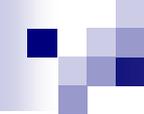


Product Strategy I

T-109.410 Technology Management
21.10.2004

Eino Kivisaari
Researcher, M.Sc.
Technology Management & ICT Business



“Product strategy begins with a strategic vision that states where a company wants to go, how it will get there, and why it will be successful.”

“Product strategy is like a roadmap, and like a roadmap it’s useful only when you know where you are and where you want to go.”

(McGrath 2001)

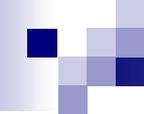
Competitive Product Strategy

- Competitive Strategy Fundamentals
 - **Price-Based**
 - **Product Differentiation**
- *“Product differentiation strategy provides the primary source of competitive advantage for most high-technology products”* (McGrath 2001)

Michael E. McGrath:
**Product Strategy
for High Technology
Companies**

- Not available at HUT library
- Amazon et al ~35 €

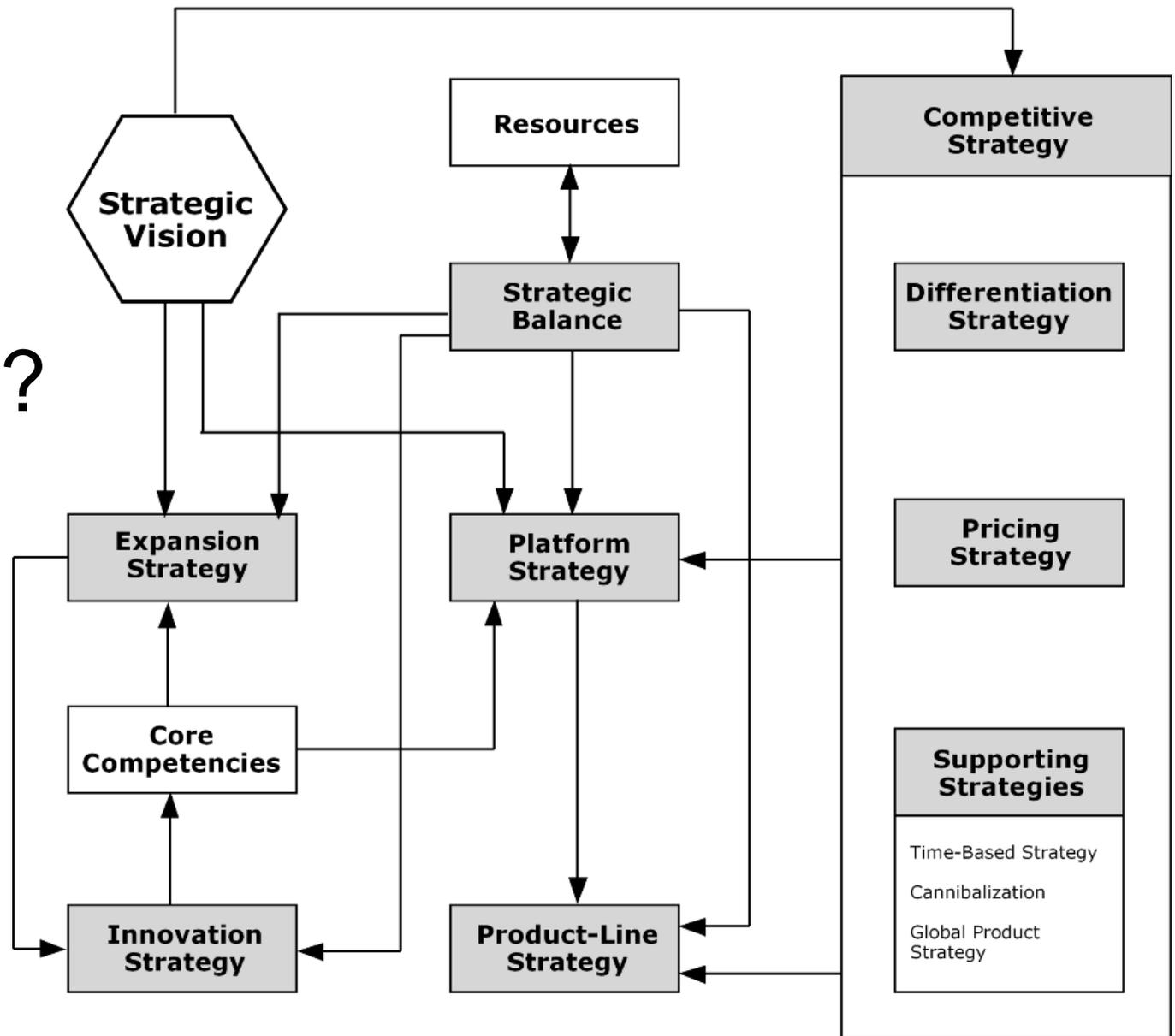




Topics of this lecture

- Product Platform Strategy
- Product Line Strategy
- Leveraged Expansion
- Sustained Differentiation
- First-to-Market vs. Fast-Follower Strategy

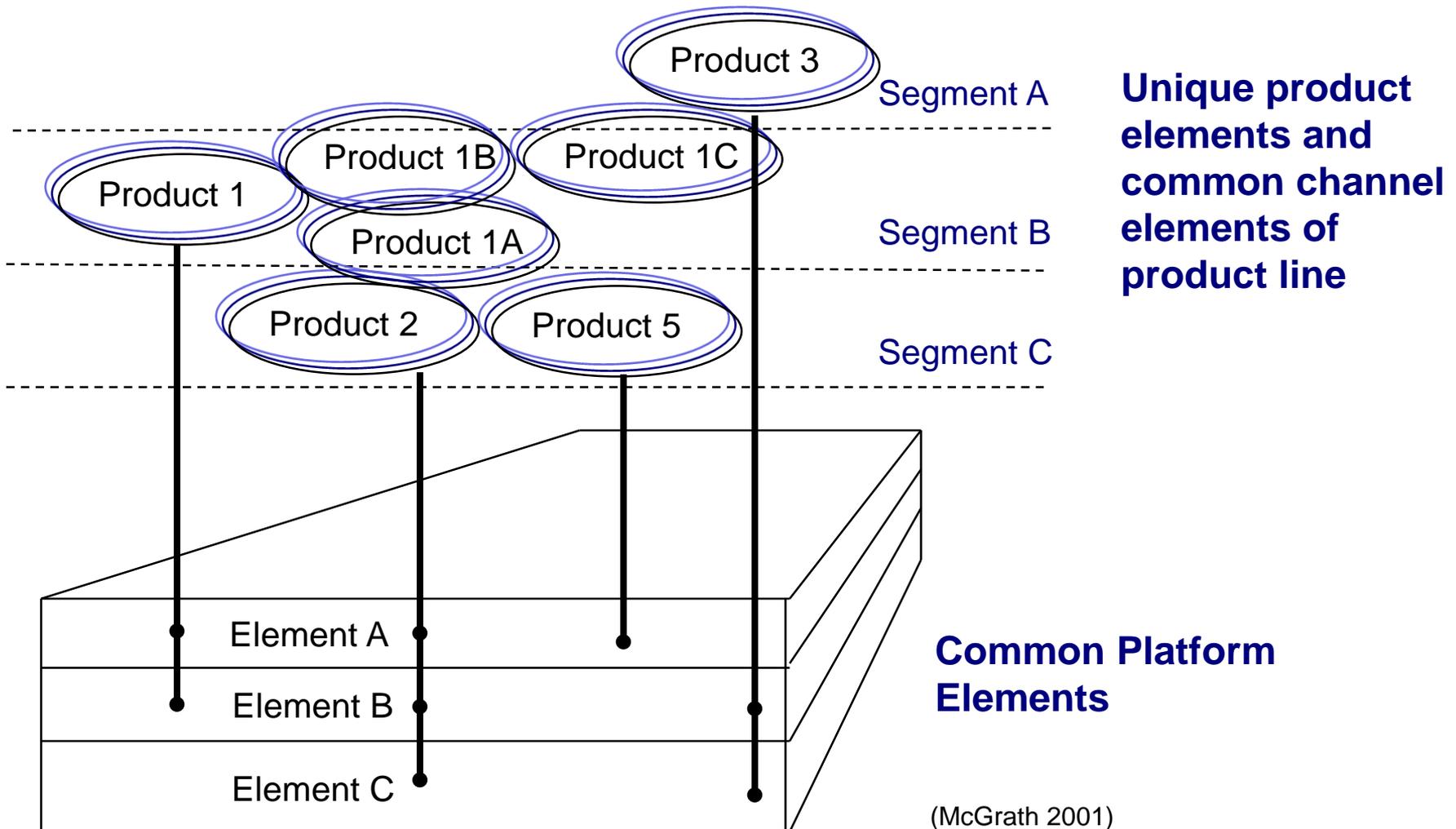
What is Product Strategy??

