# Understanding the Product Adoption Lifecycle



Romil Desai
Presenter, upGrad

In the previous session, we discussed how important it is for you as a PM to understand various environmental factors, competition, as well as know how to size the market. Apart from this, what's also important to understand is how would you know if the product or feature that you're working on would be accepted in the market, and how long would it take for a product to gain traction amongst users? They say, it's not always easy to get your first hundred users, especially if a product is new in the market. Now how do you tackle such a situation? Let's go ahead and understand.



Mangesh Dalvi
Sr. Manager, Product Management, Amazon

So, the product adoption life cycle is a very helpful tool for product managers to understand generally how a market is developing or how it is expected to develop for new product category and understand where in the lifecycle is the acceptance for your product category currently.
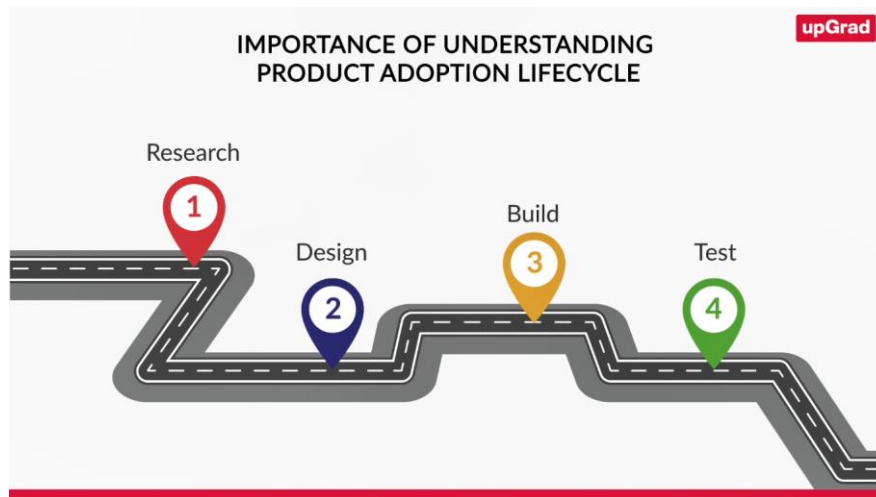
So, understanding this is useful for PMs to basically develop efforts or develop their roadmap or plan their roadmap as they go ahead. Knowing what kind of audience and how much of an audience is going to start using their products in the future.

As a PM, you also need to see, what you need to understand is the factors that are involved in the psychological adoption process of the end-user for a particular product or a service across various faces of the production life cycle, in order to be then able to influence or positively influence the product at appropriate stages.



The rate of product adoption would also depend on different factors. Like is the product addressing a known need or an unknown need? Then other market players in other categories as well, and what has been the response to them and to their products? Do they think that the products in their category are must have, or good to have or do you think that the product, the purchase of the product, is it a high involvement decision, for example, does someone need to try the product before it's purchased or what is the price point that is favourable for looking for cheaper products. For example, in the case of online products, also in the case volume products actually, things that mattered is how easy or difficult is it to use the product. How many users can you expect to target your online marketing efforts and stuff like that?

So, consumers can then basically be grouped on the basis of how quickly they're adapting to a new product. So, there are some consumers who are some users who adopt the product as soon as it comes out in the market. This is typically to say, let's take an example, in the case of a brand like Apple, there are a bunch of hardcore brand loyalists that Apple has. So, whenever Apple launches a new product or a new variant of a product, the loyalist would be the first ones to purchase a product.
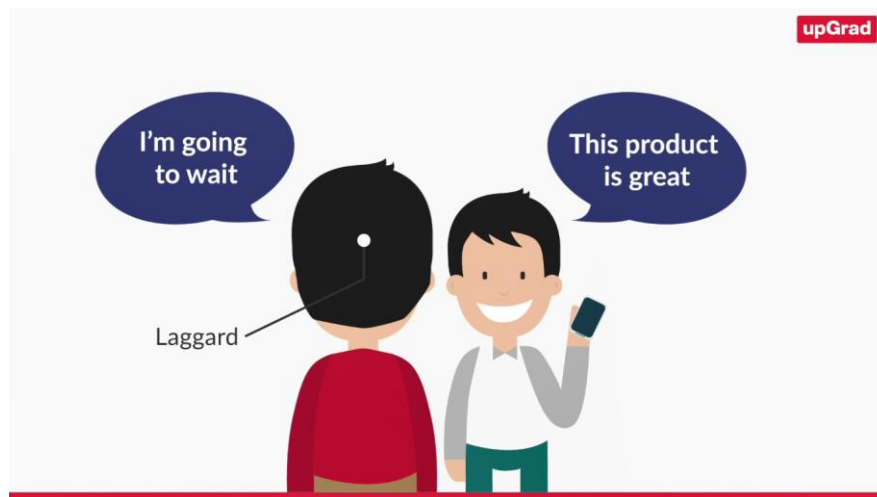


