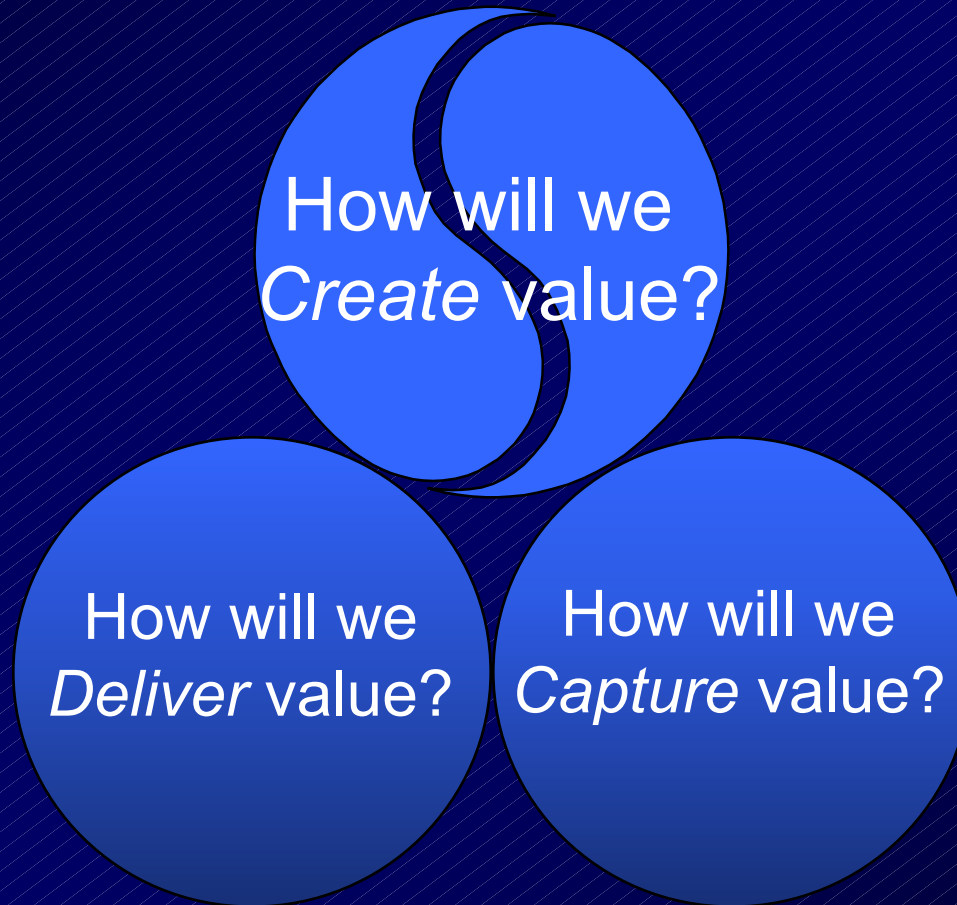


**Creating Value:  
Understanding patterns of  
market evolution**

# The first of 3 key questions

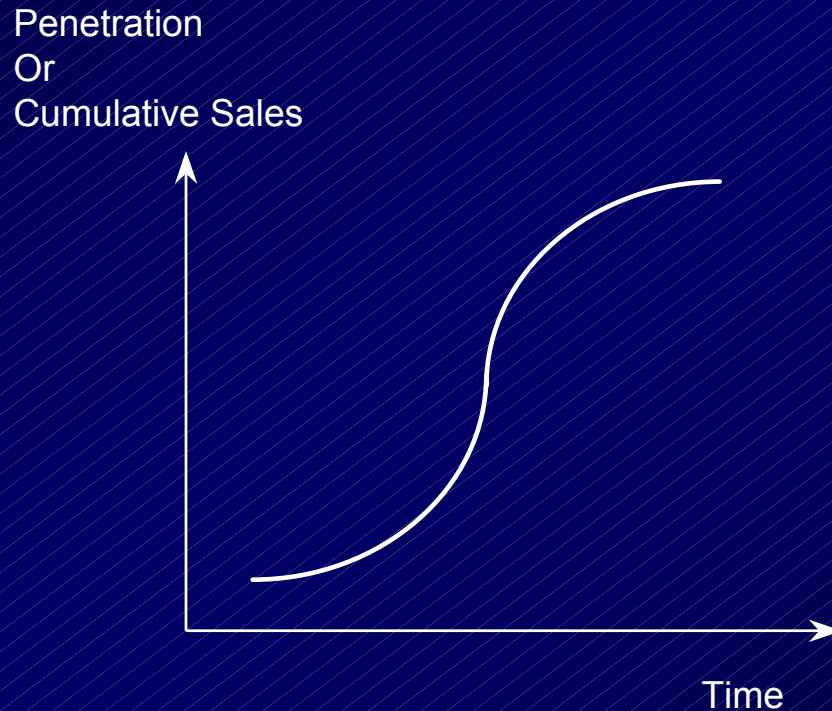


# Market Evolution over the Life Cycle

- Drivers of diffusion
  - When does the S curve imply a diffusion curve?
- Managing the market
  - Market segmentation
  - Crossing the chasm
  - New markets, new needs: The Innovator's Dilemma