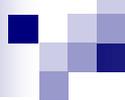


Product Platform Strategy

- Platform is an **architecture of the common elements** implemented across a range of products
- One element in the platform usually represents a ***defining technology***
 - Dictates life cycle, capabilities, limitations
 - Important to understand the role of a defining technology
 - The choice of defining technology is perhaps the most critical strategic decision that a hi-tech company makes

Product Platforms





Benefits of Platform Strategy

- Focuses management on key decisions at the right time
 - Simplifies the strategy processs, helps concentrating on critical decisions
- Enables rapid & consistent product development
- Encourages a long-term view on product strategy
- Can leverage operational efficiencies
 - Manufacturing costs
 - Design costs
 - Makes marketing and support easier



Example of Product Platforms:

- Apple Computer Platform:
 - Mac OS
 - Motorola processors
 - Easy-to-use GUI

Which are supporting, which are defining technologies?

Open Interfaces in Product Platforms

- A product portfolio based on open interfaces
- **Allows other manufacturers to participate**
- Gives the company a **smaller portion** of the entire market, but...
...makes the **market significantly bigger**
A piece of a big cake may well be a lot bigger than the small cake!



Examples of Open Interface Strategy

- Sun Microsystems: **Java**
- Nokia: **Symbian**
- Intel: **AGP**

Motivation in each case: to enlarge a market where you are a rather strong player yourself



Product Line Strategy

A time-phased plan for developing products from a common platform, each product targeting a specific market segment

- The true potential of a platform strategy is extracted with an effective product line strategy

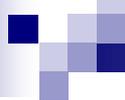
Product Line Strategy (contd.)

- Covers all primary targeted market segments
- Each product offering should be sufficiently focused
- Time-phased scheduling / sequencing
 - all products cannot be released simultaneously
 - prioritization
- Similar products / product lines are coordinated
 - To **avoid rework** and **confusion** in marketing and among customers

Product Line Examples

- Nokia Mobile Phones

- Everybody knows what I'm talking about! 😊



Leveraged Expansion

Case studies show that:

The success of expansions to new product markets depends highly on **ability to leverage:**

- **Existing market knowledge**
- **Technical skills**

Market Leverage

New Market

Related Market

Current Market

Low/None

Moderate

High

Moderate

Low/None

Product/Technology Leverage

Existing Product Platform

Core Technology

Current Skills

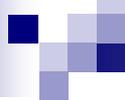
New Skills

Maidique & Zirger (Stanford University, 1984):

A study on 158 product launches (50% failed, 50% succeeded)

The result: **8 Principal Factors of Product Success:**

1. *The developing organization, through in-depth understanding of the customers and the marketplace, introduces a product with a high performance-to-cost ratio.*
2. *The create, make, and market functions are well coordinated and interfaced.*
3. *The product provides a high contribution margin to the firm.*
4. ***The new product benefits significantly from the existing technological and marketing strengths of the developing business units.***
5. *The developing organization is proficient in marketing and commits a significant amount of its resources to selling and promoting the product.*
6. *The R&D process is well planned and coordinated.*
7. *There is a high level of management support for the product from the product conception stage to its launch into the market.*
8. *The product is an early entrant.*



Examples of Leveraged Expansion

- Texas Instruments: The Little Professor
- Apple: PowerBook
- Adobe: Acrobat
- Microsoft
 - DOS → Windows
 - Windows + Internet → Internet Explorer & MSN



Sustained Differentiation

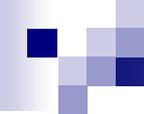
...is achieved with vectors of differentiation that are significant to the customer

