

Contents

| | |
|-----------------|-----|
| Preface | xv |
| Acknowledgments | xix |

Part 1. Framework for Product Strategy **1**

1. Strategy Requires Vision **3**

| | |
|-------------------------------------|----|
| Impaired Vision | 5 |
| Tunnel Vision | 5 |
| Blindness | 6 |
| Shortsightedness | 7 |
| Hallucination | 8 |
| Exceptional Vision | 9 |
| 20/20 Vision | 9 |
| Peripheral Vision | 10 |
| Foresighted Vision | 10 |
| Core Strategic Vision | 10 |
| Focus | 11 |
| Clarity | 11 |
| Completeness | 12 |
| Feasibility | 14 |
| Who's Responsible for Vision? | 14 |
| When Change in Vision Is Called For | 16 |
| Need for Clarification | 17 |
| Need for Evolution | 17 |
| Obsolescence | 18 |
| How Vision Guides Strategy | 18 |
| Core Strategic Vision in Action | 21 |

| | |
|---|----|
| Digital Equipment Corporation: Wandering Without a Vision | 21 |
| Compaq Computer: Changing Its CEO to Change Its Vision | 26 |
| Apple Computer: Confusing Strategy with Vision | 29 |
| Notes | 32 |

2. Aligning Vision and Strategy **35**

| | |
|--|----|
| The CSV Boundary Framework | 36 |
| Aligning Financial Plans/Economic Model | 41 |
| Aligning Market Trends | 42 |
| Aligning Technology Trends/Strategy | 44 |
| Aligning Product Strategy | 45 |
| Aligning the Business Charter | 47 |
| Aligning Core Competencies/Value Chain | 47 |
| The CSV Boundary Framework in Action: Company ABC5 Case Study | 48 |
| Notes | 52 |

3. Building the Foundation: Product Platform Strategy **53**

| | |
|--|----|
| Ingredients of Platform Strategy | 55 |
| Benefits of Platform Strategy | 63 |
| Product Platform Examples | 68 |
| Apple Computer's 25-Year Platform Strategy | 68 |
| Microsoft's Windows NT Platform History | 71 |
| AT&T's Service Platforms | 71 |
| Walt Disney's Families of Product Platforms | 72 |
| Amazon.com's Common Platform | 74 |
| American Express's 100-Year Platform History | 75 |
| Medtronic's Pacemaker Platform Evolution | 75 |
| Product Platform Management | 76 |
| Platform Strategy in Action | 84 |
| NCR's Dundee ATM Division: Creating a Competitive Advantage through Platform Strategy | 84 |
| Xerox: Making a Life-or-Death Platform Transition | 85 |
| Intel: An Evolving Platform Strategy | 87 |
| Notes | 89 |

4. Defining the Offerings: Product Line Strategy **91**

| | |
|---|-----|
| Ingredients of Product Line Strategy | 92 |
| Product Line Strategy Examples | 98 |
| Amazon.com Product Lines | 99 |
| HP Color Workgroup Printer Product Line | 100 |
| Dell Desktop Product Line | 101 |
| Tylenol Product Line | 102 |
| Walt Disney World Product Line | 103 |
| Product Line Management | 104 |

| | |
|--|-----|
| Product Line Strategy in Action | 108 |
| IBM's ThinkPad Product Line Strategy | 109 |
| Intel's 486 Microprocessor Product Line Strategy | 111 |
| Notes | 116 |

5. Addressing Market Realities: The MPP Framework 117

| | |
|---|-----|
| Product Strategy Structure | 118 |
| The MPP Framework | 119 |
| Markets and Market Segments | 120 |
| Economic and Business Case | 121 |
| Product Offerings and Product Lines | 122 |
| Product Platforms | 123 |
| Value-Chain Strategies and Ongoing MPP Management | 125 |
| Managing the Technology Elements | 126 |
| Market Platform Plan in Action | 129 |
| Notes | 131 |

6. Successful Expansion Paths: The Leveraged Expansion Framework 133

| | |
|--|-----|
| Leveraging Product or Technical Competencies | 137 |
| Leveraging Market Competencies | 139 |
| Leveraged Expansion Framework | 140 |
| Leveraged Expansion Paths | 142 |
| Microsoft's Growth Strategy in Action | 149 |
| Notes | 152 |

