

HIGH-END DISRUPTIVE INNOVATION AS EXEMPLIFIED BY BALMUDA CASE

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ABSTRACT: For a brand to avoid commoditization and survive, innovation that exudes outstanding originality and creates a new category is crucial. Although multifaceted research into various aspects

of innovation theory has flourished in recent years, relevant empirical studies have all focused on brands with a history and, in many cases, already substantial management resources. However, as exemplified by Silicon Valley ventures, the multitude of emerging brands that suddenly sprout and prosper are faced with a pressing need to grow. Deficient in management resources and low in market recognition, these emerging brands must achieve outstanding product differentiation by competitively altering value dimensions in order to become brands that sell well despite their high prices.

KEYWORDS: high-end disruptive innovation, emerging brand, BALMUDA

1 | INTRODUCTION

1.1 Background

The information technology revolution dating back to the early 1990s has spurred the internet's astounding development. At the same time, e-commerce (hereinafter, EC) markets have expanded exponentially. Nowadays, we live in an age where retail shopping can

be done from anywhere by searching for products via PCs and smartphones. In the Japanese market as well, since the Great East Japan Earthquake, surrounded by burgeoning market data and the prodigious proliferation of SNS, consumers are becoming smarter, and the previous data asymmetry that placed sellers in an advantageous position has drastically diminished. Further, simultaneously with EC expansion, large shopping malls have also been expanding. Consequently, the power balance with distribution, where brands used to have the upper hand, has shifted toward distribution and retail, due to economies of scale. Further, how to exploit retail big data in order to offer products tailored to customer desires, prevent product failures, and accelerate the PDCA (Plan-Do-Check-Act) cycle looms as the central issue of the moment. It has truly become a world where the consumer reigns supreme.

Meanwhile, from the brand perspective, market changes have also wreaked havoc. If stores are devoid of inventory, EC inventories can be searched, and the product can be purchased from anywhere in Japan, and sometimes anywhere in the world. No longer are all prices based on the wholesale distribution paradigm; in many cases, products can be purchased at lower than store prices. In addition, with free shipping, loyalty points/rewards, bonus gifts, and referrals to related products heaped upon the consumer, there seems nothing left to be desired. Brands suffer fatigue in an invisible distribution network, and control over prices has become difficult. Moreover, at mega shopping mall-type EC sales events, sellers are subjected to semi-compulsory pressure to discount prices. In today's brand business, particularly in wholesale distribution, brand management has truly reached a critical stage. In this recent environment, brands have been turning their attention to retail strategy.

Although brand business faces challenging market conditions as described above, luxury brands, deemed the pinnacle of all brands, continue to prosper in defiance of market pressures, unlike other brands beset by fatigue due to consumer pressures. Further, aside from luxury brands, there are other brands that succeed in carving out a presence and keep growing in a market inundated with goods and information. Many of these are newly launched emerging brands. Lacking management resources, many of them start out as wholesale distributors. Furthermore, their products are more expensive than the established market. As explained above, although wholesale distribution bristles with brand damage risks and discount pressures, there are superior brands that are able to achieve consistent and solid growth. From the vantage point of this study, this phenomenon cannot be adequately explained, and in many cases, not surprisingly, traditional theories are unable to provide an answer.

1.2 Necessity of Brand Business

A quick look at the Top 100 in the 2020 edition of the annually published "Interbrand's

Best Global Brands” gives us an inkling of the massive scale of the brand market, where these top brands jumped in value by 107.7% to US\$2,015,311,000,000, relative to 2019. Among these brands, whether one owns them or not, the segments most intimately connected with daily living (wearables) and the ratios of their value to the total were: luxury goods, 5.2%; sports goods, 2.0%; and apparel 1.7% demonstrating that luxury goods wield a very substantial influence in the brand market (Interbrand 2020). While these items are not daily necessities, their importance may be ascribed to consumer demand for luxury items and recreation. However, the fact that they are still on the upswing signifies an intensification of consumer insights desirous of consuming such products. The data speaks volumes of the necessity of brand business.

1.3 Necessity of Innovation

A long time has elapsed since the global necessity of innovation was propounded. Not only are many large companies born of innovation, but also numerous medium and small-sized enterprises and ventures. Fostering and reinforcing innovation have also become imperative for the Japanese economy’s long-term growth (Brown 2009). Various types of innovation exist, ranging widely from the improvement of existing technology and processes to the reduction of an existing product’s functionality to the minimum level required to attract a cohort of previous non-consumers, thereby creating a new category. At any rate, in order to increase a brand’s value by reshaping the business cycle so an existing product continues to be consumed, innovation is indispensable. Further, should an innovation go so far as to create an entirely new category, the innovator will gain not only a monopolistic competitive advantage, but also the huge potential for tremendous profits, provided the innovation comprehensively captures consumer insights. This type of innovation abounds in Silicon Valley’s high-tech and IT ventures, and brand business can learn something from this.

