Developing a Strategist's Eye in Lyon

Judy Mikalonis and Jeff Hottinger

Pepperdine University

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Part 1: Environmental Scan of Lyon

As the owner of a California-based technology business considering expansion into Europe, I assessed Lyon France as a potential home for my technology company. First, I scanned the tech industry environment in Lyon by visiting various websites. I learned that Lyon is France's second largest digital region, and that it is strategically set up to serve as a point of entry for new tech companies (Aderly, n.d.). In fact, there is a full-on collective effort by the French government to help tech startups like mine find the resources needed to accelerate business development. *La French Tech* is a non-profit set up to help startups. Their goal is to accelerate over 100 new startups every year, and they have created an incubating, nurturing environment to help them grow (Aderly, n.d.). Additionally, thanks to major regulatory reforms, doing business in France appears to be very accessible. The French government website reports that there are plenty of financial incentives, exemptions, major tax breaks and even assistance to bring over U.S.-based employees (Service d'information du Gouvernement, n.d.). Of special importance to me, as an entrepreneur, there is reportedly a vibrant, strong entrepreneurial culture in the digital sector of Lyon (Lyon Urban Data, n.d.).

When I consider Lyon through the lens of Porter's Five Forces, barriers to entry seem relatively low (Porter, 1979). Our potential customer base in Lyon is solid, because my company's Artificial Intelligence (AI) technology serves the CleanTech industry, and Lyon is the #1 region for CleanTech. Startups are jockeying for position right now, but my company is slightly more mature than most of these. We have a unique product and a great reputation in Silicon Valley, California, along with a strongly differentiated brand. We should do well. Our capital requirements are minimal, and we have adequate funding. We have a competitive advantage as far as our experience curve goes, but that may be offset by the learning curve associated with doing business in France for the first time. Because tech is so dynamic, and changes so quickly, I anticipate that there may be changes to exploit in my favor, and that I may be able to elevate new causes to the forefront.

Personal Transition to Lyon

As I think about how hard or easy it might be for me to personally move to Lyon and live there, I believe it might be both hard *and e*asy. I feel excited by the opportunity to thrive in a creative, innovative tech environment, and challenged by the fact that I don't speak French. In the "easy" column, Lyon is the gastronomic capital of France, and I am a devoted foodie. According to my Cultural Intelligence test, my culture values align more with French values than American. Plus, as a Pepperdine MSOD graduate, I might get to see Pepperdine faculty and students when they come to Lyon for their Practicums. How fun would that be? My husband would be supportive of a move, since he is almost retired from teaching and has always wanted to go to Europe. There are American military bases in the UK, Spain, Italy and Germany where we could go as a retired military family if we needed special services. The primary downside is that we would be far away from my 25-year old daughter who is about to get married, and my aging mother, who will likely be more dependent upon me in coming years. Upon reflection, I believe that before I make this move I would want to first visit Lyon, and ensure that their tech sector is truly as vibrant and well-supported and optimized as they claim. There are two ways to assure myself. 1. I could visit a Lyon-based American company like Evernote and learn more about their experience, and see what they recommend for someone like me. 2. I could also visit La French Tech headquarters, personally meet with their team, request a tour of the tech sector in Lyon and find out what it would take to get my business started there.

Part 2: How Competitive Forces Shape Strategy

A new industry that has started to take shape over the past few years is the so-called Internet of Things (IoT) collection of internet connected gadgets and "smart" home appliances and components such as internet-connected thermostats, security cameras, door locks, and color-changing lightbulbs. This new industry is made possible by the growing prevalence of home wireless networks and the cost-reduction in electronic components such as wireless communication chips, sensors, cameras, and controllers. This industry has been around for a few years and has attracted some interest from large companies such as Samsung and Google but generally appears to still be in its early stages with no clear dominance by any one player nor clear expected outcomes for size or market growth (Columbus, 2016).

To determine the attractiveness of this new industry, we can deploy Porter's five forces (Porter, 1979) as a tool to identify dominant challenges and opportunities within this industry. Some of the most attractive aspects of this industry are the bargaining power of suppliers and the bargaining power of customers. Suppliers in this case are largely manufacturers of what have become commodity electronic components available at very cheap prices from a multitude of interchangeable manufacturers, plus software integrations developed in-house. Likewise, availability of contract manufacturing and assembly can keep costs low. It would seem that supplier bargaining power is low for the IoT industry. Customer buying power would be somewhat higher given the distribution of these products goes through many large retail chains which must be reckoned with to gain access to their customers. However, this buyer-power is offset by three factors: the possibility of direct-to-customer online sales, the competition between large retailers, and the high profitability of these items. Online sales through a company website and through available partner channels such as Amazon can give IoT companies an alternative to large brick-and-mortar chains. Secondly, the large number of retailers that could carry these IoT products can reduce the bargaining power of any one of them. For example, in the US popular IoT products are sold at Wal-Mart, Target, Best Buy, Home Depot, Lowe's and more large retailers. Lastly, the availability of cheap components and manufacturing can allow IoT products to be produced for a few dollars each while they often retail for $100-300 (RF Wireless World, 2012). This large margin leaves plenty of room for an attractive cut to go to the retail distributors which can make them willing and excited partners rather than obstacles.

An ambiguous force on the new IoT industry is the threat of substitute products. In many cases, there are existing lower tech substitutes that have been readily available for decades such as light bulbs that do not change color and are controlled by a switch instead of a smart phone. The same is true for locks and thermostats. This force will likely impact the overall size of the IoT market as it develops; customer demand may not manifest as projected.

The most concerning forces impacting the IoT industry are the threat of new entrants and industry competition. Based on the combination of companies currently in the market there appears to be low barriers to entry. Massive conglomerates such as Samsung coexist next to small companies like iHome and Elgato which have recently adapted from making clock-radios and video-conversion boxes respectively. Some startups are bought by large companies as in Google's acquisition of Nest while older industry powerhouses appear to be modernizing to keep their corners of the market like Honeywell in thermostats and Kwikset in locks. Generally, the low barriers to entry in this industry are unattractive as they would require considerable marketing and other expenses to elevate a brand above current and future competitors. Similarly, industry competition and jockeying for position will be high in this industry which makes the industry itself undesirable overall.

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