

Evolution: Maximizing Long-term Product Lifecycle Value

The third and final stage of the Product Innovation Life Cycle is *Evolution*. The first two stages of our framework, *Ideation* and *Commercialization*, begin with idea generation and end with product launch. Having achieved initial market traction and breakeven operating results at the end of *Commercialization*, the *Evolution* stage includes the growth, maturity and decline stages of the classic product lifecycle. *Evolution* is about navigating these stages of the product lifecycle to create and extract the maximum value from your innovation over its lifetime.

Your overall product road map balancing existing products and the next generation of products will have been outlined in the business plan you developed in *Ideation* and refined in *Commercialization*. During *Evolution*, you will continue to update the product road map as needed to reflect the latest plans for existing products.

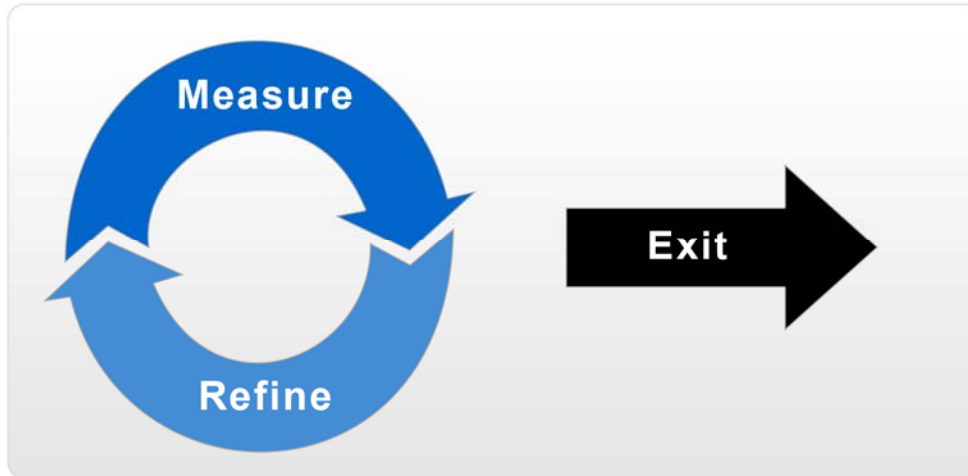
Key Evolution issues

Once a new product has reached commercial viability, many companies prematurely shift their attention and resources back to new product development. In so doing, they fail to continue to manage existing products with a cross-functional team. As a result, the key activities that enabled their new product development and launch success are not applied to the current portfolio. Product issues arise because of functional silos with little cross-functional communication.

In addition, companies that are ineffective in the *Evolution* stage fail to adequately adjust their product offerings to deal with rapidly evolving markets. Once you have “crossed the chasm” your product will repeatedly be exposed to shifting customer segment preferences and competitive attacks in the form of new products, feature enhancements or pricing actions. During this time you also have to adjust to internal changes in your overall product portfolio and performance.

Evolution core processes

The Evolution stage comprises three core processes: measure, refine and exit.



Measure

The first step is to develop and put in place a series of key internal and external metrics to track performance as well as the product's demand and competitive environment. Your goal is to continually monitor and opportunities or threats that may require improvements or modifications to your product strategy.

Customer metrics

Your customer metrics should cover both current customers and target customers. For current customers, study adoption rates and patterns, together with the overall customer experience for the product offering. Assemble information on customer satisfaction through comments, feedback, and support interactions, to understand if your customers are deriving maximum benefits and value from your offering. For target customers, track marketing communications reach and response rates for the product, together with sales cycles and sales conversion rates.

Competitor metrics

During the ideation stage, you spent time mapping out your ecosystem to identify your competitors. Using this information, track your competitors' market penetration, product offering changes and competitive actions. Beyond your direct competitors, keep an eye on companies occupying "upstream" and "downstream" positions on the value chain as well as complementors – those companies that make owning your product more (or less) attractive.

Internal metrics

Continually monitor key financial and operational metrics for the product, particularly revenue, pricing, margins and sales and marketing costs.

Metrics should be reported and reviewed regularly. At least once per quarter, the cross-functional product team should meet to review these metrics and identify issues and opportunities that need attention.

Refine

Once a potential problem or opportunity is identified, clearly define the issue, identify the underlying cause and explore available courses of action. As always, use a fact-based approach to problem-solving that minimizes guesswork.