1.4 Necessity of Sustained Growth in Emerging Brands Innovation

From the perspective of employment that will buttress economic development, it is problematic to anticipate increased hiring from large corporations and small and medium-size enterprises. In reality, only venture enterprises and new industries can be expected to expand employment throughout the entire economy (Itoh 2013). However, despite numerous emerging industries, it is difficult to predict if they will continue to enjoy sustainable growth. The formation of business clusters, not only by venture enterprises from whom explosive growth is expected, but also small businesses that thrive and grow sustainably, may provide opportunities for greater employment (Christensen 1997; Nagasawa and Bando 2019).

1.5 Objectives

In view of the environment described above, this study aims to propose a concept of “high-end disruptive innovation” that alters existing value dimensions to create products that sell well despite their high prices and do not end up becoming commoditized. Further, it seeks to provide empirical evidence of this concept’s effectiveness in the sustainable growth of emerging brands by analysing one example.

Today, brands able to secure a unique market position and keep growing avoid commoditization by offering dramatically different values than other brands. Even in pricing, other brands cannot compare with them. Consequently, in many cases, by avoiding discount pressures and securing a high price range, they garner huge revenues. Among existing brands, the standard bearers of brand business, i.e. luxury brands, epitomize this model, and among emerging brands, there are also similar success stories. The commonality among these brands is the attainment of sustainable growth, and not image branding to boost short-term profits via promotions, etc. Speaking of the factors of 4Ps: Product, Price, Place, and Promotion in the marketing mix, if PRICE means high prices and Promotion induces short-term image enhancements, Product and Place remain as the differentiating factors. Simply put, product and distribution are key. Louis Vuitton, the front runner among numerous luxury brands infuses tradition and history, craftsmanship and absolute quality/value, art and culture into its Product. It achieves sustainable growth by forging distribution networks and partnering with department stores, or opening proprietary shops in developed countries, starting with Japan. Today, as it expands its footprint in the emerging countries (rapidly developing countries) of APAC (Asia Pacific) and VISTA (Vietnam, Indonesia, South Africa, Turkey, and Argentina), there seems to be no end to its growth. Japan’s share in the global consumption of major luxury brands used to be 50%. Today, it has declined to approximately 10%. Thus, high-end disruptive innovation by luxury brands is advancing into developing countries on the trajectory of economic growth and changing the consumption patterns of their affluent classes, who had previously been unable to consume such goods in their own countries. In a nutshell, one can say that high-end disruptive innovation of distribution has occurred. On the other hand, the emerging brands coming to the fore do not possess sufficient management resources to build worldwide distribution networks. The key to their success lies in the Product component of the marketing mix.

2 | LITERATURE REVIEW

2.1 High-end disruptive innovation

Given this study’s objectives, an analysis of the product itself as a success factor behind emerging brands would be useful. If the product itself contains overwhelming differentiating features, the presence of innovation still needs to be verified.

There are 3 major issues in Christensen's innovation theory (Christensen 1997; 2003; 2004) that need to be resolved. Firstly, the vertical axis only denotes performance. Brand architecture is shaped not only by functionality. For instance, according to Aaker (2004), emotional and self-expressive values must also be considered. Secondly, designating performance as the index swiftly invites imitations (counterfeits) and breeds competition. Evidently, differentiation then becomes impossible. Innovation solely focusing on performance delays the inevitable, and is difficult to sustain. Although sustainable innovation conforms to this model, after repeated enhancements, the product will at some time eventually exceed consumer demand levels and create a feeling of excess. The market then matures, and commoditization sets in. As shown in Figure 1, Low-end disruptive innovation that attracts customers unimpressed by excessive performance features frequently occurs in this situation, where the product is loaded with the minimum required performance capabilities and rendered more compact and lower in price. Thirdly, disruptive innovation is not sufficiently extrapolated. In new-market disruptive innovation, which alters the evaluation axis, the attributes may change depending on the level on vertical axis. In other words, despite the fact that both sustainable innovation and low-end disruptive innovation have to do with price, new-market disruptive innovation is not adequately accounted for. In actuality, the previously mentioned luxury and emerging brands selling well at high prices cannot be explained by Christensen's theory. Below, this study identifies such products as "high-end disruptive innovations". In other words, innovation theory is unable to fully account for this phenomenon solely by product performance. One can say that Christensen's innovation theory is confined within the competitive and management strategy frameworks.

