2016 North American Smart Technologies Visionary Innovation Leadership Award
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Background and Company Performance

Industry Challenges

Connectivity & Convergence

The smart technologies industry is characterized by rapidly changing technology, evolving industry standards, new customer demands, and frequent product and service introductions. New technologies will spur the growth of innovative applications, fundamentally changing the way we live, communicate, conduct business, and interact.

Frost & Sullivan research indicates the number of connected devices per household, including consumer electronics (CE) and home appliances, will continue to increase steadily throughout the world. The proliferation of connected devices will drive demand for innovative platforms that can help users manage the challenges of managing multiple connected devices, which must interact well together. While the current generation of ‘smarter’ products may be enticing to consumers, they create complexity and interoperability issues that will require innovative platforms to support a seamless experience throughout the ecosystem. These emerging needs are an opportunity for innovators to reestablishes what technology should ultimately be about: people.

Users are demanding accessibility to all of their data and entertainment whenever and wherever they are. This demand has brought on a whole new challenge to the computing industry. The smartphone has rapidly emerged as the centerpiece of this ‘connected’ environment and a ‘control center’ for our increasingly connected lives. Innovators that can alleviate the mix of incompatible platforms and standards that currently exist within the connected ecosystem will be best positioned for success.

The Rise of the Millennial

Millennials are the largest generation since the Baby Boomers, with a population of approximately 75 million in the US (and about 100 million in Europe). Millennials differ from previous generations in many ways, including a general increase in the use of, and familiarity with, mobile communications and digital technologies. Evolving social trends in Millennials will usher in an array of new requirements and opportunities for device manufacturers, content providers, and application providers.

The next generation of communications and social networking will result in new trends in consuming content, networking, digital marketing, and innovative ways of socializing, accelerating the evolution of interaction between individuals, organizations, and applications. Consumers are now accessing data and content in their cars, on TV's, on mobile devices, and even with wearables. One of the central challenges for market participants will be to adequately address the disparate user experience between the various connected form factors.
Focus on the Future and Best Practices Implementation

Focus on Unmet Needs

Visionary innovation involves the ability to scout and detect unmet needs, and proactively address them with disruptive solutions that cater to evolving customer demands, products, lifestyles, and technologies. At the heart of visionary innovation is a deep understanding of the implications and ramifications of global Mega Trends, coupled with the ability to deliver solutions that can capture associated growth opportunities.

While strides have been made in recent years to address consumer needs in smartphone and tablet markets, seamless connectivity throughout the consumer ecosystem (i.e. cars, homes, work and personal environments, etc) remains a challenge. Success will be driven by the ability to create a consistent and compelling experience across form factors and environments. To date, industry fragmentation has forced most market participants to rely on strategic partnerships with complementary players along the value chain to deliver end-to-end offerings.

LeEco is focused on addressing these challenges and has created a cross-functional ecosystem that allows more seamless connectivity and a shared content experience across a variety of environments. Frost & Sullivan believes LeEco’s vision of connectivity will transform the way consumers perform daily activities, consume content, and communicate. Their products and technology have the capacity to fundamentally change the way content is created, delivered, and consumed. Most importantly, LeEco delivers unique and differentiated benefits that can greatly improve consumer productivity as well as individuals’ experiences throughout their daily lives.

Best Practices Example:

LeEco has created a user interface (eui, which stands for ecosystem user-interface) and software ecosystem that enables customers to share content from any of their smartphones directly to LeEco TV’s by simply ‘swiping’ in the direction of the TV. Furthermore, the same mobile devices can control the content and TV actions directly as well as do voice controlled searches. While other ecosystems in the market enable some of these features, most of them require the addition of other HDMI devices to be connected to the TV.

Visionary Scenarios through Mega Trends

Mega Trends should serve as significant building blocks for a company’s long-term growth strategies. Without exploring the implications of global Mega Trends, many companies are not prepared for rapid change and, therefore, fail to plan for future growth and success.

LeEco has a vision to transform the entertainment, content delivery, and customer experience across multiple industries, and is prepared to drive innovation in areas such as
virtual reality, connected car, and connected homes. The company is already manufacturing virtual reality devices, connected bicycles, electric cars, smart TV’s, and continues to explore are emerging device categories.

