Managing the Product Lifecycle

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Introduction

An understanding of product lifecycle is critical for a product management team – everything we do with our product will be impacted by where in their life-cycle our product and our market are at. If we don't understand these key points of difference, we can make really poor decisions and, in some cases, turn a potentially winning product into a failure. In this paper we will step through the Lifecycle model and look at how we should use it to enhance product performance.

Lifecycle overview

So, what is the lifecycle model? It's a way of describing how customers in a market will act from product conception right the way through to product withdrawal. By doing this it helps us to define appropriate strategies and set reasonable expectations.

Defined by Geoffrey Moore, the model breaks a product lifecycle down into 4 distinct stages;

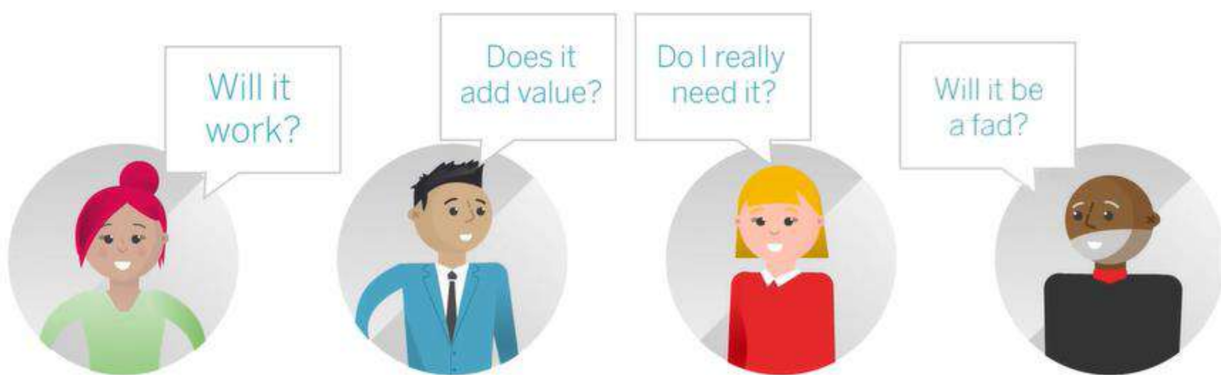
- The introductory phase
- The growth phase
- The maturity phase
- The decline phase

Lets take a look at each stage in turn.

The Introductory phase

This is where we take a new product to market. Quite naturally, expectations and excitement run high on launch day. But after a few weeks those highs often feel like a distant memory as sales don't meet projections, running the risk of the product being perceived as a flop. An understanding of the introductory phase can save lots of heartache! There are a couple of critical lessons:

- Most customers wait for others to try new products – When a product comes to market, most customers see risk: Will it work? Does it add value? Do I really need it? Will it be a fad? Consequently, they wait; let others take the risk whilst they see if something of real substance materialises. The risk takers, known as 'innovators' buy in. They are more likely to have greater pain around the problem your product solves, so they find themselves willing to try out your solution – their risk/reward threshold was crossed.



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- As a consequence, the full market is not available – The innovator sector is typically seen as about 5% of the total market. Think about the consequences of this; a new product with a total market size of $100M typically only has access to $5M of that market at first. Failure to understand this key point will result in your revenue forecasting to be too ambitious!

CROSSING THE CHASM

So how do we gain access to the 95% of the market? The second stage of the lifecycle model is 'growth', but before we get there, we must cross the chasm – find innovator customers with positive experiences that they're willing to share and act as a reference either formally or informally.

We can think of this on a personal level – when we're thinking of buying a new piece of technology, we might ask our innovator friends and colleagues about their experiences – a positive recommendation from a trusted source help to make the buying decision easier.

So, the chasm is crossed with 'proof points' that demonstrate that value is being delivered, referenced by innovators who articulate their positive experiences to the early adopter market.