Part 2. Competitive Strategy 155

7. Achieving Sustained Differentiation Using Vectors of Differentiation 157

| | |
|---|-----|
| Effects of Differentiation | 158 |
| Benefits of Vectors of Differentiation | 164 |
| Differentiation Strategies | 168 |
| Using Unique Features | 168 |
| By Measurable Customer Benefits | 169 |
| Through Ease of Use | 171 |
| By Improved Productivity | 172 |
| By Protecting the Customer's Investment | 173 |
| Through Lower Cost of Product Failure | 173 |
| With Higher-Performance Products | 174 |
| By Unique Fundamental Capabilities | 175 |
| Through Design | 175 |
| Based on Standards | 176 |
| By Total Solutions | 176 |
| By Total Cost of Ownership | 177 |

| | |
|--|------------|
| Differentiation Through Brand Name | 178 |
| Differentiation Based on Convenience | 179 |
| Risks of Differentiation | 179 |
| Sustainable Differentiation | 186 |
| Maintaining Technological Advantage | 187 |
| Using Patent Protection | 188 |
| Rapidly Advancing the Vector | 189 |
| Notes | 189 |
| | |
| 8. Product Pricing Strategy | 191 |
| Effects of Pricing Strategy | 192 |
| Offensive Pricing Strategies | 196 |
| Establish Price Leadership as the Basis for Competing | 196 |
| Use Penetration Pricing to Increase the Market | 196 |
| Use Experience-Curve Pricing to Discourage Competition | 197 |
| Compete on the Basis of Price/Performance | 200 |
| Use Promotional Discounting to Accelerate Purchases | 201 |
| Defensive Pricing Strategies | 202 |
| Adapt Prices to Maintain Highest Competitive Price | 202 |
| Use Price to Segment the Market | 203 |
| Use Skim Pricing to Maximize Profit | 203 |
| Use Value-Based Pricing to Maximize Profit | 204 |
| Redirect Product Line Sales by Bait-and-Switch Pricing | 205 |
| Internet Pricing Strategies | 205 |
| Risks of Offensive Pricing Strategies | 208 |
| Sources of Cost Advantage | 210 |
| Pricing Strategy in Action: Compaq Computer | 215 |
| Notes | 218 |
| | |
| 9. Taking Advantage of First-to-Market and Fast-Follower Strategies | 219 |
| Advantages of Being First to Market | 220 |
| Advantages of Being the Fastest | 223 |
| First-to-Market Strategies | 226 |
| Be the First to Upgrade Products with New Technology | 226 |
| Respond Rapidly to Market Changes | 227 |
| Introduce Continual Product Innovation | 228 |
| Be the First to Create a New Market | 228 |
| Fast-Follower Strategies | 230 |
| Wait Until a New Market Is Clarified | 230 |
| Reverse-Engineer Successful Competitive Products | 231 |
| Risks of Timing Strategies | 232 |
| Entering the Market Prematurely | 232 |
| Compressing Product Life Cycles | 233 |
| Relying on an Inferior Product Development Process | 233 |
| Notes | 234 |

| | |
|--|------------|
| 10. Thinking Globally about Product Strategy | 235 |
| International Differences in Products | 239 |
| Certification Requirements | 239 |
| Standards | 239 |
| Language Differences | 240 |
| Differences in Use | 240 |
| Demographic Differences | 241 |
| National Preferences and Protectionism | 242 |
| National Laws | 243 |
| Global Product Strategy Integration with Other Global Strategies | 243 |
| Global Market Strategy | 244 |
| Global Manufacturing Strategy | 245 |
| Global Product Development Process | 246 |
| Global Product Strategies | 247 |
| Design and Develop Products Uniquely for Country Markets | 248 |
| Leverage a Country-Specific Product through Reengineering | 249 |
| Customize a Global Product Platform to Meet the Needs of Different Regions | 251 |
| Develop a Universal Global Product | 252 |
| Risks of Global Strategies | 253 |
| Notes | 255 |
| | |
| 11. Understanding the Opportunities and Risks of Cannibalization | 257 |
| Causes of Unfavorable Cannibalization | 261 |
| Offensive Cannibalization Strategies | 263 |
| Cannibalize the Market to Attack the Market Leader | 264 |
| Introduce New Technology First | 264 |
| Defensive Cannibalization Strategies | 265 |
| Cannibalize Yourself Before Competitors Do It | 265 |
| Introduce Cannibalization to Continue as the Technology Leader | 266 |
| Manage the Rate of Cannibalization through Pricing | 267 |
| Restrict Cannibalization to Specific Market Segments | 267 |
| Risks of Cannibalization Strategies | 268 |
| Analytical Framework for Cannibalization | 269 |
| Notes | 271 |
| | |
| Part 3. Growth Strategies | 273 |
| 12. Highways to Rapid Growth | 275 |
| Generating Revenue from Additional Product Offerings | 277 |
| Generating Revenue from Next-Generation Platforms | 278 |