On the other hand, there are customers who would delay their purchasing decision during the product has been in the market for a while and there is enough of a review or enough of an understanding of how it works and what it does. So, they wait for the product to be tested by the market and by a sufficient audience so that there is a good amount of data available to them to make a purchase decision. Now between these two extremes is a continuum of users, right, that a product manager should know about.
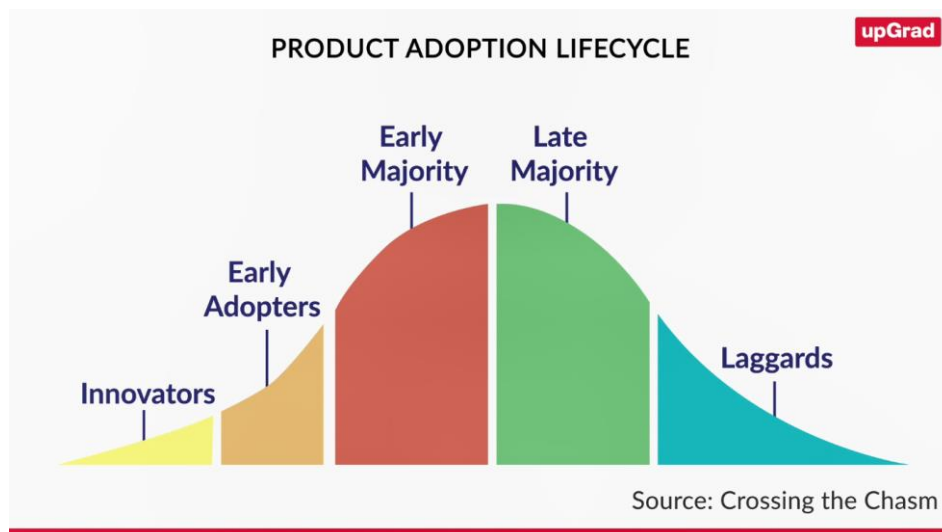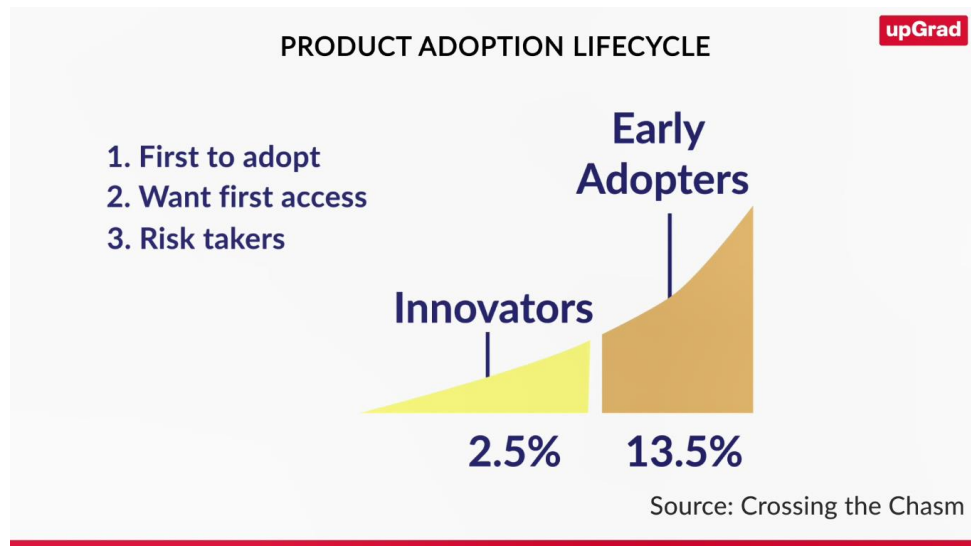


This continuum typically consists of five sets of users. The innovators, then come to the early adopters, then the early majority, the late majority, and finally are the laggards. So, these different stages of a product adoption life cycle usually call for different strategies by PMs to understand and appreciate and then increase the penetration of the product into the market.

It's interesting how product adoption goes through various stages in order to gain popularity and reach the market. But how do you identify the people or other personas who would adopt the product at various stages? Who would be the very first person to adopt and use your product? Would they then recommend the product to others? Let's go ahead and find out about the different personas or people who would adopt the product at the various stages of the product adoption life cycle.



