

DISPATCHES™

Insights On Brand Development From The Marketing Front

APPLE'S UNFAIR ADVANTAGE STRIKES AGAIN

"Bose is shutting down all of its US stores as retail makes a 'dramatic shift to on-line shopping.'"

--January 16, 2020—businessinsider.com

"Third-party estimates also suggest Apple's wireless earbuds have had a very successful year. AirPods sales [almost doubled in 2019](#) to \$6 billion and are expected to generate \$15 billion in revenue in 2020, Bernstein analyst Toni Sacconaghi recently wrote in a note reported by [CNBC](#). Sacconaghi also predicted that Apple could sell 85 million AirPods units in 2020, which would represent an increase from the 60 million units Apple is expected to ship in 2019 according to [Bloomberg](#)."

--December 24, 2019—businessinsider.com

With nearly the same "auto-response" reputation in speaker/headphone sound quality that Volvo has in vehicle safety, Bose has for decades stood head & shoulders above all competitors as the gold (no, better yet, platinum) standard. Though also recognized as the inventor of previously unheard-of and amazing noise cancellation, Bose has earned even more plaudits for its seemingly endless ability to pack booming, clear sound into smaller and smaller devices...from the Mini-SoundLink speaker to the SoundSport wireless earbuds. But in light of the recent businessinsider.com quotes above (along with the sheer number of people you see daily with Apple AirPods dangling from their ears), it sure appears that Bose is facing some new, significant, and suddenly unexpected rivalry—at least, for now, in the wireless earbud sound segment. Put more plainly, we think Bose has come up against a most unfair advantage.

While not a term heard every day, the notion of an unfair advantage is at once intriguing. In fact, we hadn't heard the term itself for a long while until working with a pharmaceutical client in India last Fall. When each participant was asked at the start of our *Leadership Communications* workshop to state what he or she most hoped to leave the workshop with, one responded "with an unfair advantage over our key competitors." It made us stop and think: what, exactly, would constitute an unfair advantage anyway? In sports, we suppose that such an advantage would

transparently provide one team or competitor with an outrageous edge that would make virtually all spectators cry out, “Foul!” Imagine, for example, if all Ohio State vs. Michigan football games were played in Ann Arbor. Or, if one NFL team was somehow able to buy their way to, say, owning the first 5 draft-picks. While perhaps neither of these situations would be “illegal” or “rule-breaking,” each would definitely be considered a form of “cheating” by all fans of the non-benefitting teams!

But what about in business? Our sense is that in the world of brand competition, an unfair advantage wouldn't be something foul or illegal; rather, it would more likely be something joltingly unexpected within the competing product category or class...something that would catch a leading or key competitor off-guard, flat-footed, to the point that competitor might well shout out (at least in the home office), “No fair! That's not something customers in this category/class are looking for.” In other words, at least one way of conceiving an unfair advantage would be as a totally new Need-Benefit thrust into a market that never imagined it at all. Ahh, yes, but with one other very important angle: the company/brand doing the unimagined thrusting has a significant competence at that new Need-Benefit that existing category players do not. (That's the “unfair” part.)

Apple has been in the earbuds business a long time, longer even than Bose. After all, iPhones have come with accompanying earbuds since the introduction of iPhone 3GS in 2009. But it wasn't until 2016 that Apple's earbuds morphed from a wired, *functional appendage* into a wireless *personal-fashion accessory*—in the form of the original AirPods. And with this morph, Apple simultaneously thrust a totally new—and no doubt for Bose marketers—unexpected Need-Benefit into a market that had always been anchored solely to sound quality. It's pretty clear that Bose never imagined earbuds delivering an added benefit of personal-fashion...or, put more colloquially, and added benefit of *looking cool*. Read what the Company said upon the introduction of their first foray into wireless earbuds (some nine months after Apple launched AirPods):

“Bose has this morning unveiled its first truly wireless headphones, dubbed the SoundSport Free. Much like Apple's own AirPods...Bose is taking aim at active users looking for an audio solution during exercise. As one of the biggest names in audio, Bose is taking its established tech and cramming it into earbuds that weigh just 0.35 ounces each. However, it's a new antennae system that Bose claims will truly set its new release apart from the competition.”

Even after the launch popularity of the original AirPods, then, Bose remained fixated on what they always knew they did better than anyone (and what they mistakenly assumed was the only thing earbuds customers wanted): an “audio solution” with a differentiated/stronger “antennae system.”

But by mid-2019, Apple's AirPods had achieved a dominating 60% global share of wireless earbuds; Bose's share stood at less than 10%. Of course, the worldwide popularity of the iPhone and AirPods seamless connection to the iPhone had a lot to

do with the astounding success that Apple enjoyed with their first thrust into wireless earbuds. But there was something much bigger--and more meaningfully differentiating—at play: AirPods’ shiny white, sleek and slender design compared to SoundSport’s ear-filling, overlarge and clunky look. Sure, the Bose sound quality was darn good...but who wanted to look like Frankenstein, with two cumbersome “bolts” sticking out of his ears?

Enter AirPods Pro in the late Fall of last year. Not merely besting Bose with its looking cool benefit, but suddenly Apple beats the sound guys at introducing the first, totally wireless *noise cancelling* earbuds (i.e., with no “neck ring” attached as with the Bose SoundSport’s noise cancelling version) with high quality sound to boot. Now that’s an unfair advantage squared!

Coming back, then, to that notion of an unfair advantage...it seems to us there are at least two key principles (toward seeking an unfair advantage) implied by Apple’s advances over Bose:

- 1. User Experience (UX) trumps product performance.** By this we mean *total* user experience. If you want to play in what is now referred to as the “wearable technology” industry, you gotta make sure your brand delivers as well or better on the wearable part as you do on the technology part. In earbuds, it really does matter how they fit, how they look—how **you look** when “wearing” them.
- 2. Being designed by top engineers is no longer sufficient—if you truly aim to win, you’ve got to be designed by Designers.** That’s art + science/technology joined together, but seamlessly.

In short, per this week’s title, as in Tablets, Smart Phones, and Watches, Apple’s Unfair Design Advantage strikes again!

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