| | |
|--|------------|
| Growing by Strengthening Competitive Position | 280 |
| Expanding into a Related Market by Leveraging Platforms, Technologies, or Skills | 281 |
| Expanding into New Markets Not Closely Related to Existing Markets | 282 |
| Using an Acquisition to Expand into a Related or a New Market | 283 |
| Considering Diversification as a Way to Grow | 284 |
| Creating Opportunities to Grow through Innovation | 285 |
| Conclusion | 286 |
| Notes | 286 |
| 13. Growth through Acquisitions | 287 |
| Types of Acquisitions | 288 |
| Type I: Acquire a Product Platform to Expand into a New Market | 289 |
| Type II: Acquire Technology and Technical Skills to Develop a New Product Platform | 291 |
| Type III: Acquire Market Experience and Channel Capabilities to Enter a New Market | 292 |
| Type IV: Acquire a Competitor to Strengthen a Current Market Position | 293 |
| Type V: Acquire a Company with the Capability to Diversify into a Related Market | 295 |
| Valuing Acquisitions | 296 |
| Other Business Relationships | 298 |
| Forming Product Strategy with Acquisitions | 302 |
| Notes | 304 |
| 14. Growth through New Ventures | 305 |
| Establishing the Boundaries of a Core Strategic Vision | 306 |
| Platform Strategy and Product Line Strategy in New Ventures | 310 |
| Viewing the Venture as an Expansion | 313 |
| Offensive Competitive Strategies | 315 |
| Defensive Competitive Strategies: Barriers to Entry | 316 |
| Unique Challenges of Creating a New Market | 318 |
| 15. Growth through Innovation | 321 |
| Ingredients of Innovation | 323 |
| Opportunity-Driven Innovation Strategies | 324 |
| Opportunities from Listening to Customer Needs | 324 |
| Opportunities from Generalizing a Solution to a Specific Problem | 326 |
| Prediction-Driven Innovation Strategies | 326 |

| | |
|--|-----|
| Opportunities Based on the Declining Cost of Technology | 327 |
| Opportunities Based on New Applications for Emerging Technology | 328 |
| Opportunities at the Intersection of Multiple Emerging Technologies | 329 |
| Technology-Driven Innovation Strategies | 329 |
| Search for Solutions to Perceived Problems | 330 |
| Stumble over a Technology Breakthrough and Apply It | 330 |
| Barriers to Innovation | 332 |
| Notes | 334 |

Part 4. The Process of Product Strategy 335

16. Strategic Balance and Portfolio Management 337

| | |
|--|-----|
| Strategic Balance Trade-offs | 338 |
| Focus versus Diversification | 339 |
| Short Term versus Long Term | 340 |
| Current Platforms versus New Platforms | 341 |
| One Business Unit versus Another | 342 |
| Research versus Development | 343 |
| High Risk versus Low Risk | 343 |
| Financial Return | 344 |
| Setting Priorities | 345 |
| Beyond Portfolio Management | 346 |
| Strategic Balance in Action | 349 |
| Notes | 353 |

17. Process Elements 355

| | |
|---|-----|
| Strategic Integration | 357 |
| Process Architecture | 358 |
| Fitting the Six Elements of the Process Together | 359 |
| Delineating Clear Responsibility for Each Element | 364 |
| Integrating Product Strategy with Product and Technology Development | 365 |
| Using Core Competencies to Leverage or Restrict Product Strategy | 367 |
| Product Strategy Proficiency | 369 |
| Notes | 370 |

| | |
|-------|-----|
| Index | 371 |
|-------|-----|