



LocaLoop's Technology: Enabling Positive Market Disruption on Several Levels

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Introduction

LocaLoop's cloud technology and business model was invented with disruption in mind. Unlike disruptive inventions, sustaining inventions try to incrementally advance technology with better performance and then target markets with high-end customers. This is almost always a losing proposition for start-ups.

Disruptive innovations, on the other hand, do not start by offering better products to established customers in existing markets. Rather, they disrupt and redefine market evolution by introducing new products and services that leapfrog currently available products. An example of disruptive technology in our broadband Internet service industry was Fiber to the Home (FTTH) that provides a quantum increase in speed and capacity compared to other wired technologies.

How Disruptive Technologies Transform Markets

LocaLoop's patented disruptive technology offers the benefits of a less expensive broadband Internet solution with solid performance, reliability and ease of use -- features that appeal to new or less demanding customer operators and their subscriber.

Once a disruptive solution gains a foothold in a new or low-end market (for example rural), a continuous improvement cycle begins. Because the pace of technology progress and ongoing enhancement tends to exceed customers' ability to adopt and use it fully, the early implementations of disruptive technology eventually improve through constant iteration to meet the needs of more demanding customers. When that happens, the companies that partner with LocaLoop and take full advantage of LocaLoop's technology disruption are on the path to ultimately crush any incumbent service provider.

According to Clayton Christensen, author of *The Innovator's Dilemma* and *The Innovators Solution*, there are two disruptive market approaches:

New-Market Disruptions are products or services which compete with "non-consumption" because new-market disruptive products are so much more affordable to own and simpler to use. They also enable a whole new population of people to begin owning and using the product, and to do so in a more convenient setting. Because new-market disruptions compete against non-consumption, the incumbent leaders feel no pain and little threat from the new entrant until the disruption is in its final stages. In fact, big businesses most often are not concerned when the opportunity for low-end products with low margins is taken away from them, as they always tend to go up the value chain.

Low-End Disruptions are disruptions that take root at the low end of the original or mainstream value network. While new-market disruptions induce the incumbent to ignore the attackers, the low-end disruptions motivate the incumbents to flee the attack!

Many disruptions are hybrids, combining both approaches.

The Disruption Process

How Ideas Become Disruptive: A Three Factor Litmus Tests

Few product or service ideas are inherently sustaining or disruptive when they emerge from the innovator's mind. Instead, they go through a process of becoming fleshed out and shaped in a business plan in order to win funding. A set of three questions must be answered to determine whether an idea has disruptive potential.

First come the two litmus test questions for New-Market Disruption.

For this to happen, at least one and generally two of these questions must be answered affirmatively:

Is there a large population of people who historically not had the money, equipment, or skill to do things for themselves, and as a result have gone without the product or service altogether or have needed to pay someone with more expertise to perform it for them?

*For rural broadband Internet services, the answer is **yes**; in the U.S. there are 20 million households, a population of about 50 million, in underserved and rural areas that do not have broadband Internet. LocaLoop's patented invention enables service providers in these "non-consumption" markets to profitably provide 4G Broadband Internet service at an affordable price. This has not been available to consumers before, creating a new-market disruption.*

To use the existing product or service, do customers need to go to an inconvenient, centralized location?

*The answer again is **yes**, because of non-availability of broadband Internet service in rural areas, consumers typically have to go to a centralized location to get access through someone else.*

LocaLoop's technology invention and business model have been designed to enable a large population of less skilled or less affluent people to begin using, in a more convenient context, broadband Internet service in their homes and work. This historically was available only to more skilled or affluent people in centralized, inconvenient locations.

Second are the two litmus test questions for Low-End Disruption:

Are there customers (i.e. in LocaLoop's case: service providers and their potential broadband Internet subscribers) at the low end of the market that would be happy to purchase a product or service with less (but good enough) performance to get the job done if they get it at a lower price?

*The answer in the case of LocaLoop's solution that enables the creation of both the service provider business and delivery of 4G broadband Internet service is **yes**, because we found that about \$49 per month is considered a low enough price to drive mainstream adoption for fixed broadband Internet service, with speeds of 6Mbps down and 1 Mbps up. LocaLoop's cloud technology was invented to enable a profitable business case for 4G service providers offering fixed services with fast Return on Investment relying only on consumer subscribers at the same monthly price of \$49.*

Can we create a business model that enables us to earn attractive profits at the discounted price required to win the business of these underserved customers at the low end?

*The answer in the case of LocaLoop's broadband Internet service is **yes**, because we have invented a technology and business model that is disruptive and realized in a cloud-based business solution, sold in combination with the network hardware in what we call a cloud – driven 4G turnkey business solution which not only enable LocaLoop to be profitable, but also enables our customer -- the service provider-- to be profitable when delivering fixed wireless broadband Internet service at a consumer affordable price of \$49 per month.*

Finally the third question: Is the innovation disruptive to all of the significant incumbent firms?

*The answer for LocaLoop's broadband Internet service solution is **yes** because our disruptive cloud technology invention opens up markets that incumbents or other competitors could not serve profitably before.*

In addition, it creates value for our "competitors", which we can choose to capitalize on by engaging them as our sales channel partners because we enable them to be more competitive, sell more and be profitable when entering underserved markets.

Specifically the following potential partners as it improve their competitive advantages:

4G LTE & Proprietary hardware vendors; it improves the business case for their target customer, the service provider so they both profitably can sell more.

Operating Support Software (OSS), Business System Software (BSS) and Billing software vendors and other service provider software vendors and software consultants; their business model is traditional sales of software licenses, integration services with price tags from several \$100,000 dollars to millions. Some of them could become sales channels for LocaLoop.

Independent NOC service providers; it improves the business case for their targeted wireless broadband Internet service provider and their hardware vendors and therefore helps them sell more. Here again we could chose to partner.

And finally, other integrators, resellers and sales channel partners that traditionally has focused on selling network hardware solutions can now sell LocaLoop's complete cloud driven 4G business solution on a commission basis.

LocaLoop's innovation is a hybrid, enabling both New-Market and Low-End Disruption. LocaLoop is capitalizing on this disruptive model and has proven success in building the company accordingly, and is continuing to grow fast by expanding into new rural markets in America.

For More Information:

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