality. Newer research opportunities lie in understanding different forms and capabilities of ongoing digital convergence. Another set of research issues are associated with entrepreneurial risk-taking is to emerge from embedding digital capabilities into non-digital products and services. Finally, the increased use of digital tools and the interpenetration of digital and physical materiality in work practices offer new sets of challenges and opportunities that need to be carefully investigated.

Mattel: Toy Manufacturers Needed to Transform

For generations, Mattel's products have been part of most formative years and have fueled imaginations while also serving an important dedicated function. Such power products are certainly desirable, that also makes a Company self-satisfied, and relaxes to adapt to the latest innovative trends.

"The Business is no longer a simple process of producing an item, advertising on TV, and pushing it into stores."

– Dean Scarborough, Mattel Board Member

By the early 2000s, Mattel was the largest toy manufacturer in the world. They achieved this with large manufacturing scale to cause in decrease in unit costs, a healthy partnerships and marketing budget with large retailers for distribution (close to 40% of the company's sales is through Brick and Mortar retailers Walmart, Toys R' US and Target). However, within the last few years, Mattel was overtaken by- Lego and Hasbro who are more active and digitally equipped competitors, who made structural change in terms of technological advancements to meet their consumers demand in the toy market, including:

- **Technology Obsessed Age Contraction:** Listed as a key industry trend in Mattel's 10-k, "children getting older younger" that is the phenomenon faced by toy manufacturers and therefore outgrowing toys at a younger age. A study by the University of Iowa found that at the age of one only more than half of toddlers comfortably using iPads, and mastering the gadgets at very early stage. More time on Netflix and on an iPad means they spend very less time while playing with toys.
- **Brand Building:** As Hasbro has stated, for dynamic brand awareness and effectively building brand, "storytelling through media is becoming an important factor." Along with new product or reintroductions of the old ones with modifications required, brand management now having logical consequences for creating digital content for Youtube channels and online games, which in turns produce valuable customer awareness and engagement. The latter has been a main reason of growth for Hasbro in the past years.
- **Digital Marketing:** Until recently, nearly all of Mattel's ATL spend was on television, and the company was behind in using social media to create audiences on trending platforms like Facebook, Instagram, Twitter and Youtube. Furthermore, competitors are gaining an edge through techniques such as micro targeting, which are breathing new life into traditional merchandising tricks. For example, Hasbro works with Criteo and ad tech player to energies incremental sales which result in pushing their products towards the end of the purchase path on major retailers' sites.
- **Online Shopping:** E-commerce continuing to take a bite out of B&M retailing is trouble for suppliers that heavily rely on the channel to distribute products. Mattel's sales declined by 22% in its third fiscal quarter because of Toys R' Us' bankruptcy in September 2017.
- **License Deals:** Toy manufacturers have right to produce the toys of major franchises which helps to generate significant revenue through license such as Star Wars and

Marvel. With new streaming services such as Netflix, Eros, Jio competing with the traditional movie going experience, toy manufacturers need to think of innovative solutions to replace this traditional demand booster. For failing to respond adequately to these changes, Mattel's performance had suffered on an absolute and relative basis.

Suggestions and Recommendations

- **Address the Heterogeneity of Digital Innovation and Entrepreneurship:** Various policy responses that facilitate innovation and entrepreneurship in different aspects of the digital innovation and entrepreneurship ecosystem are needed. In the physical level, policy should promote public and private R&D and prioritize the deployment of digital infrastructures. In other aspects of the ecosystem, more agile instruments and innovative demand-side innovation policy are likely to be particularly effective. At the level where digital platforms bring wide-ranging business disruptions, regulation plays an important role.
- **Target Digital Innovation and Entrepreneurship:** Digital innovation and entrepreneurship in particular, requires a variety of skills and capabilities, e.g. Operational, managerial and social culture; promote new ideas by giving incentives; huge capital required; R&D and innovation-friendly regulatory environment. Manpower and certain policies are required covering these area. Digital innovation is not confined to the ICT sector. Modernization in other sectors through digital technologies needs to be addressed.
- **Facilitate Scaling-up:** Together with the increase in funding for innovation, focus needs to be given to the available options between public and private funding for innovation. Public funding needs to focus on de-risking research and bear the costs of failures. By financing risky, early-stage projects, it needs to complement private money providing funding to mature, developed and ready-to-commercialize technologies. In addition, public funding needs to guarantee the continuity and persistence of funding to technological ventures to counteract the investment cycles of private funding.
- **Eradicate the Imbalance between Openness and Incentives to Innovate:** There should be a proper balance between the openness and the incentive to innovate to meet this goal one should have a provision of incentives to create new products and should have assertiveness of knowledge circulation.
- **Create Technology-Related Network Effects and Smooth Exchange of IPR (Intellectual Property Rights):** To guarantee technological interoperability and create technology-related network effects, coordination between various players to, for example, set technological standards is needed. Emphasis should be put on SMEs and FGEs in the standardization process. Interoperability can be also assured through technology markets. They play a role in dealing with the fragmentation of technology and patent thickets. Their effectiveness relies on high quality of IPR.

Conclusion

Embrace disruption and Digital innovation while mitigating its negative impacts. Companies need to stop struggling for non-adoption of digital disruption and protecting the existing state of the companies as it is a short-term strategy. Long term player and strategy is to reinforce collaboration of knowledge flow and spillovers. Building collaborative ecosystems and creating links between them would facilitate knowledge disseminate and absorption. At the same time, it is necessary to look beyond the financial impact of digital innovation.

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