As these Mega Trends begin to materialize, LeEco is in a unique position to capture a significant piece of the market by focusing on the user experience, and driving an open, integrated ‘ecosystem enabled’ approach based on its cloud platform.

**Growth Pipeline**

North America is currently a very active market for connected devices, automotive, and other consumer devices. Companies are looking to invest heavily in the market in order to capture market share. LeEco is aggressively entering the market in North America and recently announced the intention to acquire VIZIO, Inc. for $2 billion to further strengthen its intelligent hardware portfolio.

While many hardware manufacturers focus on a single device market (i.e. smartphones), LeEco offers multiple products. With the expected acquisition of VIZIO – one of the top TV and sound bar manufacturers- LeEco will have an opportunity to introduce a variety of premium smart televisions. Furthermore, as the electric car market continues to evolve, LeEco is in a prime position to grow that aspect of their company as well, with plans to build an electric car factory in China. Finally, the smartphone, tablet, and wearable space in North America is ripe for sophisticated, yet competitively priced products, which aligns well to the LeEco’s value proposition.

**Vision Alignment**

Vision alignment is another key element in the overall success of a company. The cornerstone of LeEco’s vision is based on optimizing the user experience through technology innovation, a seamless ‘connected’ ecosystem, and disruptive pricing. The North America technology market has seen many companies rise to the top, only to fall due to lack of vision alignment. With LeEco, vision alignment for the entire company is based around the ecosystem and the user experience.

The user experience will continue to be the focal point for LeEco as they look to expand their ecosystem into other market segments and products categories. The company’s own words are “From streaming entertainment to phones to smart televisions to cars and more, LeEco’s vision of the future connects everything that matters to modern consumers. We believe that all people deserve access to premium products, so we’re bringing down the cost without lowering quality.”
Conclusion

The North America smart technologies market is rich with device manufacturers, service providers, application developers, and system integrators. However, the consumer experience is still far from perfect given the fragmentation of the market. Frost & Sullivan expects LeEco to change this by bringing a whole new approach to product development which is based around the customer experience and the seamless availability of content to customers regardless of their environment. LeEco has introduced high quality products into the market at highly competitive price points in order to ensure that every user has the ability to stay connected. Frost & Sullivan recognizes LeEco as a compelling market entrant in North America that will drive innovation in the region. With its strong overall performance, LeEco has earned Frost & Sullivan’s 2016 Visionary Innovation Leadership Award in the Smart Technologies Market.
Significance of Visionary Innovation Leadership

A visionary innovation leadership position enables a market participant to deliver highly competitive products and solutions that transform the way individuals and businesses perform their daily activities. Such products and solutions set new, long-lasting trends in how technologies are deployed and consumed by businesses and end users. Most important, they deliver unique and differentiated benefits that can greatly improve business performance as well as individuals’ work and personal lives. These improvements are measured by customer demand, brand strength, and competitive positioning.

Understanding Visionary Innovation Leadership

Visionary Innovation is the ability to innovate today in the light of perceived changes and opportunities that will arise from Mega Trends in the future. It is the ability to scout and detect unmet (and as yet undefined) needs and proactively address them with disruptive solutions that cater to new and unique customers, lifestyles, technologies, and markets. At the heart of visionary innovation is a deep understanding of the implications and global
ramifications of Mega Trends, leading to correct identification and ultimate capture of niche and white-space market opportunities in the future.

**Key Benchmarking Criteria**

For the Visionary Innovation Leadership Award, Frost & Sullivan analysts independently evaluated two key factors—Focus on the Future and Best Practices Implementation—according to the criteria identified below.

**Focus on the Future**
- Criterion 1: Focus on Unmet Needs
- Criterion 2: Visionary Scenarios through Mega Trends
- Criterion 3: Growth Pipeline
- Criterion 4: Blue Ocean Strategy
- Criterion 5: Growth Performance

**Best Practices Implementation**
- Criterion 1: Vision Alignment
- Criterion 2: Process Design
- Criterion 3: Operational Efficiency
- Criterion 4: Technological Sophistication
- Criterion 5: Company Culture

**Best Practice Award Analysis for LeEco**

**Decision Support Scorecard**

To support its evaluation of best practices across multiple business performance categories, Frost & Sullivan employs a customized Decision Support Scorecard. This tool allows our research and consulting teams to objectively analyze performance, according to the key benchmarking criteria listed in the previous section, and to assign ratings on that basis. The tool follows a 10-point scale that allows for nuances in performance evaluation; ratings guidelines are illustrated below.