So, let's look at some of the personas at each stage of the product adoption life cycle and how they behave towards the different products that they work with. So, innovators and early adopters. So, typically this entire category accounts for about one-sixth of the user base, or actually 2.5% and 13.5% respectively.

PRODUCT ADOPTION LIFECYCLE

1. First to adopt
2. Want first access
3. Risk takers

Early Adopters

Innovators

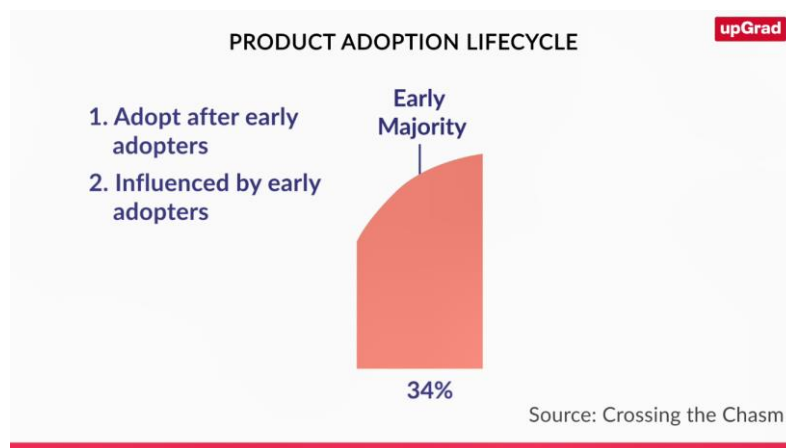2.5%    13.5%

Source: Crossing the Chasm

And they will be the, typically the first ones to adopt any new product that is launched in the market. Such user base also likes the feeling of being part of a very special group of people who get access to products earlier. And they usually display higher risk-taking ability, and they're willing to invest significantly more to get first access to a product.

So, as an example would be a say, users who actually pre-ordered a book or pre-order any product before it's even been released. They're the ones who would form an opinion about your product. And the good thing for brands, if he was a PM would use these set of users as evangelists for your product, and for its future.
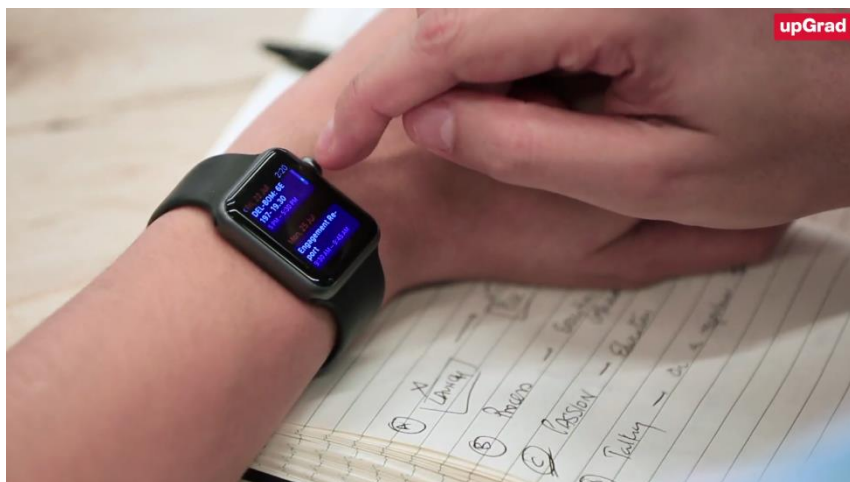


So again, let's take the, let's continue with the example of Apple. The Apple watch for example, right, was launched in 2015. And as we discussed earlier, anyone who is loyal to the Apple brand, most of them would actually end up buying the new Apple watch as soon as it is launched. The innovators and early adopters are the ones who will pre-order this product and would be the first ones typically to stand outside, stand in lines outside the Apple store. Or if they are doing it online, then they will be the first ones to register for online sales. And these segments are very critical for PMs when you're launching any new product, especially, so that you target the early adopters and the early audience very, very promptly.