- One very prominent feature
or
- An appealing combination



High-Tech Differentiation

- Unique features
- Measurable benefits
- Ease of use
- Improved productivity
- Unique fundamental characteristics
- Design



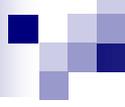
Unique features

- most commonly used
- an "easy" strategy
- endlessly adding new features does not give sustained differentiation
- can contradict ease of use



Measurable benefits

- reduced electricity bill
- longer recording time
- faster Internet access



Ease of use

- A very important vector of differentiation
- Sometimes technology advances do not deliver enhanced productivity, because of usability problems
- A big challenge in an era when everything is integrated in a single device (mobile phone)



Improved Productivity

- Longer battery life
- Better quality (of voice communications)
- More responsive UI
- Technology advances complemented with good usability
- Often a crucial factor in buyer's decision making process



Unique Fundamental Characteristics

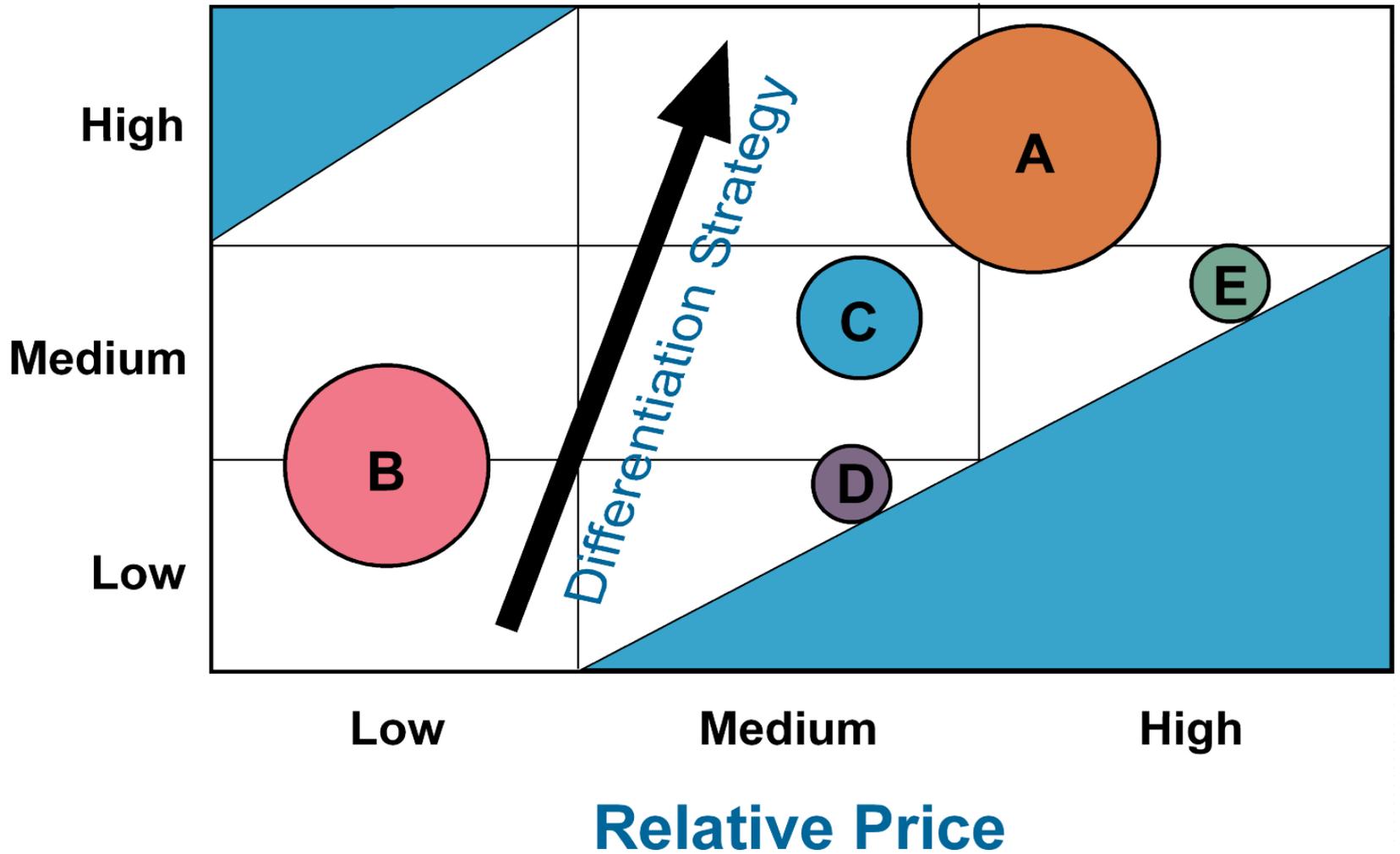
- Example: The imaging method of Polaroid cameras
- Often protected by patents
 - If based on a special technology
- Not so common in ICT where interoperability is a fundament