**RATINGS GUIDELINES**

The Decision Support Scorecard is organized by Focus on the Future and Best Practices Implementation (i.e., the overarching categories for all 10 benchmarking criteria; the definitions for each criteria are provided beneath the scorecard). The research team
confirms the veracity of this weighted scorecard through sensitivity analysis, which confirms that small changes to the ratings for a specific criterion do not lead to a significant change in the overall relative rankings of the companies.

The results of this analysis are shown below. To remain unbiased and to protect the interests of all organizations reviewed, Frost & Sullivan chooses to refer to the other key players as Competitor 2 and Competitor 3.

DECISION SUPPORT SCORECARD: VISIONARY INNOVATION LEADERSHIP AWARD

<table>
<thead>
<tr>
<th>Visionary Innovation Leadership</th>
<th>Focus on the Future</th>
<th>Best Practices Implementation</th>
<th>Average Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>LeEco</td>
<td>10</td>
<td>8</td>
<td>9</td>
</tr>
<tr>
<td>Competitor 2</td>
<td>9</td>
<td>7</td>
<td>8</td>
</tr>
<tr>
<td>Competitor 3</td>
<td>7</td>
<td>8</td>
<td>7.5</td>
</tr>
</tbody>
</table>

Focus on the Future

**Criterion 1: Focus on Unmet Needs**
Requirement: Implementing a robust process to continuously unearth customers’ unmet or under-served needs, and creating the products or solutions to address them effectively

**Criterion 2: Visionary Scenarios through Mega Trends**
Requirement: Incorporating long-range, macro-level scenarios into the innovation strategy, thereby enabling “first to market” growth opportunities solutions

**Criterion 4: Growth Pipeline**
Requirement: Best-in-class process to continuously identify and prioritize future growth opportunities leveraging both internal and external sources

**Criterion 3: Blue Ocean Strategy**
Requirement: Strategic focus in creating a leadership position in a potentially “uncontested” market space, manifested by stiff barriers to entry for competitors

**Criterion 5: Growth Performance**
Requirement: Growth success linked tangibly to new growth opportunities identified though visionary innovation

Best Practices Implementation

**Criterion 1: Vision Alignment**
Requirement: The executive team is aligned on the organization’s mission, vision, strategy and execution

**Criterion 2: Process Design**
Requirement: Processes support the efficient and consistent implementation of tactics designed to implement the strategy
**Criterion 3: Operational Efficiency**
Requirement: Staff performs assigned tactics seamlessly, quickly, and to a high quality standard

**Criterion 4: Technological Sophistication**
Requirements: Systems enable companywide transparency, communication, and efficiency

**Criterion 5: Company Culture**
Requirement: The executive team sets the standard for commitment to customers, quality, and staff, which translates directly into front-line performance excellence

**Decision Support Matrix**
Once all companies have been evaluated according to the Decision Support Scorecard, analysts can then position the candidates on the matrix shown below, enabling them to visualize which companies are truly breakthrough and which ones are not yet operating at best-in-class levels.

![Decision Support Matrix](image)
The Intersection between 360-Degree Research and Best Practices Awards

Research Methodology

Frost & Sullivan’s 360-degree research methodology represents the analytical rigor of our research process. It offers a 360-degree-view of industry challenges, trends, and issues by integrating all 7 of Frost & Sullivan's research methodologies. Too often, companies make important growth decisions based on a narrow understanding of their environment, leading to errors of both omission and commission. Successful growth strategies are founded on a thorough understanding of market, technical, economic, financial, customer, best practices, and demographic analyses. The integration of these research disciplines into the 360-degree research methodology provides an evaluation platform for benchmarking industry players and for identifying those performing at best-in-class levels.

About Frost & Sullivan

Frost & Sullivan, the Growth Partnership Company, enables clients to accelerate growth and achieve best in class positions in growth, innovation and leadership. The company's Growth Partnership Service provides the CEO and the CEO's Growth Team with disciplined research and best practice models to drive the generation, evaluation and implementation of powerful growth strategies. Frost & Sullivan leverages over 50 years of experience in partnering with Global 1000 companies, emerging businesses and the investment community from 40 offices on six continents. To join our Growth Partnership, please visit http://www.frost.com.