PRODUCT ADOPTION LIFECYCLE

1. Adopt after early adopters
2. Influenced by early adopters
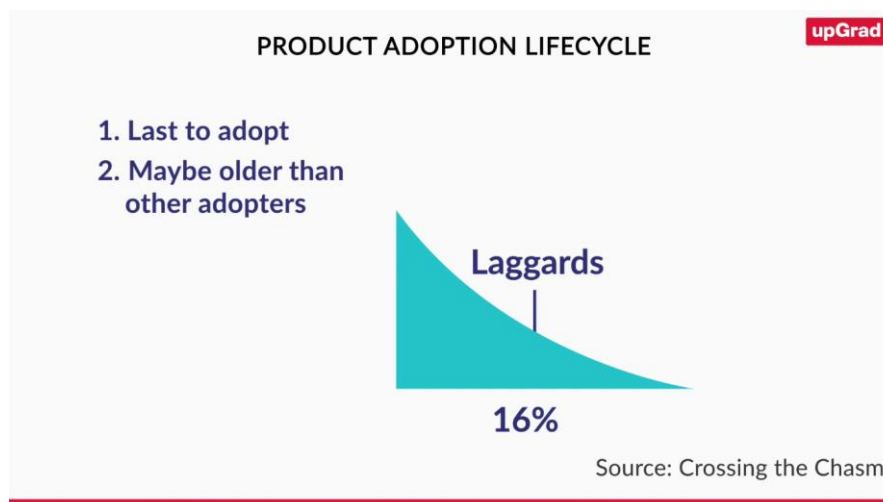
Early Majority

34%

Source: Crossing the Chasm

The next set of individuals who come in or who would actually access your product would be the early majority, which is nearly one-third of the total population or 34%. So, these users or these individuals would adopt a product after a varying degree of time. And which would be much more certainly more than innovators and early adopters, but lesser than the laggards. And then they'll be influenced by the early adopters more.

So, continuing with the example of Apple watch, so typically this would be users who would want the product, but would probably not pre-order it or they would not really stand in line to purchase it. So, they were the ones who would be in touch with the early adopters and the innovators and seek their feedback. They would actually go to different forums and understand how this product works and they would assimilate a lot of useful feedback about the product, a good amount of feedback from the early adopters, and then take it forward and actually make the decision to purchase it or not.



PRODUCT ADOPTION LIFECYCLE

1. Sceptical

Late Majority

34%

Source: Crossing the Chasm
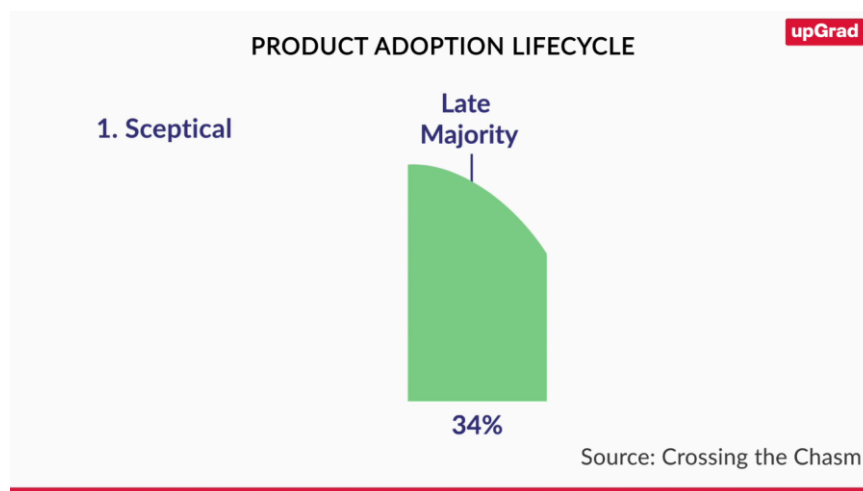
Next comes the late majority who is again the balance, the one-third of the population, about 34% again who adopt an innovation after, well most of the average society has already adopted it, they are actually the next ones to go with it. Typically, this audience is usually sceptical rate about purchasing a product. In the case of Apple watch, it would be the users who actually seen how the Apple watch has performed with the good amount of population already in the market. And they would also at that same time know what is, like, what kind of apps are being developed for the product and what kind of a response does the general community have about this? They would typically have questions about the functionality, like how these actually work on a small scale.

PRODUCT ADOPTION LIFECYCLE

1. Last to adopt
2. Maybe older than other adopters

Laggards

16%

Source: Crossing the Chasm

And last but not least, is the laggards, who would be the balance one-sixth of the market. They are typically the last ones to adopt any innovation and generally avoids changing. They may be typically also older than some of the other adopters even from an age group standpoint. So, some of this, in the case of Apple Watch, the laggards would be those ones who actually need time to see if they actually need this product at all. They'll probably usually wait out till the watch is tried and tested, and even maybe wait for the next version of the watch to come out before deciding whether they should purchase one or not.



iWatch
25% Discount

Typically, they also are very strong deal seekers and end up purchasing the product only when it is on a heavy discount. So, a PM who's working towards improving an existing feature or a product would need to understand the different consumers who are the early majority, the late majority, the laggards to understand what are some of the features, say, the must have features, the good to have features that would be appropriate for each of these segments. So, this will typically give PMs a lot of input for improving and pushing the product to these specific individuals.