Design

- More and more important in maturing markets...
 - ...such as mobile phones!
- Hardware Design & User Interface Design

Relative Differentiation



First-to-Market Strategy

- Market share advantage
- Earlier market & customer experience
- Influence on markets and standards
- Possibility to build entry barriers
- Image benefits, a glamorous strategy
- Big risks!
- Somewhat problematic in ICT: as interconnectivity is the rule, market dominance can seldom be achieved
 - An exception: Cisco

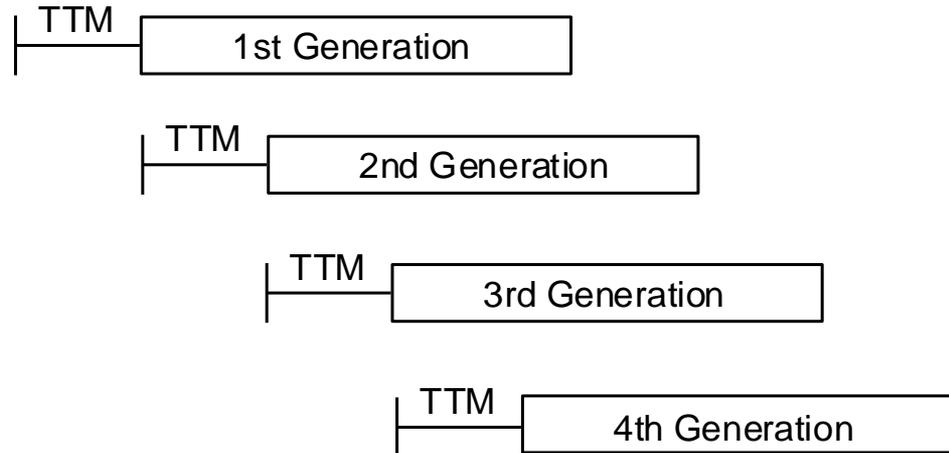
Fast-Follower Strategy

- Wait until market is clarified
- Avoid market education costs
- Nearer in time to eventual market, easier to predict
- Ability to use newer technology
- Fast means fast! *The name of the strategy is not just "Follower Strategy" 😊*
- Advantages of being fast:
Jump ahead and stay ahead

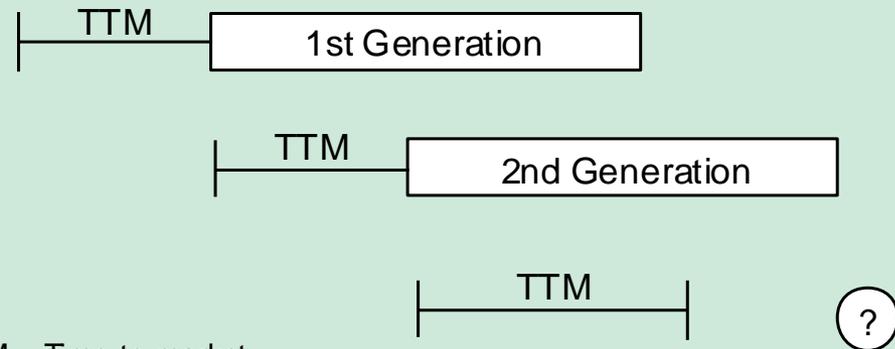
“Fast product development abilities enable **sustained competitive advantage** and ability to **stay ahead competition**”

(McGrath 2001)

Competitor A



Competitor B



TTM = Time-to-market

Time

See you next week!