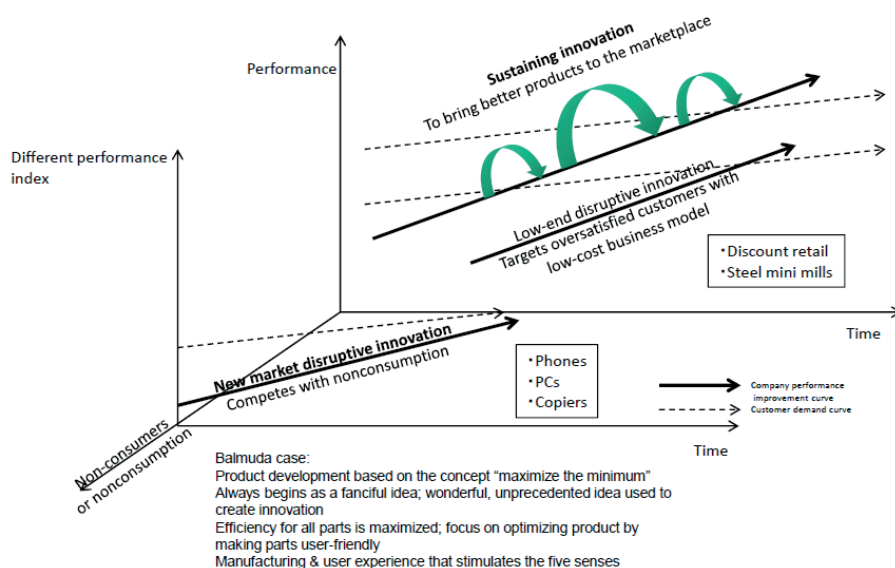


Figure 1: Disruptive Innovation (Christensen, C. M. 2003)

2.2 Category innovation

As a method of preventing decommmodification, in order to free a brand from the most visible dimension of price, the category innovation (Kusunoki and Akutsu) proposes introducing a perspective of “value dimension visibility” and intentionally decreasing its visibility to make it more difficult for competitors to copy a brand. Therefore, in order to make it impossible to compare the attributes of existing products and services along the same axis, it is necessary to switch to “usage context.” If the aforementioned disruptive innovation proposed by Christensen is applied as the theory of innovation regarding the properties of the products and services themselves, then category innovation can be interpreted as a theory of innovation dealing with products and services that feature a core of usage contexts with extremely low visibility.

After new products and services are created and become the dominant models, competitors enter the market one after another, and value dimensions proliferate. Maintaining low visibility can increase barriers to entry and delay commodification. Category innovation suits the marketing context of recent years away from the physical and toward the intangible; the usage context of the products and services under discussion must be applied to product development concepts. In other words, the creation of new provided value is the starting point for category innovation and could be called the answer to the question: “Who are the customers for this product, and what is its purpose?” Also, when the created concept is realized as an actual product, an important condition is that the value envisioned by the product concept must be communicated to, reach, and be understood by customers through the product’s usage context via accompanying marketing activities. “Category innovation” indicates that the unprecedented value envisioned by the concept has been accepted by a wide base of customers and established [8]. This interpretation can be treated as a concept based on Christensen’s “performance” attribute but also encompasses a theory of innovation; it could even refer to the strategies of concept creation and the development of usage context. It could be called an extremely effective concept. However, the feasibility of this strategy has not yet been discussed. The concept of brand relevance, discussed in the next section, compensates for this shortcoming.

3 | METHODS

3.1 Deriving the Hypothesis

The existence of the high-end disruptive innovation concept proposed by this study can be discerned from the discourse in the prospective research. The performance referred to in Christensen’s innovation theory, or functional value in other words, cannot be sole arbiter in the model, implying the existence of new values. Aside from functional values, we can include Aaker’s emotional and self-expressive values, the former representing emotions

that are palpable via the 5 sensory functions, and the latter, dramatic lifestyle improvement and closer proximity to the realization of one's ideals as shown in Figure 2.

Hypothesis: To avoid commoditization, brands that undertake outstanding differentiation and continue to grow must incorporate new value dimensions, not just performance (functional value), and achieve high-end disruptive innovation.