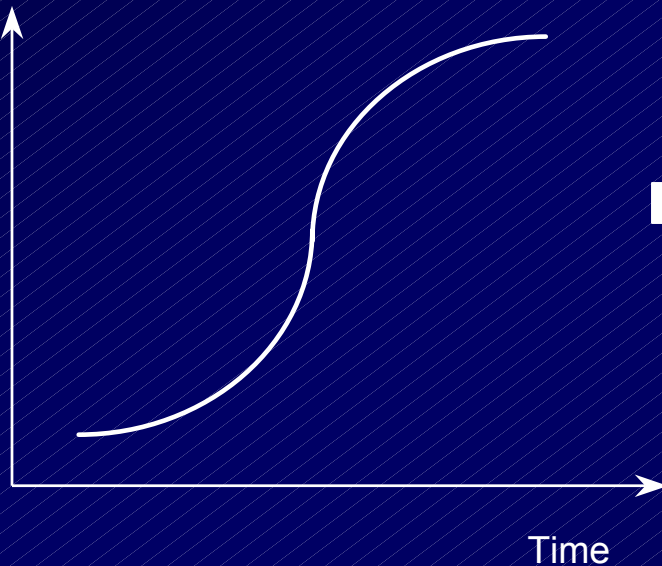
**What drove the diffusion of the CD?**

# The diffusion of many products and services follow a similar pattern:

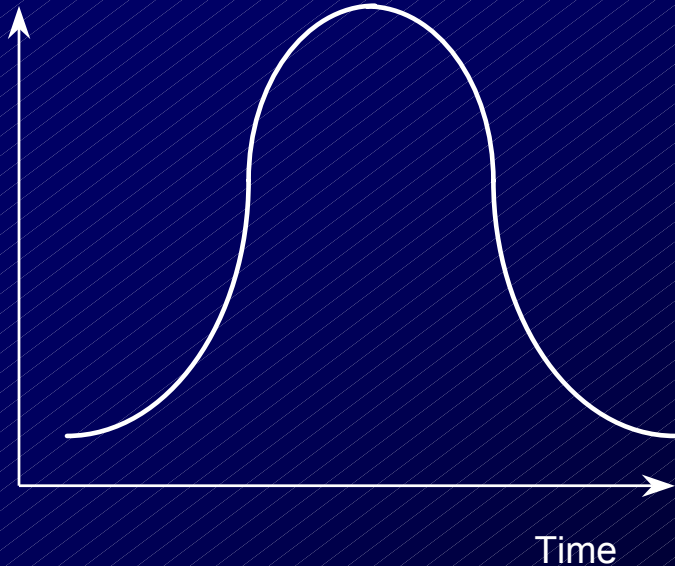


# The diffusion of many products and services follow a similar pattern:

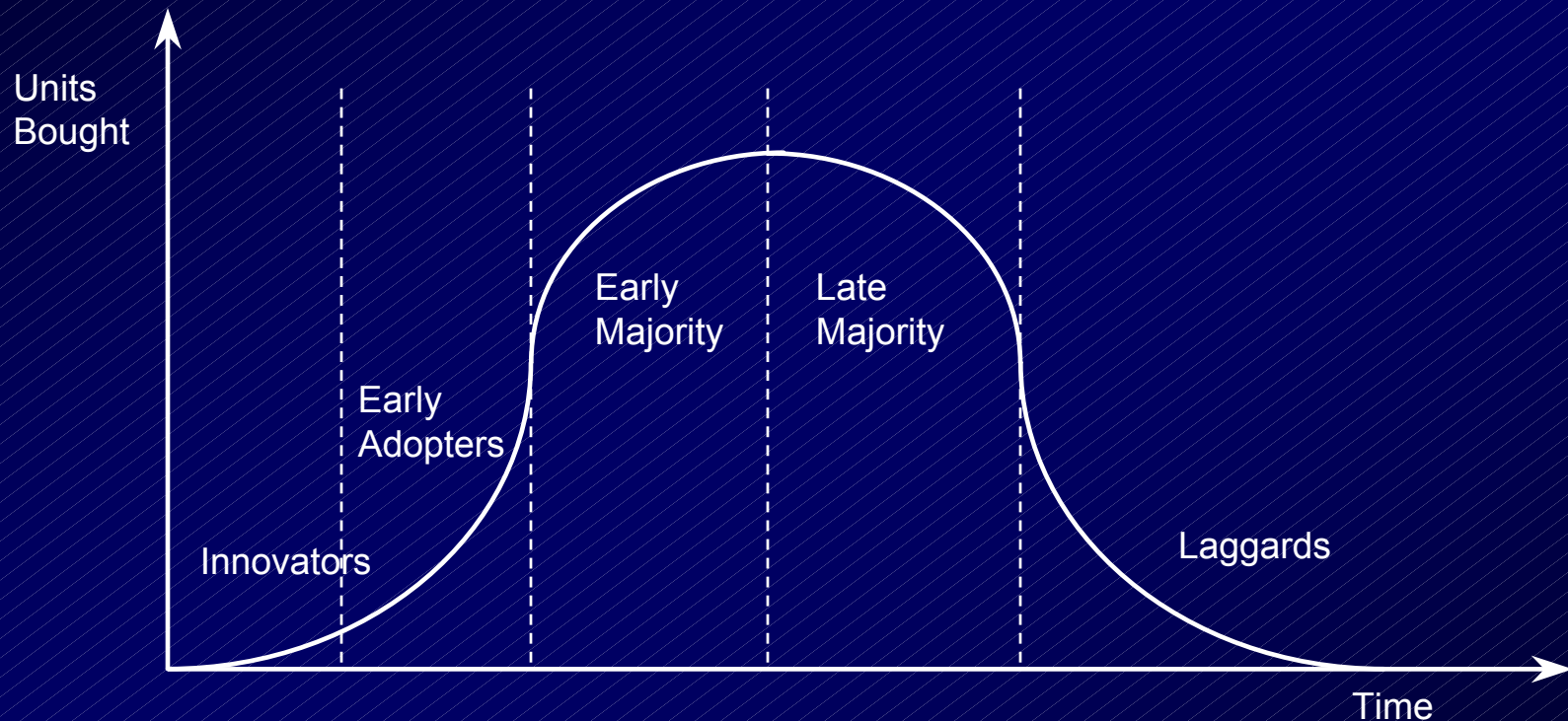
Penetration  
Or  
Cumulative Sales



Sales/year

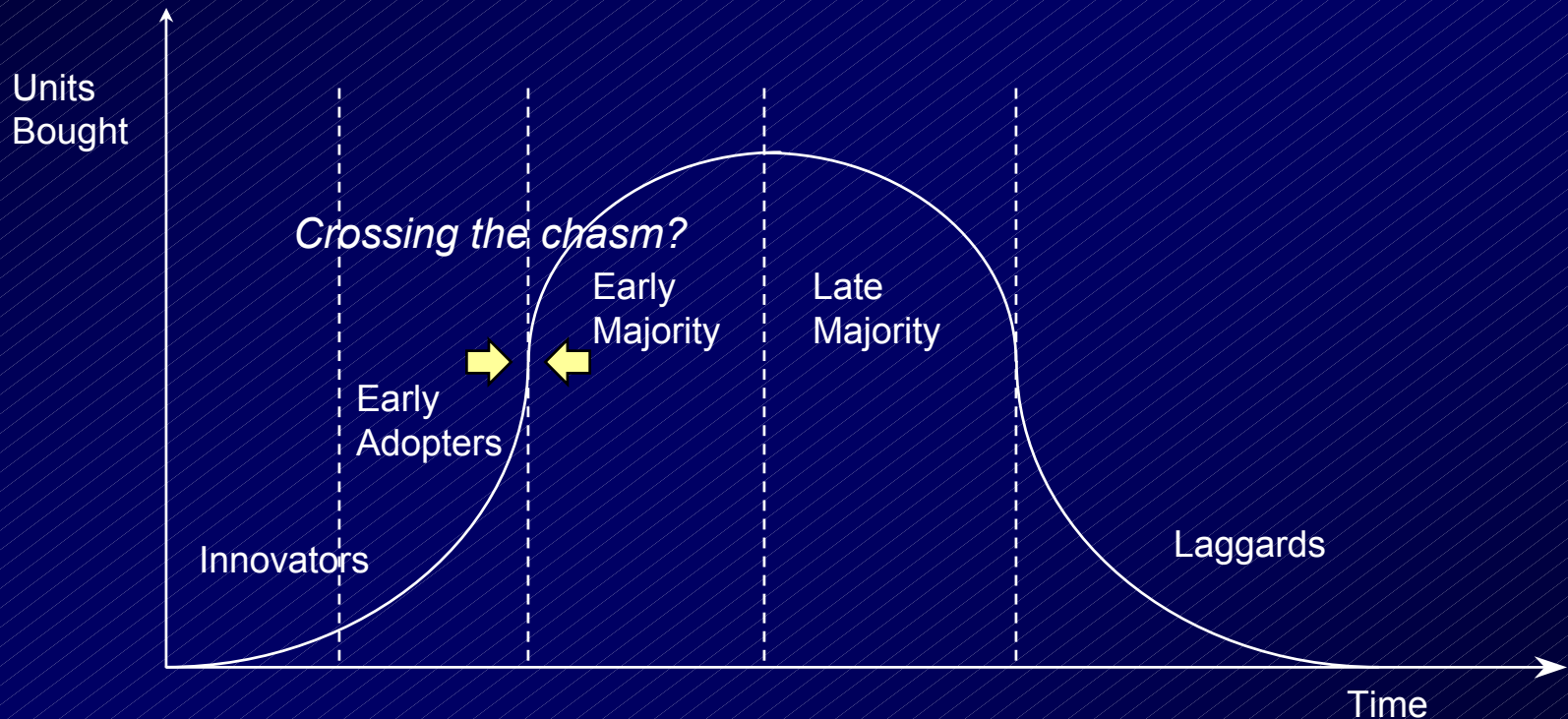


# Understanding market dynamics: Basic segmentation (Rogers)



*Adopters differ by, for example, social, economic status -- particularly resources, affinity for risk, knowledge, complementary assets, interest in the product*