Romil Desai
Presenter, *upGrad*
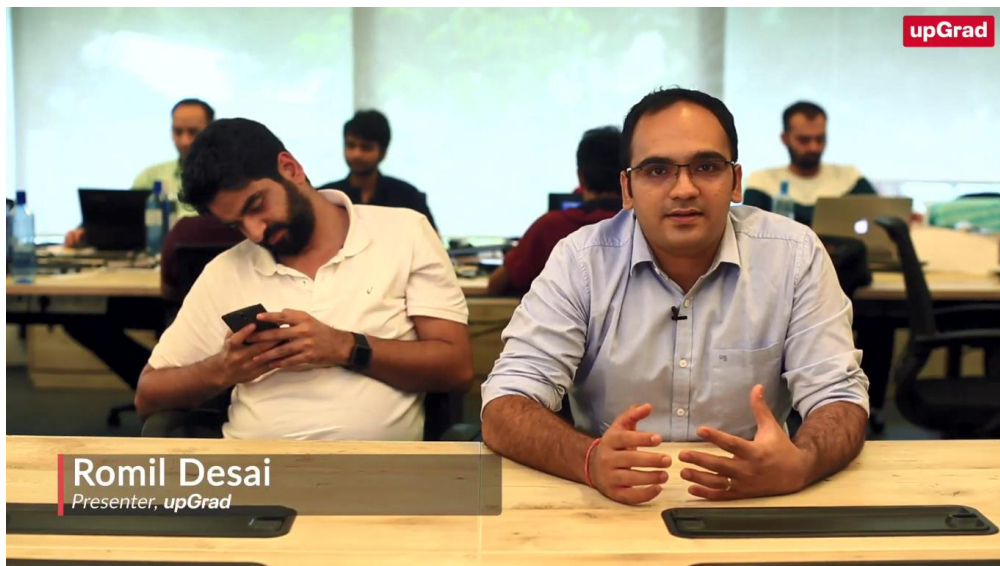
You now know, you first need to identify and target the innovators and the early adopters to get your product into the market so that they promote your product. It will be interesting to understand how a product or feature changes within an industry through the entire product adoption life cycle.



Mangesh Dalvi
Sr. Manager, Product Management, Amazon

So, now that we know that the various personas at the different stages of the life cycle, let's apply that to one of the industries. Let's say, the furniture industry. So, in the furniture industry, if you see visiting stores and purchasing furniture would be at the laggard end of the adoption curve, right? So, to actually go to a physical store, for example.
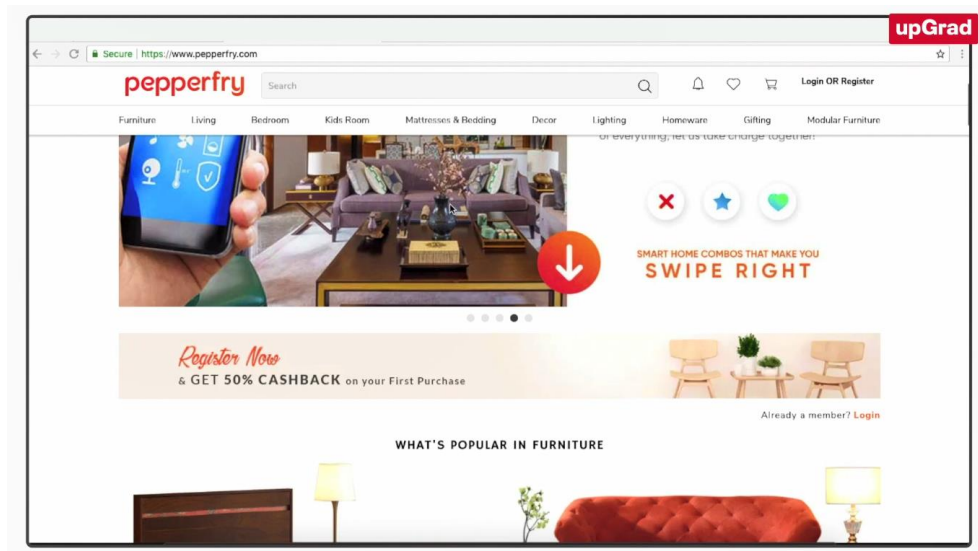
But people who used to purchase furniture traditionally by visiting stores have now started purchasing furniture online with companies or with products that are developed by companies like PepperFry, Urbanladder, etc., who are actually providing consumers with the opportunity to browse and select furniture online, either on the app or on the websites, etc. And there are many people who are still apprehensive about purchasing furniture online as they'd like to, say, get the touch and feel of the product that they're purchasing.