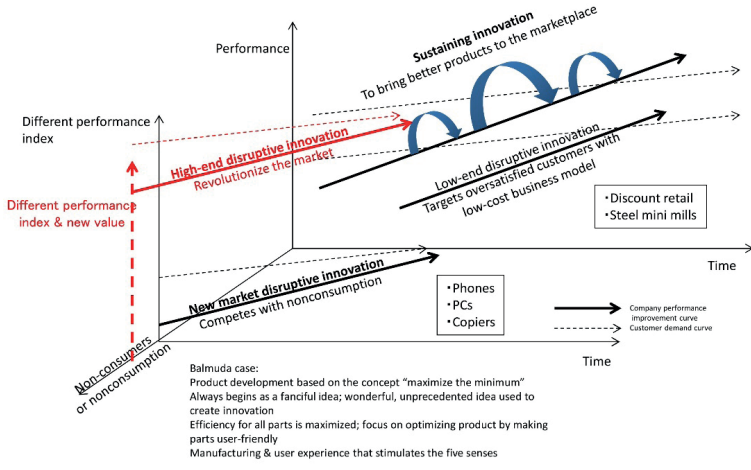


Figure 2: High-end Disruptive Innovation (Nagasawa and Bando 2019)

3.2 Validation Methods

This study investigates the existence of the high-end disruptive innovation concept it is newly proposing, by focusing on the example of an emerging brand that has captured market attention in recent years. The reason we have selected an emerging brand is that in a developed country where many product segments are maturing, it has established a market presence despite insufficient management resources, and clearly demonstrated through its spectacular sales results that it has achieved differentiation. At the same time, since the brand was previously non-existent, it can be said that it has continued to grow by transforming non-consumers into consumers. In this study, emerging brands are defined as those established since 2000. Our selection criteria excluded venture capital (hereinafter, "VC") and listed companies.

After a brief description of the brand, our investigation analyses its marketing mix (PRODUCT, PRICE, PLACE, PROMOTION). Brand strategies deploying high-end disruptive innovation achieve superb differentiation. Whether definitive positioning has been accomplished can be verified by analysing the brand's marketing mix. In addition, for a precise investigation of high-end disruptive innovation, the following 3 points must be proven. Firstly, a high price range is essential. Its purpose is not to facilitate continuous

technological upgrades and maintain the current product's high prices until the next new product is developed, which would only be a temporary strategy, but to constantly position the current product in a high price range. This view differs completely from the high-price approach in Christensen's sustainable innovation theory. Secondly, as a revolutionary concept entailing outstanding differentiation, the product must be unprecedented. Consumers and non-consumers alike will be attracted not by its functionality, but rather the lure of dramatic lifestyle change. This concept must permeate the product in a way that makes it easily perceptible. Thirdly, non-consumption must be transformed into consumption.

4 | HIGH-END DISRUPTIVE INNOVATION AS EXEMPLIFIED BY BALMUDA

4.1 Brand History and Trajectory

BALMUDA (hereinafter, "Balmuda") is a home appliance manufacturer established in Tokyo in 2003. Professing a management philosophy of "Less is More", it has succeeded in turning this concept into reality. It would not be an exaggeration to say that Balmuda's current success hinges on the relentless pursuit of its management philosophy, embracing a tenacious R&D mindset that absolutely brooks no compromise. Offering user benefits accruing from its technological innovations, Balmuda points the way to the future it envisions for its consumers. This is the essence of Balmuda's brand.

Founder and president/managing director Gen Terao dropped out of high school at the age of 17 and embarked on a trip to the Mediterranean, wandering through Spain, Italy, Morocco, etc. Upon returning to Japan, he turned to music. After being picked up and dropped by a major record label, his band was dissolved in 2001. Inspired by the Apple Mac laptop he had been using as a musician and Herman Miller's Aeron chair, he completely changed direction and tried his hand at manufacturing. Although he had relinquished music, he arrived at the realization that creating products as wonderful as the Mac and the Aeron chair was just as expressive as creating music. The design, manufacturing technology and know-how he learned under these circumstances all come into full play in the manufacturing his company undertakes today. In 2003, he founded Balmuda Design Ltd. (The name was changed to Balmuda K.K. in April 2011.), and it survives to this day.

