

Adoption & Product Life Cycle



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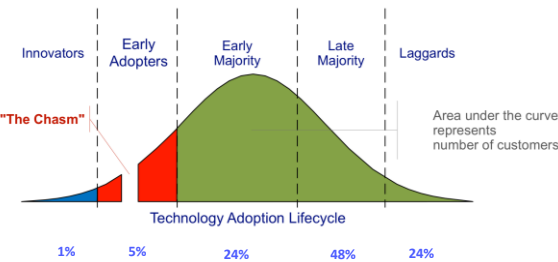
What are we going to cover in this session;



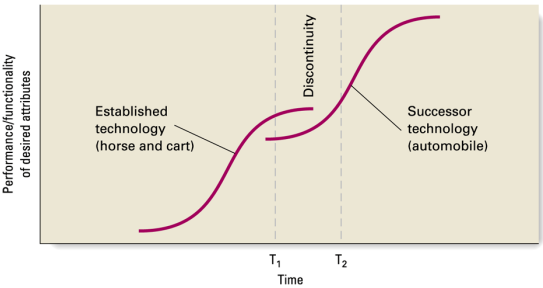
- 1. Technology Adoption Curve
- 2. Ansoff
- 3. First mover advantages & dis-advantages
- 4. The Chasm
- 5. Porter Five Forces
- 6. Blue Ocean Strategy
- 7. Summary
- 8. Finally....



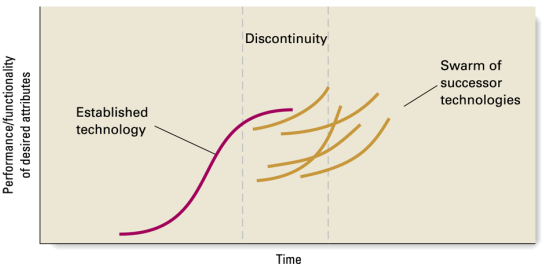
Technology adoption curve



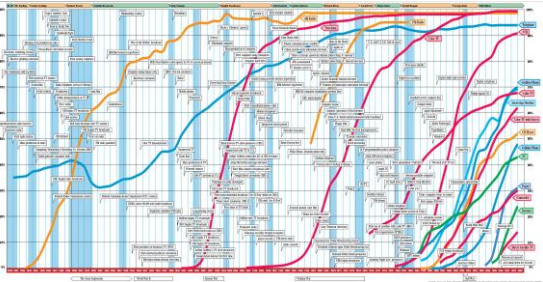
Technology adoption curve



Technology adoption curve



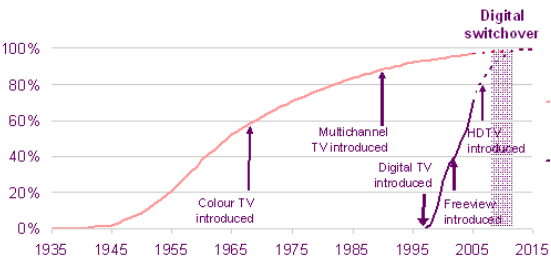
Technology adoption curve



Source: <http://findwhatworks.files.wordpress.com/2010/09/technology-adoption.jpg>



Technology adoption curve



Ansoff's Matrix



First mover advantages



1. The first to develop and pioneer revolutionary new products that can lead to an enduring competitive advantage.
2. If the new product satisfies unmet consumer needs, demand is high.
 - a. First mover may be in a monopoly position to capture significant revenues and profits.
 - b. Strong revenues and profits signal an opportunity to potential rivals.
 - c. Rival imitators may enter market in the absence of strong barriers to imitation resulting in lower market returns
3. Being a first-mover does not guarantee success.
4. Success depends on the first-mover strategy that is pursued.



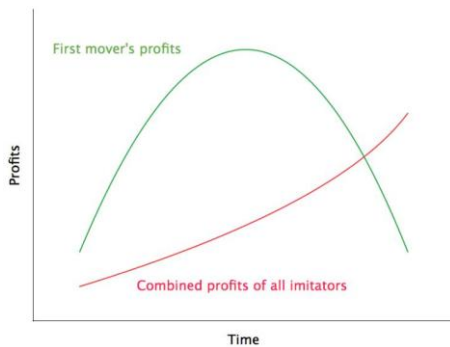
Sources of first-mover advantage



- 1. Exploit network effects and positive feedback loops.
✓ Locking customers into its technology
- 2. Establish significant brand loyalty
✓ Expensive for later entrants to break down
- 3. Enable economies of scale and learning effects
✓ So first-mover has cost advantage and can respond to new entrants by cutting price to maintain market share
- 4. Create switching costs for customers
✓ Making it difficult for rivals to take customers away
- 5. Accumulate valuable knowledge
✓ Regarding customers, distribution, and technology that late entrants will find difficult or expensive to match