Hence, purchasing the furniture online would be the early majority of the adoption curve. But as you go ahead, and as you're developing products for, say, the laggards or the late majority, you may, PMs may need to consider how they can incorporate this whole touch and feel aspect into their product or how they might make it into the software, for the buying cycle for the user to make it much easier for the late majority.

In the case of the early majority, in this case, you see that you can apply for a specific population of the people as well. So, that is also critical to decide what kind of a target market do you want to address when you're starting out with a product. One example could be working professionals in Bangalore. Now if this population want to be considered as the entire population of India than buying furniture online would become a fall to innovate the innovator category.
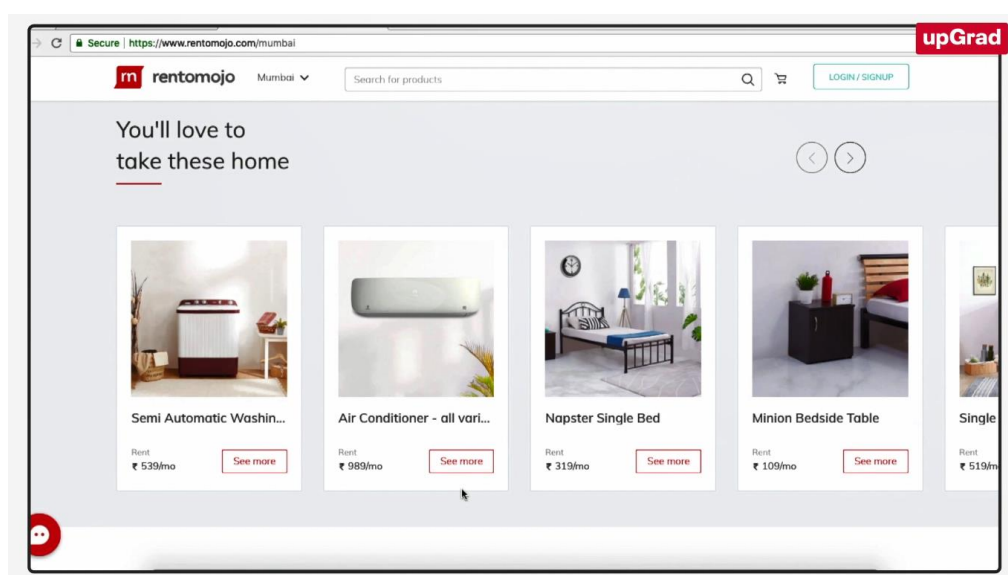
But the newest category in the furniture industry would be, say, the furniture rentals. We've actually seen a lot of startups, again coming up in this space, right, and excellent products that have been developed by Furlenco, Rentomojo who are essentially catering to this audience. So, the audiences typically who keeps moving between different cities and probably staying on red so that they don't want to invest in purchasing furniture out right now.

These individuals would pay a monthly amount for the furniture that they're renting. And renting furniture, in general, is in very early stages in the adoption life cycle, both in metros and certainly across tier two and tier three towns in India. But basis the number of people who've adopted red furniture rentals as a product or as a concept, it would definitely fall into the innovator category of the adoption lifecycle.

So, the product adoption lifecycle varies from region to region again, right? If you just take the example of one of the most popular industries that are going on right now, food tech. So, it basically means ordering food via the web or mobile apps. If you look at that industry, the number of people, say within 35 years of age in tier-one cities like Bombay, Delhi, Bangalore, etc., it's quite possible that nearly at least half of the users are relevant users in this category have already used one of these apps.

But using this information, you can certainly infer that it's in the early adoption stage in this category. But the same can't definitely be inferred about the entire population in these cities, right, if you consider the population above 35, for example. So, in that case, the number of people who are using the food ordering apps might be more of innovators or they might not actually be in the innovative segment yet.

So, if someone above 25, you see, then yeah, then he would be in the innovator or the early adopter segment. If you consider tier two cities again in India, then say products like Zomato or what products Zomato is trying to build, they're still in the early adopter stage in these cities. Most users are still trying to get acquainted to the whole concept of ordering food online or learning about the benefits of these products, which fundamentally help them view, say a restaurant, understand what the data of what the restaurant, what kind of food options it offers, what are the pricing, etc., all at the tap of a single pay. So, that's where a lot of these users in tier two or tier three towns would still be getting clipped to products coming out from Zomato.