Balmuda's first product was a laptop cooling stand <X-Base> (Figure 3 (a) (Balmuda's website). Originally fashioned by company president Terao for his own personal use, it was assembled from pared-down aluminium components with surfaces finished to match the feel of the Mac he always used. In contrast to the inaugural lot of 10 stands, 100 stands were sold in the first year, despite a staggering price of JPY 35,000 each. Even Mr. Terao himself was surprised. Heeding this cue and guided by the decision-making criterion of "I will create things that I want", he then centred development on desk lighting and PC peripheral devices. However, in the aftermath of the Lehman Brothers shock, sales came to an abrupt halt. This setback turned into an opportunity to reorient the company's manufacturing. A subsequent shift to "manufacturing

things many people find necessary and would be happy to receive” remains the driving force behind the company’s air-conditioning, heating, and humidifying devices in recent years. The impetus for this narrowed focus on such devices was an analysis of today’s growth opportunities for large companies. To always race to the forefront of global megatrends with impeccable timing and grasp consumer needs in one fell swoop is what Balmuda stands for.

Subsequently, Balmuda began marketing its entirely new-concept GreenFan (Figure 3(b)) in April 2010, which became an instant hit. By employing a DC motor and dual blade systems, natural ventilation eliminating swirling air currents is created. This innovation disclosed an “air pocket” in a market that had been considered fully mature (WIRED 2012; T-SITE 2015). It was the first step in Balmuda’s comeback. Figure 4 below shows the subsequent trajectory and year-over-year sales comparisons.

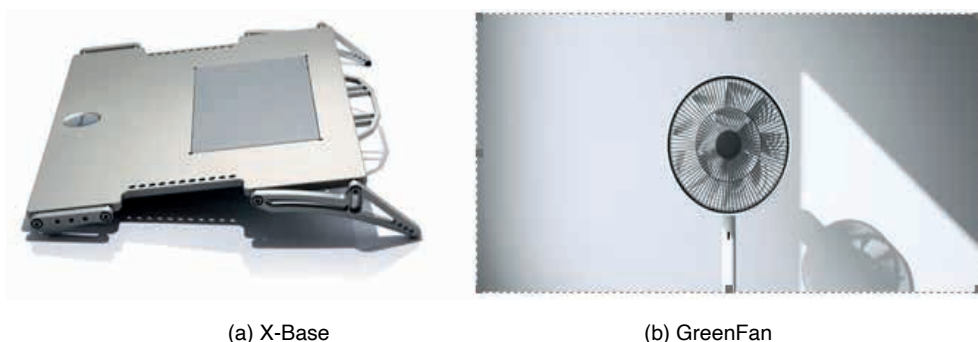


Figure 3: Balmuda’s Products. Source: Balmuda’s website <https://www.balmuda.com/jp/>

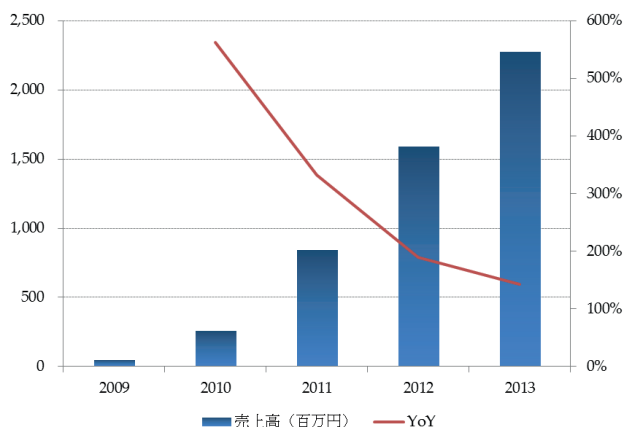


Figure 4: Balmuda’s Sales Trajectory (left axis: Million Yen) & Year-Over-Year Comparison (right axis). Source: Graph plotted by the author based on Hisako Moriguchi’s “Balmuda - Miraculous Design Management”

4.2 Marketing Mix

Next, we proceed to organize Balmuda’s circumstances from the perspective of

marketing mix. When we think of the previously existing home appliance industry, the image of entrenched price wars among major mass-market retailers in an oligopolistic setting is powerful. This can also be seen from the fact that a typical major home appliance manufacturer's prices are almost always discretionary. With the growth in EC, a comparison of selling prices all over Japan is now only a click away, and lower retail prices are putting pressure on manufacturers to adjust wholesale terms and supplement sales. Sluggish consumption spawns price wars, and eventually the sourcing framework (budget) collapses. When manufacturers are too fixated on pursuing selling points, they rely heavily on retail feedback. As a result, redundant product development proliferates. While the home appliance industry as a whole has fallen into this negative loop, how does Balmuda, despite being an emerging brand, sustain growth?