10

First mover advantages



11

First mover dis-advantages



- 1. Pioneering costs
✓ To develop technology and distribution channels and to educate the customers
✗ Later entrants 'free-ride' on first-mover's investments.
- 2. More prone to make mistakes
✗ Because of the uncertainties in a new market
✗ Later entrants learn from the mistakes of first-movers.
- 3. Risk of building the wrong resources and capabilities
✗ Mass-market may differ from the needs of early adopters
✗ First-movers risk 'Plunging into the chasm'.
- 4. May invest in inferior or obsolete technology
✗ If the underlying technology is advancing rapidly
✗ Late entrants may be able to 'leap frog' the technology.

12

Strategies for exploiting First mover advantages



- 1. Going it alone
 - 2. Strategic alliance or joint venture
 - 3. License the innovation to others
- Key questions in choosing a strategy;
1. Does the company have the complementary assets to exploit its innovation?
 2. How difficult is it for imitators to copy the company's innovation?
 3. Are there capable competitors who could rapidly imitate the innovation?

13

Photocopier Example



- Inventor; Chester F. Carlson (1906-1958), a patent attorney.
- Prepare the paperwork which was submitted to the patent office to register his company's inventions and ideas.
- The patent office required multiple copies which he had to duplicate by hand.
- Redrawing the copies took hours. What's more, Carlson was nearsighted and had arthritis, which made his job even more difficult.
- He worked in the kitchen of his home in 1930's.
- Voila! dry-copy! Electrostatics!



14

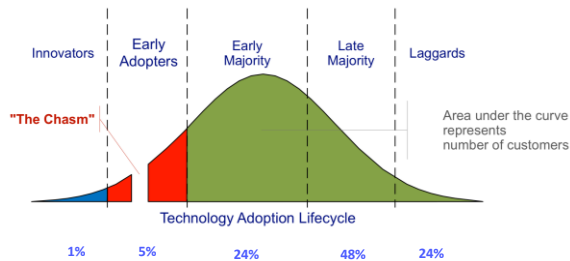
Photocopier Example



- However, his fight wasn't over. It took him another 6 years to find a business interested in his technology. He approached companies like IBM, GE and RCA, but was turned away.
- Finally, he was able to interest the Battelle Development Corporation in his invention in 1944.
- In 1947, the Haloid Company was founded
- Later, the Haloid was renamed Xerox.
- In 1959, Xerox introduced an office copier, the 914, which became the basis for the current multibillion-dollar industry.

15

The Chasm



16

The Chasm



- The Chasm is where the product encounters a pause in market development. (Length depends on how disruptive the innovation is.)
- Often as a result of weak / incomplete value chains and because the mainstream market do not trust visionaries as a reference.
- Moore (1996) suggests that for discontinuous or disruptive innovations, there is a gap or chasm between the first two adopter groups (innovators/early adopters), and the early majority.
- Moore defines a solution called 'whole product' - *"the minimum set of products and services necessary to ensure that the target customer will achieve his or her compelling reason to buy."*

17

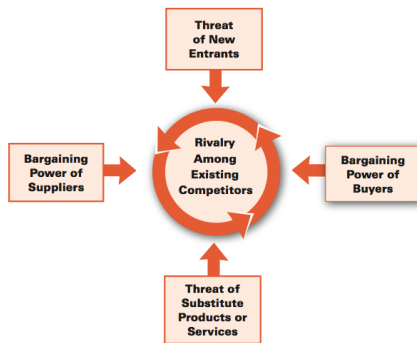
The Chasm



- To cross the Chasm between Early Adopters & the Early Majority;
 1. Correctly identify the needs of the first wave of early adopters.
 2. Alter the business model in response.
 3. Alter the Value Chain and distribution channels of early majority users.
 4. Anticipate the moves of competitors.

