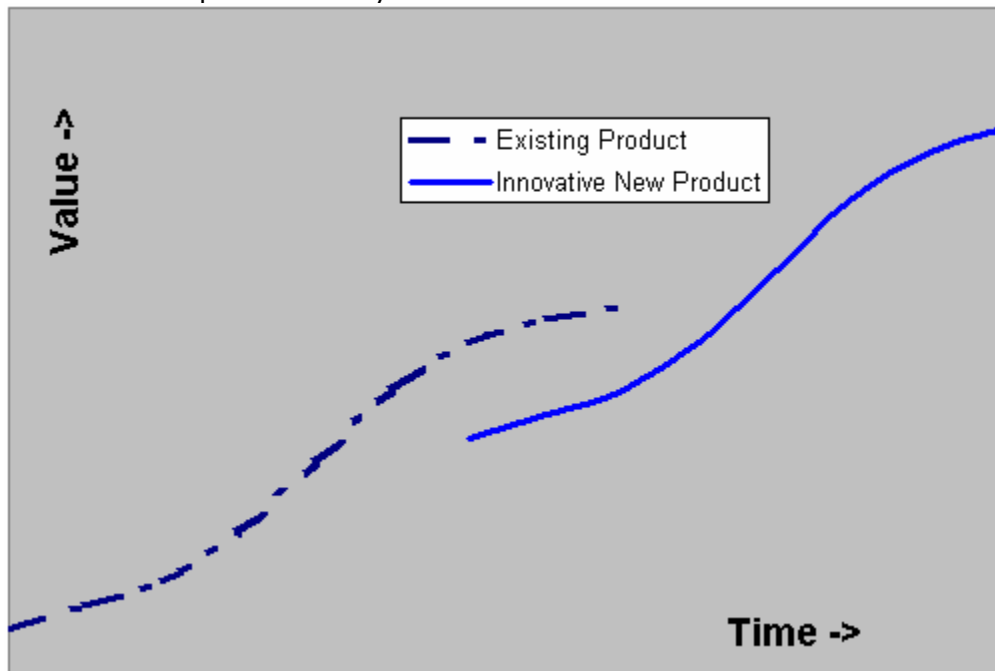


Should you optimize or innovate?

Optimize or innovate is often a tough question for companies to answer. Is it better to continue development and optimization of existing products, or is it better to develop a new and innovative product? In my experience, few companies track the natural evolution of their products. Therefore they are often caught sleeping when a new, disruptive technology comes along. Research has clearly demonstrated that most companies that are leaders in a particular product lose that lead when a new generation is introduced. Depending upon how dependant the company is on that particular product, they may even go out of business. How is it that a company that typically captured a market with a new and innovative product loses their lead when new innovation comes along?

There are two primary driving forces. Both are clearly demonstrated by the typical "S" curve of a product life cycle.



The first problem is that most companies simply don't know where their products falls on the life cycle curve. There are numerous metrics that can be evaluated to determine the maturity of a product. These metrics include product performance, innovation/patents, profitability, and cost, to name a few. Gathering and analyzing the required data can be time consuming. But not investing the time and effort in doing the analysis can prove fatal to your company.

The second problem is managing expectations and profitability through a disruptive product change. As shown in the "S" curve plot above, new products seldom start with an overall customer value greater than the existing, optimized product. It is hard for a company to justify the resources and capital required to develop and produce a new product that is typically less profitable than the product it is replacing. However, when a new, innovative product is introduced to the market it will typically bypass the existing product in a relatively short time. This is the main reason that disruptive technologies usually lead to new companies taking the market leadership

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position. The companies with existing product are fully vested in that product and unable to project into the future, often with very undesirable long term effects.

“S” curve analysis is part of product life cycle management which in turn is a component of “Lean Product Development”. Make sure you understand your product’s life cycle. Your business may depend on it.