(1) Product

Balmuda's products conjure up the Apple Mac, iPod and iPhone. Apple's success is rooted in lifestyle renewal attendant to the absolute elimination of non-essentials; refined design and ease of use; branding; and the fusion of hardware and software, especially the integration of iTunes. The same can be said of Balmuda. For instance, speaking of its latest product, BALMUDA the Toaster, released in 2015 (Figure 5(a), the only value dimension remaining in the toaster market, universally acknowledged as declining, had been making toast. As toasting requires only a simple mechanism, compact sizes and low prices are only common sense. Consequently, for the longest time, it has lingered as a low-priced category. BALMUDA the Toaster's value dimensions are redefined, not in terms of toaster functions, but sensory values, as expressed in its description as "the ultimate toaster creating the best aroma and taste sensations". This is made possible not entirely because of technological breakthroughs. Steam and precise temperature modulation are the key elements. When it rained upon a company barbecue, the bread toasted over charcoal fire was incredibly delicious. The toaster's development began with taste experiments. Further, an idea was born during a visit to a nearby bakery, where it was observed that the kiln used to bake bread was equipped with a steaming function. Since steam conduction is swift, a film of steam is formed on the bread's surface before toasting. The optimal toasting conditions for the steamed surface are engineered by a precisely programmed internal temperature sensor. The purpose is not to permeate the entirety with steam, but to perfectly toast the bread's surface. This process ensures that moisture inside the bread stays "locked in". The result is absolutely perfect toast, crispy on the outside and moist/springy inside. Of course, there had never been a toaster with a steaming function in the market before (Balmuda website).



(a) Product

(b) Advertising image

Figure 5: BALMUDA the Toaste. Source: Balmuda’s website <https://www.balmuda.com/jp/>

The fastidiousness extends to the toaster’s design as well. At the outset of development, similarly with other Balmuda products, the product design’s basic colour tone was white. However, somehow, white did not seem all that fitting for a kitchen appliance. The question was asked: “What kind of place do delicious things come from?” For a while, the answer could not be found. The inspiration for the solution came from the design staff. In one scene of Hayao Miyazaki’s animated film entitled *Kiki’s Delivery Service*, the main character, Kiki, uses the kiln in an old woman’s house to bake a pie. The kiln and the toaster do not exactly resemble each other, but the point was to come up with a design that replicated the delicious atmosphere of that scene. Further, the toaster window was to be made as small as possible. Previous toasters all had large windows so the toasting could be observed. However, by daring to reduce the window’s size, this novel design prompts the user to peer inside, arousing feelings of suspense, excitement, and anticipation as to whether the toast is faring beautifully, and intensifying the satisfaction when the delicious toast is finally ready.

(2) Price

Relative to ordinary home appliances (for example, products of domestic full-line electric appliance manufacturers), Balmuda’s prices are extraordinarily high. BALMUDA the Toaster is priced at JPY22,900 (pre-tax). Toasters available at amazon.com’s Marketplace are priced as low as JPY1,900. Despite its simple toasting function, Balmuda’s version costs at least 10 times more than low-priced toasters. Nonetheless, BALMUDA the Toaster’s production can barely keep up with demand, and they keep on selling like hotcakes. The eye-catching prices of Balmuda’s products in the home appliance market are replicated in its *rain* humidifier; *GreenFan* with dual blade systems, domestically produced by Greenfan Japan; and *SmartHeater 2*. In any case, despite high prices, they have managed to capture the hearts of consumers and sustain sales.

(3) Place

Aside from direct sales from its EC store, Balmuda's distribution is entirely channelled through wholesale distributors. According to GreenFan Japan's website (browsed on September 27, 2015), it currently has 1,092 wholesale distribution stores (brick-and-mortar stores only) throughout Japan. Classified by distributor category, 95.8% (1,046 stores) were home appliance mass-market retailers; 2.7% (30 stores) were interiors shops; and the remaining 1.5% (16 stores) were department stores. K's Denki stands out as its largest distributor, accounting for 43.0% (450 stores), followed by Kojima x Bic Camera Group at 16.7% (122 stores), Joshin at 14.1% (147 stores), Edion at 12.7% (133 stores), Nojima at 11.7% (122 stores), and Yodobashi at 1.8% (19 stores). Not even one Yamada Denki store is on the list. Just by examining the composition ratio of the wholesalers deployed, one can tell that aside from distribution channels, absolute attention is focused on selling prices. In other words, counterparties who apply pressure through bargaining power or reject transactions on an equal footing can be expected to push for discounts and become unwieldy; hence, the decision to bypass them. Hence, stable selling price and planned profitability are expected for the existing distribution outlets, and the relations between the company and the outlets become solidified.