Successful companies see these issues as a chance to further innovate. Market conditions change continually, and your product offering will need continual refinement. Your goal is to remain nimble and dynamic, but at the same time to act wisely and with a long-term view. Some refinements will be minor adjustments, whereas others may be more significant adjustments in product focus or positioning.

As in previous stages, the main “project tracks” are product, market and process (operations). In a similar fashion, once an issue has been identified, follow a systematic “develop, test and launch” mini-process. Potential refinements may include:

Product

- Product offering / feature enhancements / design improvements
- Pricing / promotions
- Positioning
- Bundling
- Ancillary services

Market

- Market focus
- Sales and marketing programs
- Partnership opportunities

Process

- Operational processes
- Customer experience
- Cost reduction.

Normally the longest phase of the product lifecycle is this measure / refine phase. Done well, your products can be continually refined and deliver value for years, going through multiple revisions and continually finding “new life”.

Exit

At some point, your team will become aware of when your product begins to exhibit characteristics of decline, such as declining revenue or profitability, or new generations of technology becoming prevalent in the market. The conditions are not always obvious, so it requires careful tracking of your internal and external metrics, as well as an impartial and objective team assessment. More than one product has been retained long past its “sell by” date for emotional, not economic, reasons!

The exit process involves a careful examination of your original roadmap and the options available to you. As part of the analysis, build a financial model to assess the remaining value that can be realized through the different alternatives. Your model will help you to define your alternatives, clarify assumptions, and estimate outcomes. This information combined with your financial and strategic objectives and insight from employees, customers, and partners will help you to make a prudent decision.

In most cases, the options available to your product during exit are sell, harvest, or discontinue:

Sell

Sell part of or the entire product to another company. This alternative should be a consideration if you find a willing suitor that places a high value on your product because of synergies with its business. Also, this option allows you to recover a “salvage value” without subjecting your company to any future market risks.

Harvest

In this scenario you allow your product to undergo its natural “end of life” process with minimal or no additional investment. This alternative is attractive if you have an entrenched and passionate user base that is willing to continue purchasing your product because of preference or high switching costs. If chosen, you would ideally allow for the last product to be purchased naturally and, if possible, migrate your user base to a newer product offering. One consideration for deciding to harvest a product is that the ongoing contact with customers provides you with a valuable source of information for subsequent products.

Discontinue

If there are no sales or it is unprofitable to continue selling your product and there is no remaining strategic value in doing so, you should discontinue selling your product. In this case, you will transition any remaining customers to your next generation product. It is important to ensure that the process is implemented wisely so as not to damage relationships with existing customers and partners. It is possible that this elimination or “pruning” could also have positive effects in that it streamlines your product line-up and allows your resources to be optimally deployed.

* * *

The *Evolution* core capability carries your product through its full lifecycle and enables you to manage your total return-on-investment equation to make product innovation a profitable undertaking. By following the model described in this article, you will implement best practices and avoid common value-limiting pitfalls, and so maximize the long-term value of your products and services.

Resources

Kahn, Kenneth B. [The PDMA Handbook of New Product Development](#)

This comprehensive handbook contains two relevant chapters on lifecycle management. The chapters’ authors point out that many companies underemphasize and underfund lifecycle management activities

after new product introduction. This source introduces important strategies for revitalizing languishing products.

Moon, Youngme. [“Break Free from the Product Life Cycle”](#) Harvard Business Review, May 2005
(subscription required)

Moon’s article suggests that companies should adopt a unique mindset to avoid uniformity in lifecycle management. By positioning and repositioning their products in unexpected ways, company can accelerate growth or revitalize mature products.

Moore, Geoffrey A. [Inside the Tornado: Strategies for Developing, Leveraging, and Surviving Hypergrowth Markets](#)

Geoffrey Moore’s follow-up to [Crossing the Chasm](#), suggests a course of action for each lifecycle stage beyond the chasm. The tornado refers to the increase in activity and pressure related to reaching the mainstream market. Moore’s insight is the distinction of what is required in each stage of the lifecycle in terms of products, positioning, competition and leadership.

About the Authors

Michael Lurie is Founder and CEO and Dan Zagursky is a Manager with Blue Mine Group in San Diego, CA. Blue Mine Group is a strategy firm specializing in new product development, venture management, and corporate innovation.