18

Porter's Five Forces



19

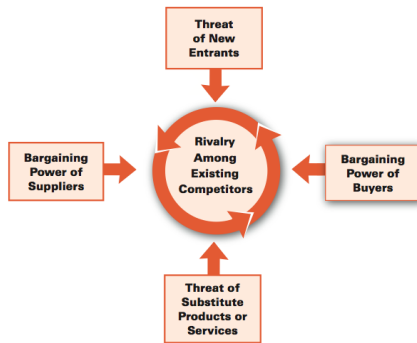
Porter's Five Forces



1. Threat of New Entrants
 - The ease or difficulty with which new competitors can enter an industry.
2. Threat of Substitutes
 - The extent to which switching costs and brand loyalty affect the likelihood of customers adopting substitutes products and services.
3. Bargaining Power of Buyers
 - The degree to which buyers have the market strength to hold sway over and influence competitors in an industry.
4. Bargaining Power of Suppliers
 - The relative number of buyers to suppliers and threats from substitutes and new entrants affect the buyer-supplier relationship.
5. Current Rivalry
 - Intensity among rivals increases when industry growth rates slow, demand falls, and product prices descend.

20

Exercise



21

Blue Ocean Strategy



- W. Chan Kim and Renée Mauborgne (2005) in Blue Ocean Strategy;
 - Simultaneous pursuit of differentiation and low cost.
- Suggested the idea of ‘Value Innovation’ where you focus on making the competition irrelevant, not compete against.
- Focus your attentions from competitors to alternatives.
- Focusing on non-customers rather than customers.
- Looking across industries. What can other industries tell us?
- Not only target buyers, but a chain of buyers who are directly or indirectly involved in the buying process.
- All have different ideas of value.

22

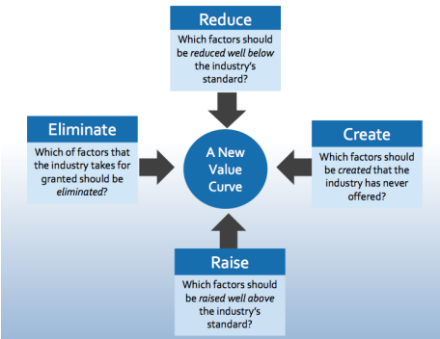
Blue Ocean Strategy



Red Ocean Strategy	Blue Ocean Strategy
Compete in existing market space	Create uncontested market space
Beat the competition	Make the competition irrelevant
Exploit existing demand	Create and capture new demand
Make the value-cost trade-off	Break the value-cost trade-off
Align the whole system of a company's activities with its strategic choice of differentiation <i>or</i> low cost	Align the whole system of a company's activities in pursuit of differentiation <i>and</i> low cost

23

Blue Ocean Strategy



24

Blue Ocean Strategy



- Is there more than one non-customer?
- 3 tiers of non-customers;
 1. 'Soon to be' customers
 2. 'Refusing' choosing against your market
 3. 'unexplored' customers
- Non-customers will tell you more than your current customers on how to unlock and grow.
- Don't outsource your eyes. Customer facing employees?
- Are you working based on old assumptions? Events change situations.



Barriers to Imitation



- Value innovation does not make sense to a company's conventional logic.
- Blue ocean strategy may conflict with other companies' brand image.
- Natural monopoly: The market often cannot support a second player.
- Patents or legal permits block imitation.
- High volume leads to rapid cost advantage for the value innovator, discouraging followers from entering the market.
- Network externalities discourage imitation.
- Imitation often requires significant political, operational, and cultural changes.
- Companies that value-innovate earn brand buzz and a loyal customer following that tends to shun imitators.



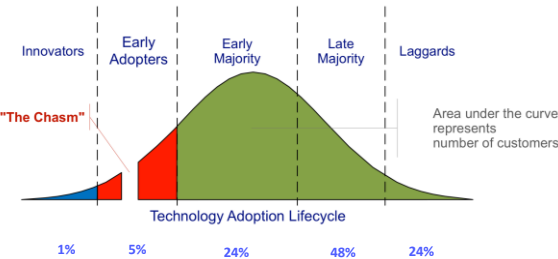
Summary of what we've covered...



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Technology adoption curve



28

Ansoff's Matrix



29

Exercise



30

Exercise



31

Summary



- HBR research shows that competition eventually erodes the profits from innovation. But that's a slow process, requiring 15 years or so, which suggests that it takes the better part of a generation for the blue-ocean approach to yield to competitive strategy.
- HBR believe this indicates that businesses may want to consider a blend of the two approaches.
- By slowing down profit erosion with an effective competitive strategy for an existing market, they can increase the funds available for blue-ocean investments and thus their chances of finding an untapped market with plenty of consumers.

32

Just one more thing.....



34