A distinctive mark of Balmuda's marketing is the appreciation, even by well-known interiors shops, of its design features, stable prices, and high recognition value in interior design, rather than as a run-of-the-mill home appliance manufacturer. Being selected by Actus, BALS Tokyo, and The Conran Shop is a great honour for any brand, proving that the home appliances themselves are not Balmuda's only source of value and propelling the brand's value even higher. Despite their small number, department store distributors illustrate the same point. Led by the Isetan Mitsukoshi Group and Takashimaya Department Store, major department stores now carry their products, providing evidence that even the affluent set who are sensitive to the newest offerings, revolutionary products, and gift-worthy items find Balmuda's brand attractive.

(4) Promotion

Balmuda does not spend on excessive advertising reeking of obsequiousness. Their rationale is: If the product is truly good, the media will pick it up. Rather than advertising, funds are channelled toward R&D, single-mindedly maximizing the product's selling power. While performance is a given, meticulous attention is paid to projecting the product's sensory aura, the sense of solidity and quality absent in low-priced products. Taking GreenFan as an example, to adjust the indicator's LED brightness, the resin's thickness was calibrated in the scale of 0.1 mm. Also, regarding the thickness of the entire casing's resin, attention is usually paid to the finish of external surfaces and reducing thickness to save on

raw material and processing costs. However, this approach fails to convey a visual sense of solidity or a feeling of sturdiness whenever the fan is touched or lifted. Consequently, the resin on the casings of Balmuda's products is designed to be thicker than usual. Not only does this impart an impression of superior quality; it also enhances the authenticity of product development and the sense of consistency throughout the entire product line. In the conventional marketing mix, this approach would fall under the "Product" category. However, in Balmuda's case, it constitutes "Promotion" that outshines the rest.

Instead of aggressive advertising, Balmuda focuses its resources on product development. However, this is not to say that it totally eschews advertising. Promotional content can be found on its website, although large-scale sales promotions are not attempted. Instead, the appeal is from the "technology" angle. Content is posted based on a thoughtful consideration of what users visiting the company's website or first-time customers would want to know. Emulating Dyson's and Apple's sites, the text is sparse, and as much as possible, the content is conveyed visually.

Unlike the conventional approach, rather than advertising BALMUDA the Toaster's performance, the company introduces a series of ways (recipes) to make delicious toast (Figure 5(b)). The overriding theme is not the product itself, but how to use it to create wonderful things. Conventionally, manufacturers describe product performance on its website or in POP (point of purchase) advertising. Alternatively, although the product is new, the market has matured, so they forgo any special promotions, and immediately ship it to home appliance stores or the EC market for discounted sales. BALMUDA the Toaster refuted this conventional wisdom. In the first place, it had proudly proclaimed itself as "the ultimate toaster creating the best aroma and taste sensations". BALMUDA the Toaster fixated on stimulating the 5 senses (seeing, hearing, touching, tasting, smelling), and can be singled out as the product most representative of what the Balmuda brand stands for.

A distinctive mark of Balmuda's marketing is the appreciation, even by well-known interiors shops, of its design features, stable prices, and high recognition value in interior design, rather than as a run-of-the-mill home appliance manufacturer. Being selected by Actus, BALS Tokyo, and The Conran Shop is a great honour for any brand, proving that the home appliances themselves are not Balmuda's only source of value and propelling the brand's value even higher. Despite their small number, department store distributors illustrate the same point. Led by the Isetan Mitsukoshi Group and Takashimaya Department Store, major department stores now carry their products, providing evidence that even the affluent set who are sensitive to the newest offerings, revolutionary products, and gift-worthy items find Balmuda's brand attractive.

4.3 High-end Disruptive Innovation

An analysis of Balmuda's marketing mix as shown in Table 1 reveals that its products

are replete with elements that turn conventional thinking on its head in the home appliance market, totally differentiating them from existing products. As summarized as shown in Table 2, Balmuda’s products have clearly achieved high-end disruptive innovation. Almost all consumers had perceived the home appliance market, including kitchen appliances, as mature, relegating it to the status of standard bearer of industry price wars. Balmuda has truly transformed the market through high-end disruptive innovation.