# Understanding market dynamics: Crossing the chasm: (Moore)



***Making the transition from “early adopters” to “early majority” users often requires the development of quite different competencies: e.g. service, support capabilities, much more extensive training.***

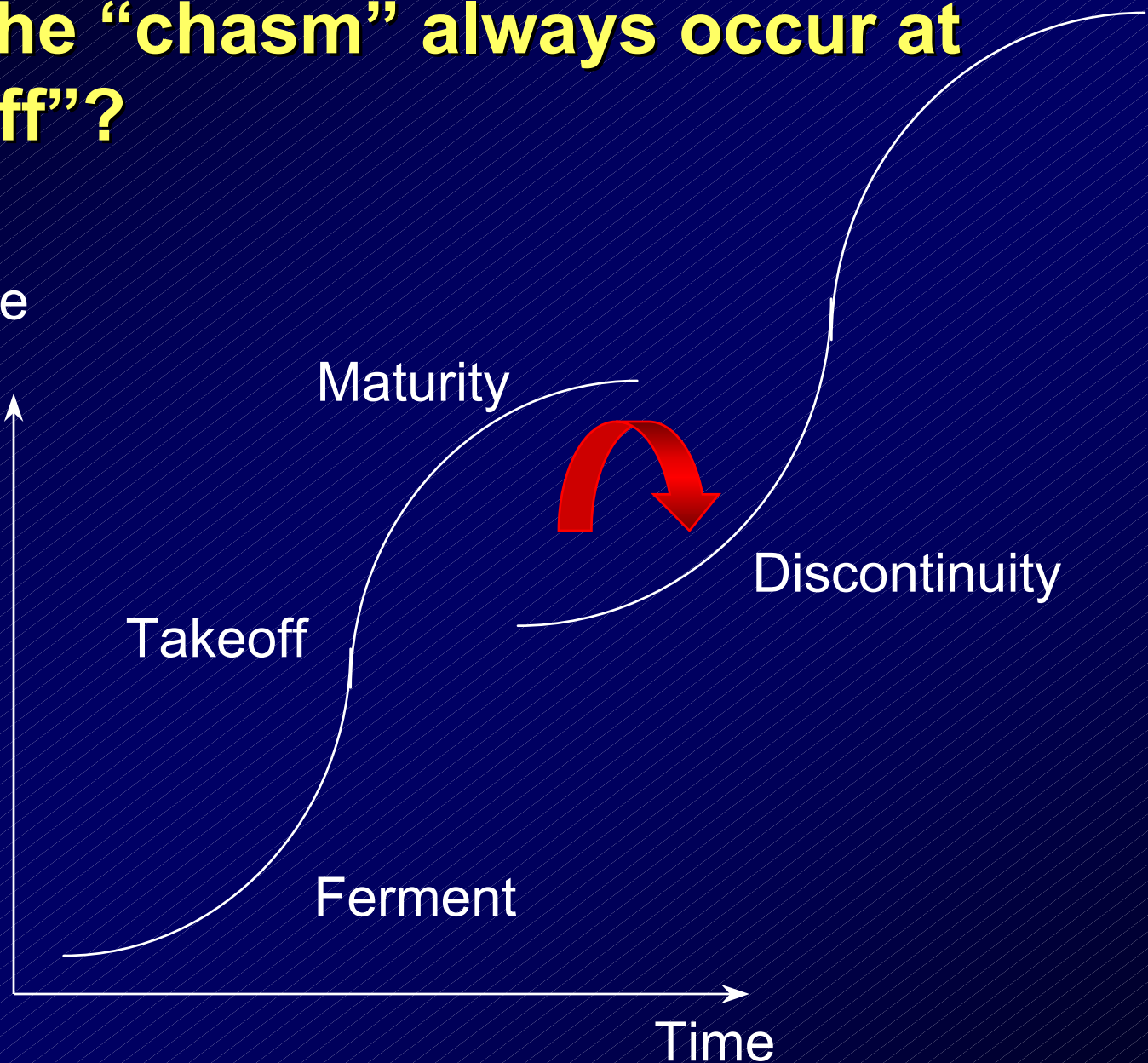


# Characterizing the segments

- Innovators                      Technology Enthusiasts
- Early adopters              Visionaries
- Early majority              Pragmatists
- Late majority              Conservatives
- Laggards                      Skeptics