Now you have a fair understanding of the various users across the product adoption life cycle. However, I wonder if all the products go through the entire life cycle, what happens with the ones that fail? Is there a point in this life cycle where the products tend to fail? Let's find out.



Now let's look at one more interesting phase that most companies and product go through as part of this whole product adoption lifecycle, right, which is the Chasm. So, what is the Chasm? The chasm basically exists because, after a certain point of selling your product to early adopters, you fundamentally reach the sales plateau where your next stage of growth is to now take it to the masses.
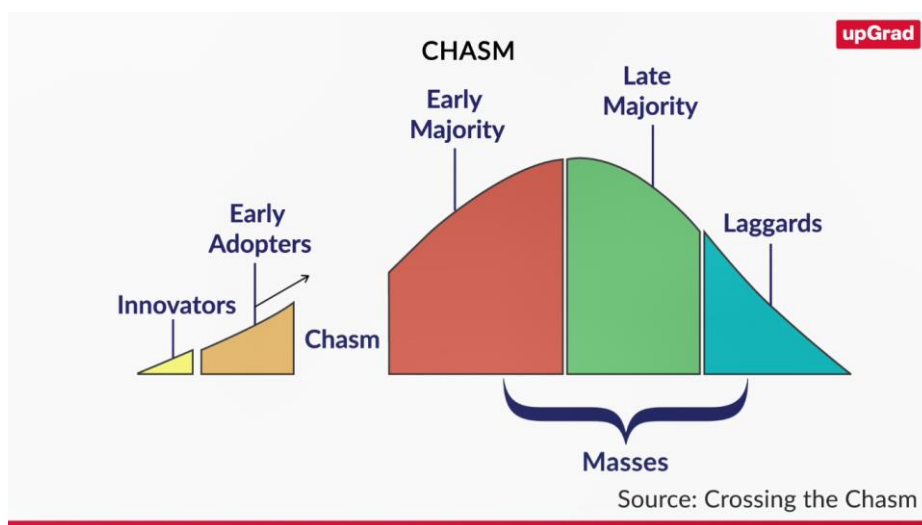


The basic issue here that entrepreneurs and PMs face when trying to cross the chasm is the fact that why early adopters are okay with incomplete features of MVP of sort say, which is a minimum viable product, and early-stage technologies in general who are okay with the product. The early majority is a little more pragmatic and they'll only accept the product once it actually solves a bunch of problems that they really face, right? So, to pin the product must represent a practical improvement to what they do, not merely the promise of a future ROI potential, for example.

So, it's important to learn about the chasm mainly because this is a fact that a lot of PMs neglect and tend to neglect now, they have failed to surpass. Also, because it's really difficult, right? Because you're not trying to make that curve or trying to make the jump from early adopters to the early majority.

We've come to the end of this session and I'm sure it was very illuminating. Understanding the psychology of your user and the product adoption life cycle is central to your product success. So, let's take a quick look at all the points we covered in this session.

For starters, you learned that the product adoption life cycle helps you understand how your product categories developing in the market, and at what stage of the life cycle the product category currently is. This is instrumental in developing a roadmap for your product. You also need to have a clear idea about the psychological adoption process of your end-users.
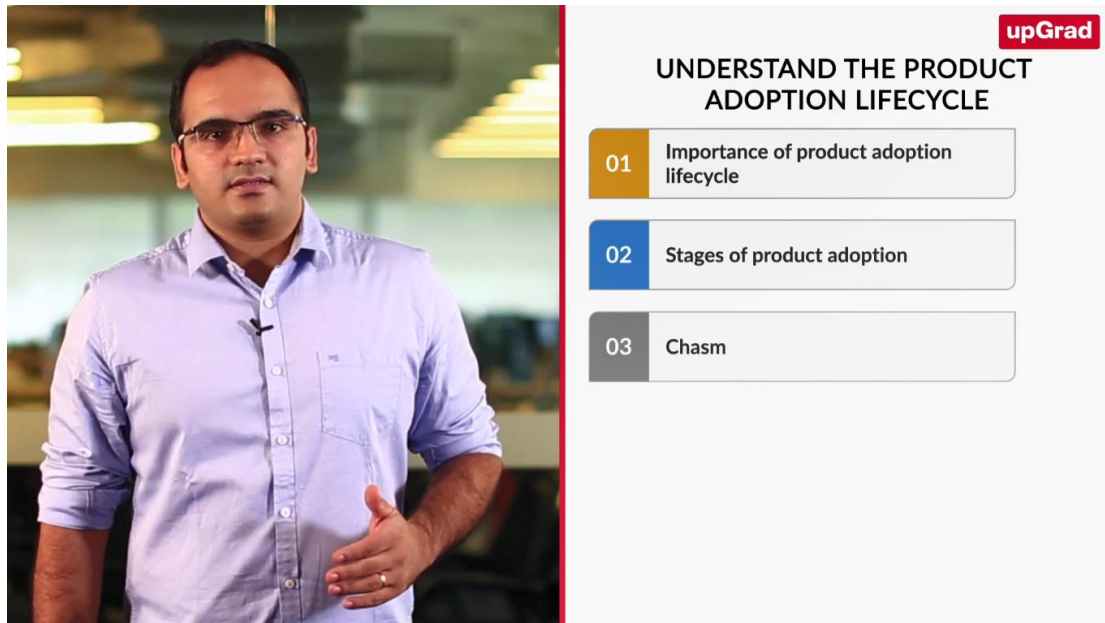