<i>4Ps</i>	<i>Components</i>
Product	<ul style="list-style-type: none"> • Achieve pro-level performance in your home (example: Balmuda’s “The Toaster”) • Includes both “soft” and “hard” features (toaster recipes) • Simple, streamlined design evoking Apple
Price	<ul style="list-style-type: none"> • Extraordinarily expensive compared to standard consumer electronics & appliances • 10 times more expensive than standard toasters (commodities), yet continues to sell so well production can’t keep up
Place	<ul style="list-style-type: none"> • Mainly wholesale distribution • Details: 1046 big-box electronics stores, 30 interior-decorating shops, 16 department stores • Highly regarded in interior decorating for its design sense and stable sales prices; proves it’s not just value as an appliance • Also distributed through department stores; considered appropriate to give as a gift
Promotion	<ul style="list-style-type: none"> • No aggressive advertising; instead, resources invested in product development • Balmuda site used as starting point for promotion; appeals to “engineer” crowd • Promotes using publicity; media advertising used to communicate brand worldview • Balmuda’s “The Toaster” promotion focuses on utility value; releases a great number of recipes that focus on utility value rather than product in preparation, gathers attention

Table 1. Essential Elements of Balmuda’s High-End Disruptive Innovation. Source: Authors’ original

<i>Elements of High-End Disruptive Innovation</i>	<i>Balmuda</i>
Is the product in the high-price range and can it sustain high prices?	<ul style="list-style-type: none"> • Prices are extraordinarily high relative to ordinary home appliances (for example, products of domestic full-line home appliance manufacturers). • Despite costing 10 times or more than an inexpensive toaster, BALMUDA the Toaster is selling so briskly, production cannot keep up with demand.
Does it incorporate a concept that can bring about outstanding differentiation?	<ul style="list-style-type: none"> • Product development is based on its “Less is more” philosophy. • Always originating from an idea that initially seems futile, an innovation is created from a wonderful idea that no one has ever thought of before. • The company is fixated on making the best product, maximizing the efficiency of all components and ensuring ease-of-use. • The company makes a product that stimulates the 5 senses.
Can it transform non-consumption into consumption?	<ul style="list-style-type: none"> • In the home appliance market deemed to have fully matured, the company developed high-priced products based entirely on new concepts, e.g. fans, heaters, humidifiers, toasters, etc., in a category hitherto known only for F&B and low prices.

Table 2: Essential Elements of Balmuda’s High-End Disruptive Innovation. Source: Authors’ original

5 | CONCLUSIONS AND ISSUES

This study has proposed the concept of “high-end disruptive innovation”, which creates products that avoid commoditization by altering previous value dimensions and

consequently sell well despite their high prices, and examined the case of Balmuda.

We established the existence of high-end disruptive innovation, which cannot be explained by Christensen's innovation theory in the prospective research. We then introduced the following hypothesis: "To avoid commoditization, brands that undertake outstanding differentiation and continue to grow must incorporate new value dimensions, not just performance (functional value), and achieve high-end disruptive innovation.". This study's methodology derived the elements of high-end disruptive innovation by analysing marketing mix and focused on the example of the emerging brand "Balmuda", which has garnered enormous attention in recent years.

Our results indicated that Balmuda offered a value concept unprecedented in the existing market, which radically improved consumer lifestyle and transformed non-consumers into consumers with a product selling at a price multiple times higher than commoditized products. Balmuda's example constitutes empirical evidence that the new concept of "high-end disruptive innovation" proposed by this study has been translated into practice.

As demonstrated by this study's results, high-end disruptive innovation is highly effective and brings sustainable growth to emerging brands lacking in management resources. Further, this proposition is effective not only for emerging brands, but also small and family brands, or regional/local industries that have not yet seen the full light of day. Moreover, in a society overflowing with material goods, an increase in the number of creative brands deploying high-end disruptive innovation will engender brisker market activity, boost employment, and foster economic growth. Therein lies this study's significance.

Going forward, more industries and brands other than those highlighted by this study can be empirically investigated to corroborate our conclusions. However, the reality is that emerging brands able to achieve outstanding differentiation and sustain growth are few in number.

Finally, this study was completely premised on a commoditized market. In other words, it presumes a market in developed countries or developing countries at a similar level, where consumer goods are abundantly available. Luxury brands have been continuously expanding distribution in countries exhibiting spectacular growth, thereby extending high-end disruptive innovation via distribution networks, not only in their country of origin, but also any country where consumers can afford to pay their prices. It goes without saying that parallel efforts to promote globalization should not be neglected.

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