# Does the “chasm” always occur at “takeoff”?

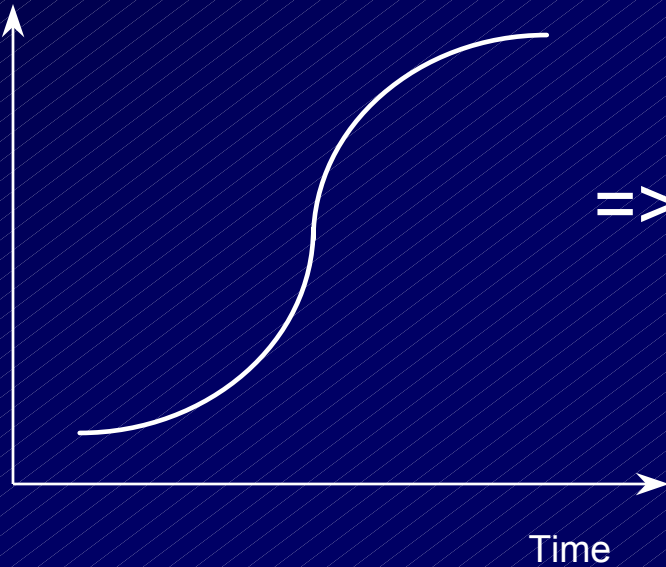
Performance



Time

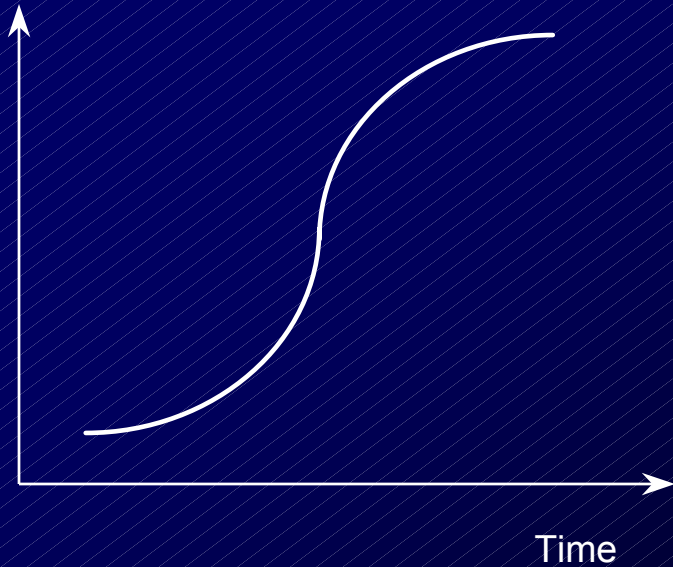
# What is the relationship between the S curve and the diffusion curve?

Performance



=> ?

Cumulative sales



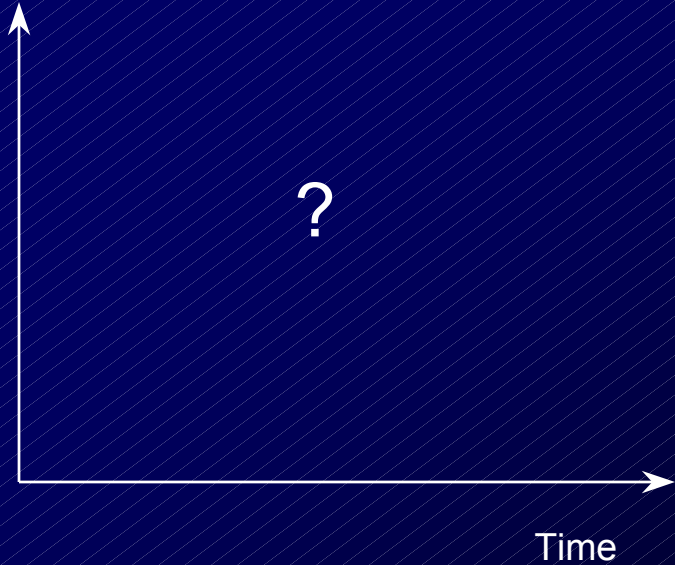
# If technology never changed, would there be diffusion?

Performance



=>

Cumulative sales



# Thinking through diffusion

Technology is:

Static

Evolving

Customers are

Homogeneous

Heterogeneous


# Thinking through diffusion

Technology is:

Static

Evolving

Customers are

Homogeneous

Heterogeneous

Information (eg w.o.m.) Externalities Supply constraint Price	

# Thinking through diffusion

Technology is:

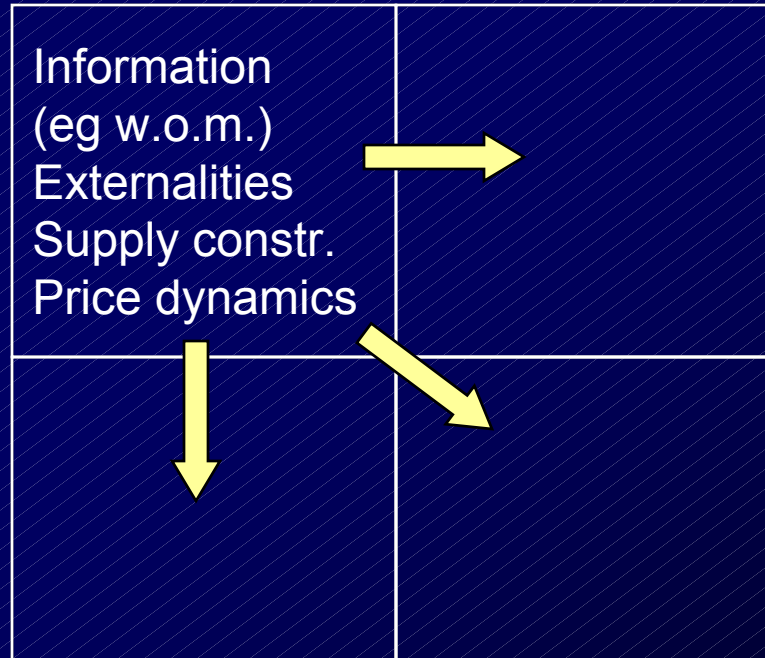
Static

Evolving

Customers are

Homogeneous

Heterogeneous



# Thinking through diffusion

Technology is:

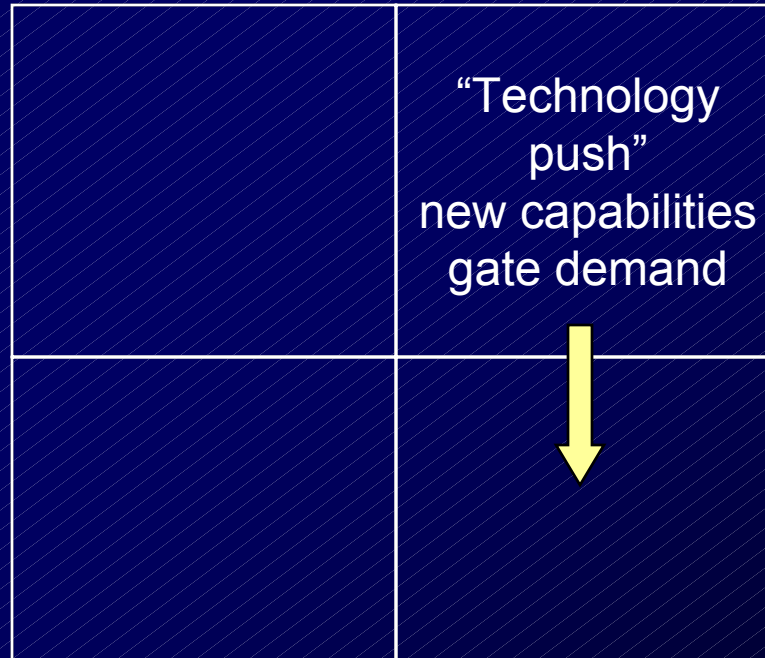
Static

Evolving

Customers are

Homogeneous

Heterogeneous





# Thinking through diffusion

Technology is:

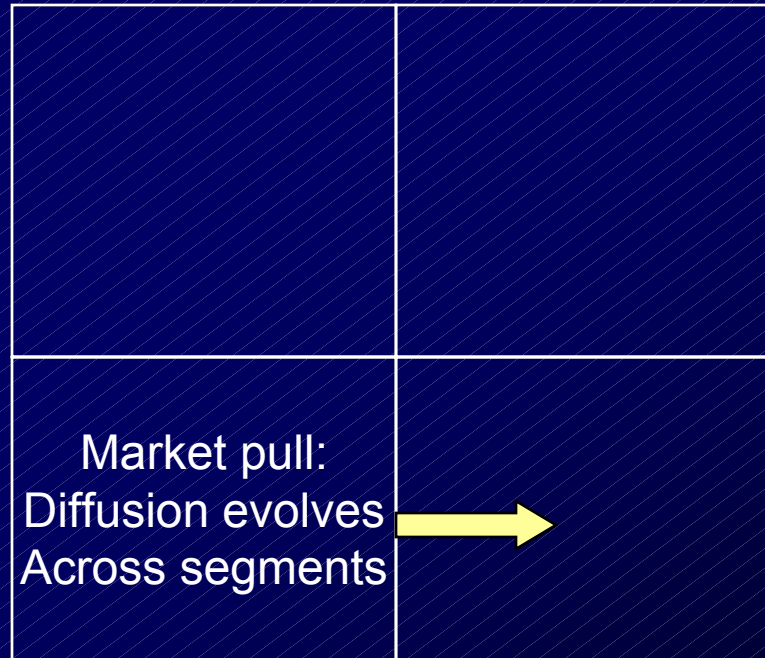
Static

Evolving

Customers are

Homogeneous

Heterogeneous



# Thinking through diffusion

Technology is:

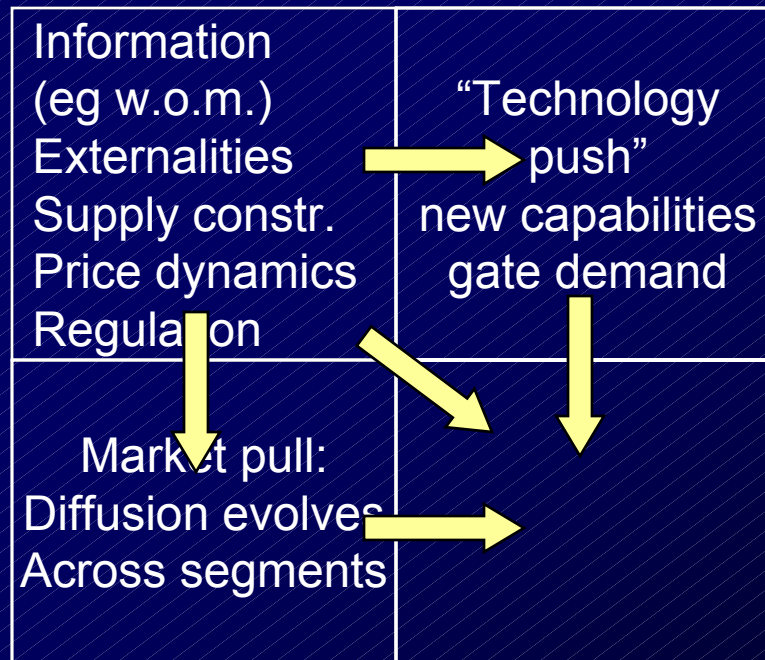
Static

Evolving

Customers are

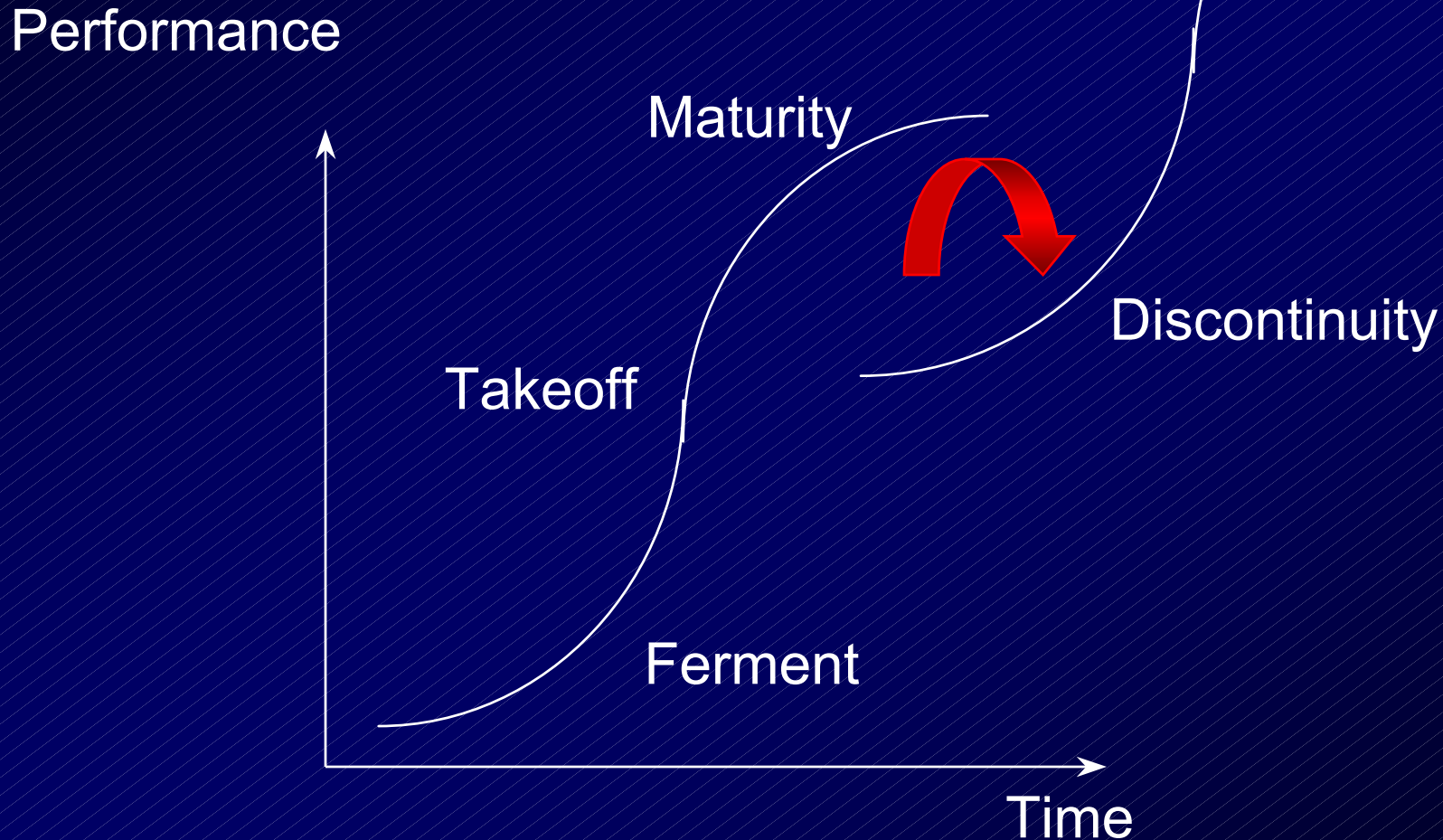
Homogeneous

Heterogeneous

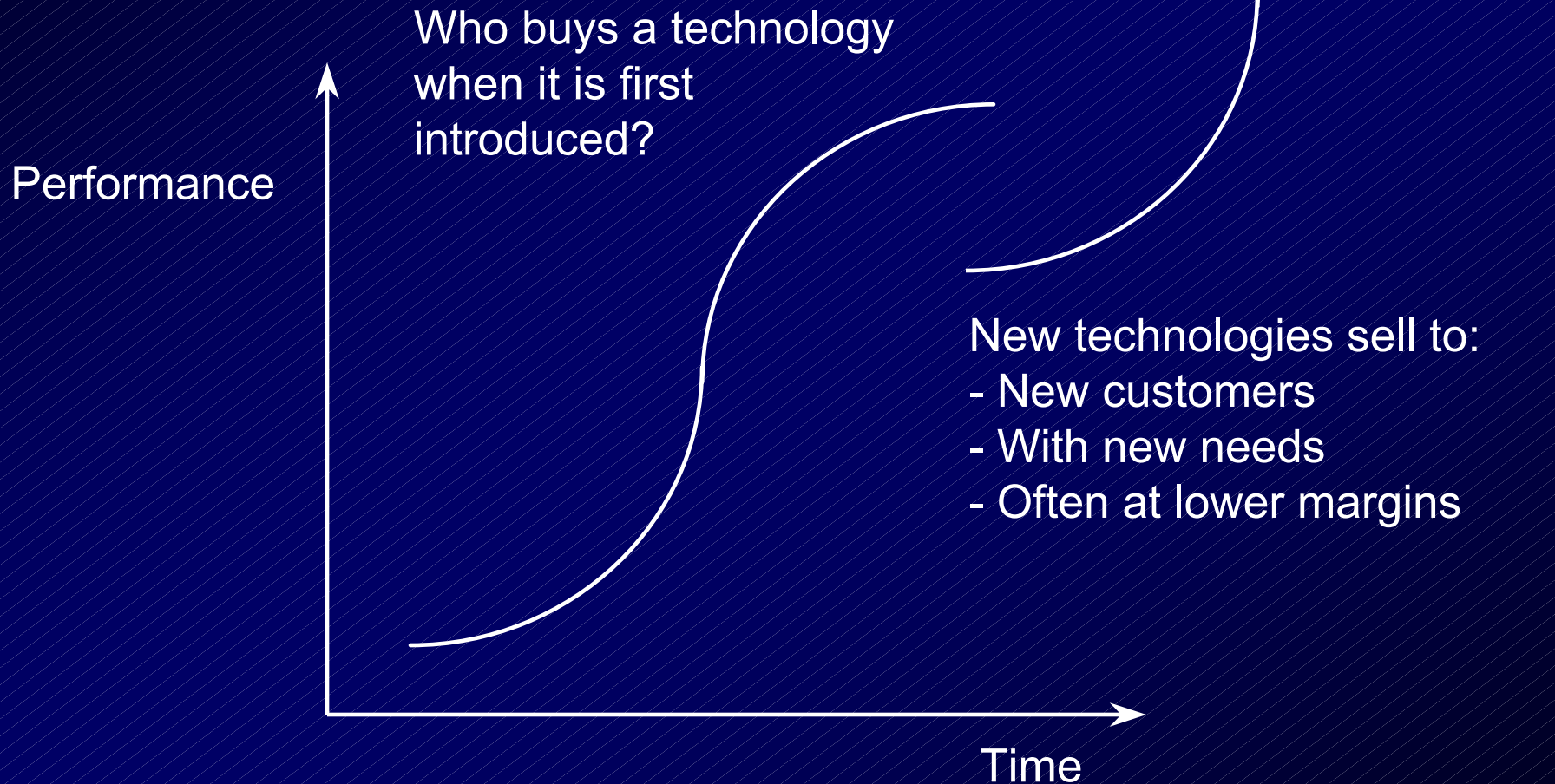


**Thinking about  
discontinuities from a  
market driven perspective**