Next, you understood the various stages of product adoption life cycle, the innovators, the early adopters, the early majority, the late majority, and the laggards. Innovators account for 2.5% of your user base and the early adopters account for 13.5%. these are the users who like to get early access to new products, and they are the ones who will influence others to buy. Therefore, they're the evangelists for our products.

The early majority makes up 34% of your user base and they're influenced by the opinions of the early adopters. The late majority also account for 34% of your user base. They usually are a bit sceptical about your product and usually

look at its performance and functionality before deciding to buy. Finally, the laggards make up 16% of your user base. They are generally older hours to change and may wait a while to see if they actually need the product.

The apple watch example helped you understand the product adoption life cycles better. We also discussed this life cycle in the view of the furniture industry, furniture rental, and the food tech industry.



Lastly, you learned about the chasm. A point in the life cycle where your product reaches a sales plateau and your next stage of growth is taking it to the masses. The challenge here is that while the innovators and early adopters are okay with incomplete features and minimum viable products, the other sets of users only accept the product if it solves a bunch of their problems. It's a neglected phase, but one that's really important if you want to make the jump from early adopters to the early majority.



So, here is a new example of the chasm in product adoption life cycle. The product that we're going to talk about is the Amazon Fire phone. It's a 3D enabled smartphone developed by Amazon with $170 million investment. It was released on July 2014 for the masses. It had a great run with the innovators, had a lot of reviews, pre-launch as well as soon after the launch. But its acceptance started slowly declining and the early adopters and the product amongst the early adopters and the product finally started sinking into the chasm.

REASON FOR PRODUCT FAILURE

Bundle services were not useful enough
a. Less powerful apps compared with those from Google and Apple

The apps available were limited in both number and features
a. Poorly rated apps
b. Fewer apps (40,000 apps as compared with 1.5 million apps on Google Play Store)

Flagship features failed to impress the users
a. The 3D and Firefly features were not useful enough and could be easily replicated

The phone was bulky as compared with other phones
a. The other configurations were also poor

Now here is what went wrong with the phone. They're like four or five main points. First, it was uncool. It had 3D and Firefly as its two main USBs. Something that soon users realized was not cool enough to be able to switch from their iPhone or Android devices. They weren't powerful enough features and could easily be replicated by apps, either of the app store or the play store.

Second, it was very bulky. It was one of the heaviest and the thickest phones across all the latest phones at that time in that era. That's the key value proposition, which users while switching would, you know, judge a phone on. And this proved to be very negative for this particular phone. Even the other configurations were less than optimal for a phone priced amongst the top end of the spectrum.



Number three, limited applications. The phone relied on Amazon app stores instead of Google play store, which had some tool like 40,000 apps, which were almost like poorly rated and did not have the latest developers pushing their apps. So, this, if you compare to the Google play store, the Amazon app store had 1.5 million apps where most of the latest games and apps used to be uploaded, first.

COMPARISON OF AMAZON APPS WITH ANDROID AND IOS

Number four, bundle services. The bundled services with this phone were not good enough. Unlike Android and iOS, which had its entire suite of Google and Apple labs, which it was bundled with, the Amazon fire phone only had prime, uh, and some limited applications from Amazon OS. These weren't powerful enough for users to, you know, make that switch. Thus, the phone, which was super hyped about its innovative features and novel concept, got great traction among the innovators, but could not manage to fly past the early adopters and finally ended up in the chasm.