IDENTIFYING THE INNOVATORS

So how do we identify the innovators? We can think of this through two lenses; markets and people. From a markets perspective, there are a number of characteristics to look for:

- Small, defined & and disruptive market

  When taking new technology to market, it's rare for the established incumbents to be the innovator – the status quo is working for them. It's typical that the innovators are in smaller markets that are looking to break though

- Superior value proposition

  The target innovator sector is likely to see more value around the core problem you solve. For example, an electric vehicle is more likely to find momentum in the daily city commuter.

- Growth

  High-growth sectors are attractive because businesses in these sectors have a growth model that means investment in new technology is much more likely

- Most demanding customer type.

  An innovator makes for a stronger beachhead sector when their requirements are more demanding. A sense of "If it works for sector X then it will work for us"

- Faster buying process

  An innovator sector with faster and less complex buying cycles makes for an accelerated chasm crossing

The people we engage with also help define some businesses as more likely innovators. Some of the personal characteristics include:

- Innovators think there is a better way.
- Innovators openly share their ideas and passions
- Innovators embrace change.
- Innovators have a strong point of view
- Innovators are technically advanced in the context of their market
- Innovators feel less fear of failure
- Innovators embrace constraints as opportunities.

THE RISK OF IGNORING THE LIFECYLE

So what happens when the lifecyle is ignored? When we take a new product to market with considering the innovator model? The main issues are:

1) Forecasting is wrong by orders of magnitude

   The innovator market is circa 5% of the total market. Miss this fact and the initial forecast will be over ambitious

2) We try and sell to the wrong customers
   The sales team try and engage across the whole market – from innovators to laggards. They get very limited success, lose confidence in the new product and often revert to selling the earlier generation. It's the equivalent of trying to sell a plug-in electric car to a petrol-head who does not believe in global warming.

3) Confidence is lost
   Combine issues 1 & 2 and the net result is a dripping away of confidence- the sales team can't sell it, the forecasts are nowhere near expectations, are we sure this product makes sense?

4) The product is perceived as a failure
   The product is deemed a failure (or at least problematic) before it's had any chance to establish. In the extreme, business then take special measures to deal with the failure (price incentives, spend reductions) without recognising the core issue and cause the product to go into a death spiral.

GROWTH PHASE

We next move in to growth phase – customers become increasingly willing to buy in to our product, growth can be very high; 20, 30, maybe 60% growth. And it feels great – your product is a success!

Be aware! Product Managers can become very busy with short term tactical work throughout this stage – sales presentations, support issues, pricing, etc. And this presents the biggest risk. All effort is focused on the here and now. No time is put into looking at the future direction. Product managers need to look for new markets, new features, or new initiatives that keep the growth phase in play for as long as possible.

MATURITY PHASE

One day we start to see a change – growth stops, price points start to fall, and our glamour product looks more like a commoditised offer. Welcome to the maturity phase. In this stage product offerings across the market become increasingly difficult to differentiate.

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Throughout this phase, Product Managers look for points of differentiation around product, brand, service, support, packaging. In fact, they look for anything that can lift them above their competition. When all else fails, price becomes the last point of difference. The maturity phase can last for weeks, months, even decades. Some product managers spend their whole career in this stage, trying to stay one step ahead of the competition

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DECLINE PHASE

But at some point, the product starts to lose relevancy – it might be replaced by better technology or become irrelevant because of new regulation. The product enters the decline phase – the market shrinks, price points fall further, and the product becomes unsustainable as a commercial proposition. Product Managers focus on how to manage the replacement and withdrawal strategy – what new offer are we delivering to market in this sector? How do we manage expectation as we withdraw our current offer?

Product Managers focus on how to manage the replacement and withdrawal strategy.

Beating commoditisation

It’s worth remembering that the best way to deal with the maturity and decline phases is to stop your products entering them. Think about future trends you can support, other markets you can enter, or bundles you can offer. All of this helps to extend the growth phase of the lifecycle.

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