# From Moore's perspective, why should discontinuities be hard?

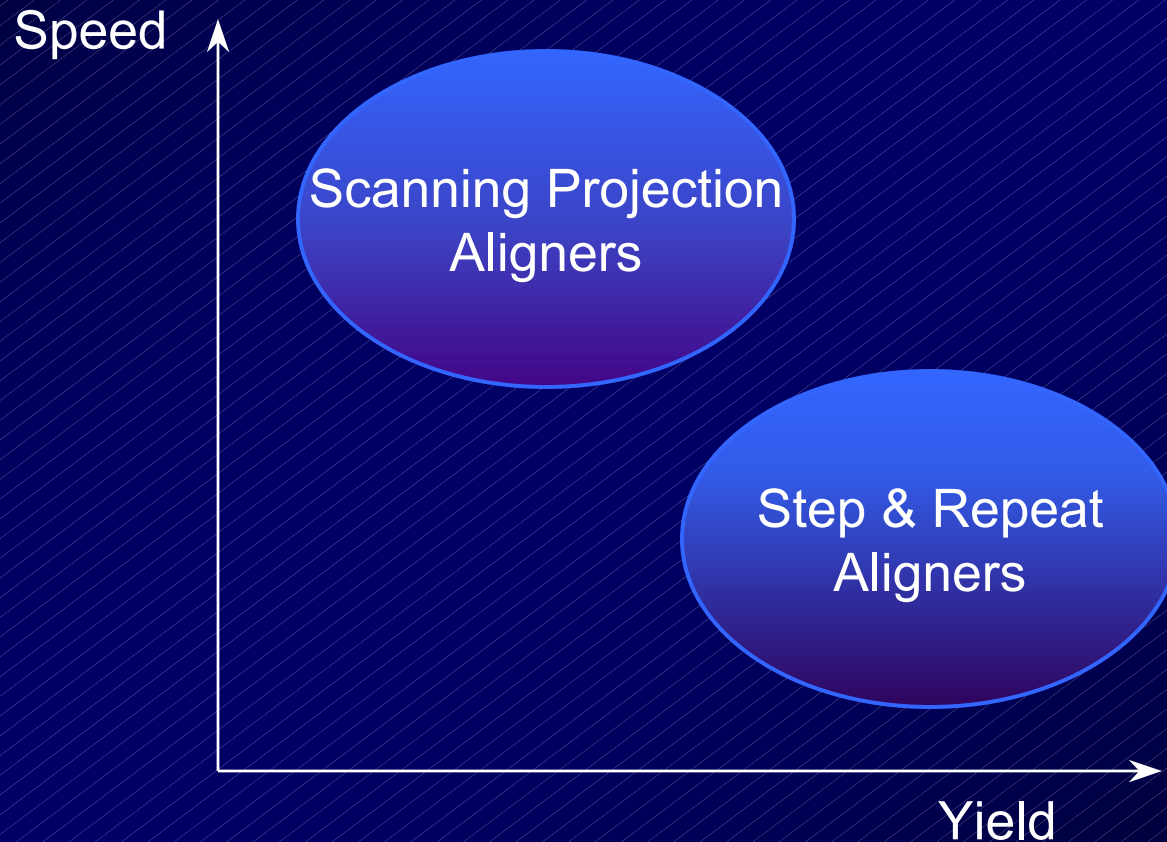


# Managing customers at moments of disruption



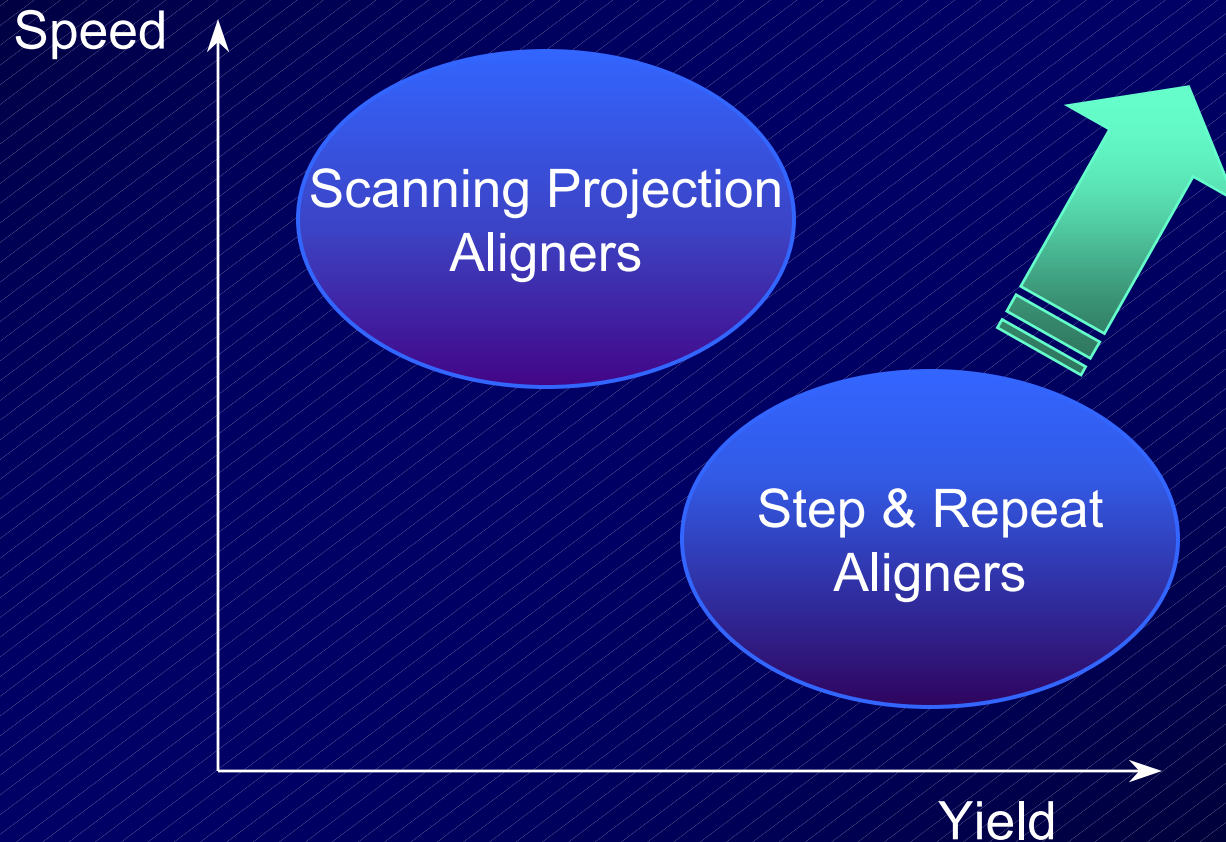
# Initially, S&R aligners sold to customers with different needs:

For example: *Semiconductor Photolithography*



# But then they improved sufficiently to take the whole market

For example: *Semiconductor Photolithography*

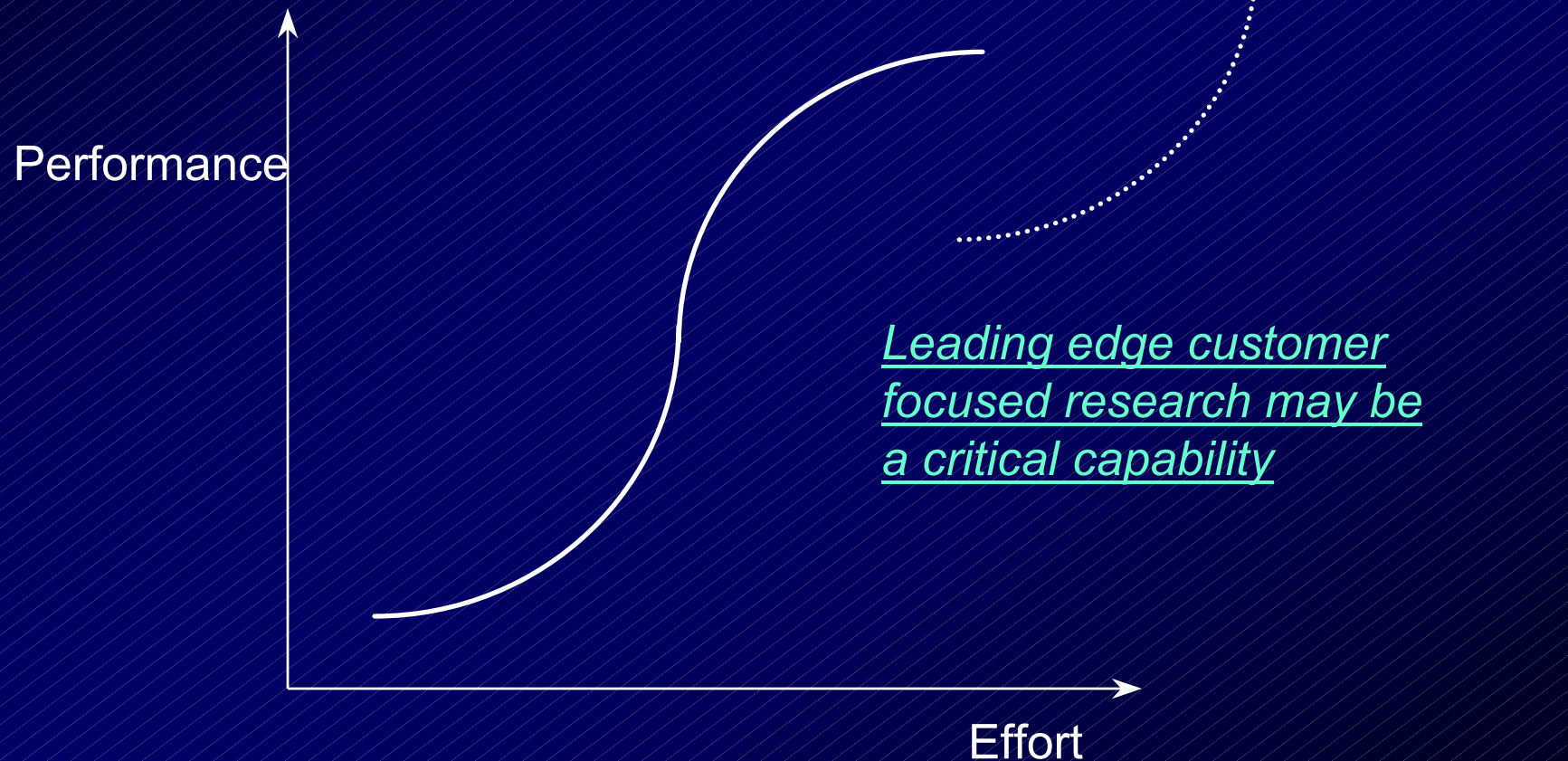


**Some new technologies sell to niche markets  
with less demanding requirements**

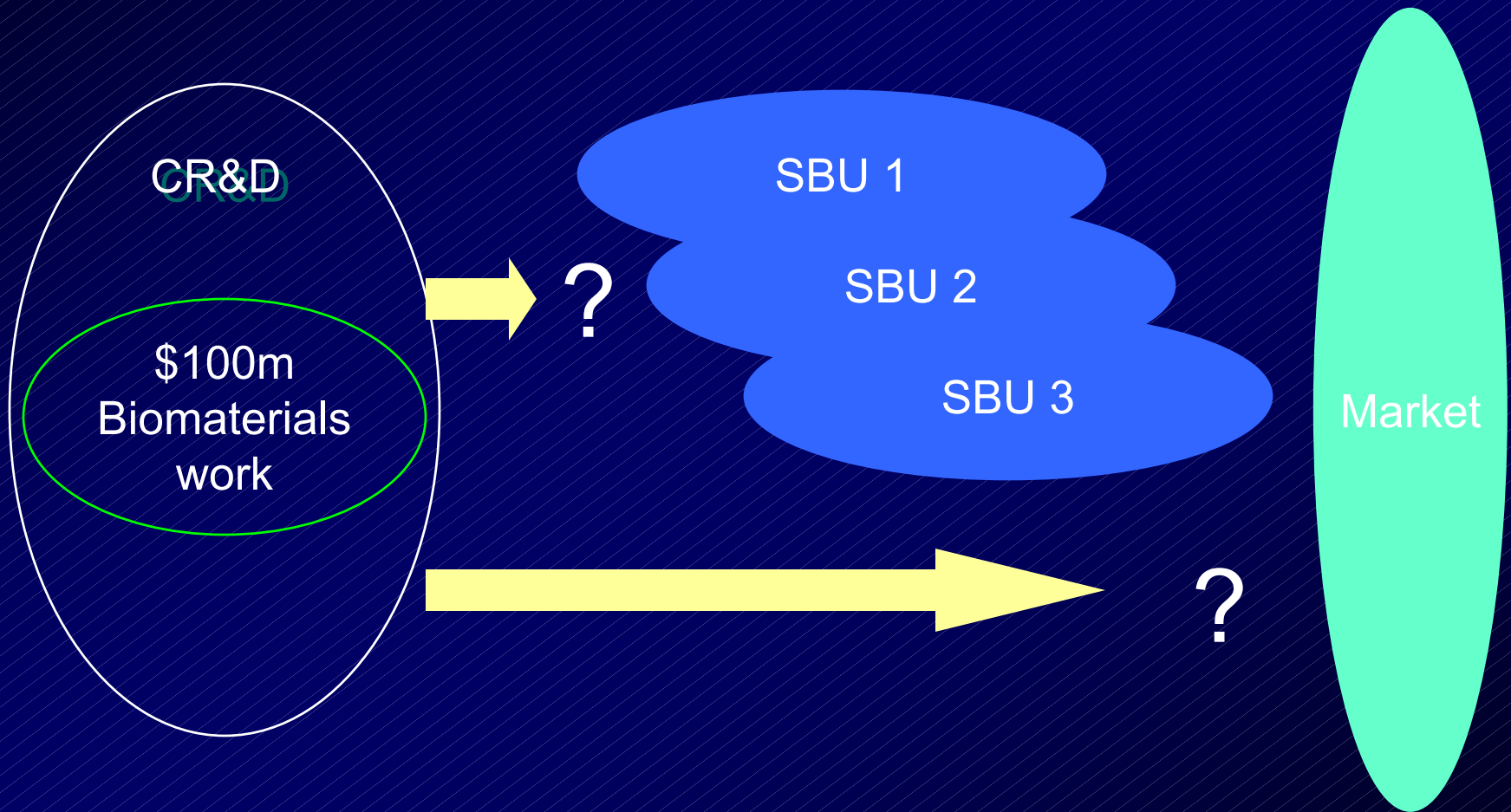


**Are all discontinuities disruptive in Christensen's sense?**

# Managing the change in customer groups may be the hardest task!



# A major materials supplier: The Problem



# What can be done?

- Launch and hope?
- Lead user research
- Virtual products
- Small scale experiments



Significant  
resources required!