

There's nothing inevitable about the product life cycle. Marketers are disrupting it by redefining the boundaries between product types. In the process, they're rejuvenating categories and creating whole new markets.

BREAK FREE

FROM THE PRODUCT LIFE CYCLE

by Youngme Moon

IN HIS CLASSIC 1965 *Harvard Business Review* article, Theodore Levitt introduced marketers to the concept of the product life cycle and showed how it could be put to work as an “instrument of competitive power.” Today, this concept remains at the center of most firms’ marketing and positioning strategies, helping them to manage the methodical progress of their offerings along a bell-shaped curve, from introduction and growth to maturity and decline.

But as useful as this model has been over the past 40 years, it has given marketers tunnel vision. They tend to see only one trajectory for successful products: an inexorable advance along the curve. And because they all view the product life cycle in the same way, companies tend to adopt similar positioning approaches for products and services during each of the life cycle’s stages.

One consequence of this tunnel vision is a competitive reflex to augment products as they mature. Typically, marketers layer new product benefits on top of the old in an endless struggle to differentiate and rejuvenate their offerings. For example, a toothpaste manufacturer once had only to consider a few dimensions-like "freshens breath" and "fights cavities"- in order to compete. Today, it must offer consumers an ever-broadening array of attributes, from "helps prevent gum disease" to "whitens teeth" to "removes plaque." Over time, the augmented product becomes the expected product, and so it must be further enhanced to remain competitive. To wit, nowadays even generic toothpastes remove plaque.

It's hard to win such a competition. As marketers instinctively embrace the old life cycle paradigm, they needlessly consign their products to following the curve into maturity and decline. Over the past five years, I have studied dozens of successful companies and products that have defied the "rules" of the life cycle. In interviews with the executives behind these successes, I've found that their strategies converge at one point: By positioning-or, often, repositioning-their products in unexpected ways, companies can change how customers mentally categorize them. As a result, companies can rescue products foundering in the maturity phase of their life cycles and return them to the growth phase. And they can catapult new products forward into the growth phase, leapfrogging obstacles that could slow consumers' acceptance.

In this article, I describe three positioning strategies that marketers use to force consumers' mental shift. *Reverse positioning* strips away "sacred" product attributes while adding new ones; *breakaway positioning* associates the product with a radically different category; and *stealth positioning* acclimates leery consumers to a new offering by cloaking the product's true nature. Companies can use each of these strategies to alter a product's competitive environment to their advantage. But they needn't stop there.

In his disruptive innovation model, Clayton Christensen describes how new, simple technologies can upend a market. The proliferation of features and attributes that occurs as companies ride the product life cycle can create the kind of "product overshoot" that leaves them vulnerable to a disruptive competitor with a simpler technology. In an analogous way, the strategies I describe can exploit the vulnerability of established categories not to new

technologies but, rather, to new positioning. In the right circumstances, a company can use these techniques to go on the offensive and transform a category by demolishing its traditional boundaries. Companies that successfully disrupt a category through positioning create a lucrative place to ply their wares - and can leave category incumbents scrambling.

Reverse Positioning

Most players in a category continually augment their value proposition because they assume customers can never be fully satisfied. Reverse positioners, however, assume that although customers do want something more than the baseline product, they don't necessarily want an endless parade of new features. Such firms make the heretical decision to step off the augmentation treadmill, shedding product attributes the rest of the industry considers sacred. Once a product is returned to its baseline state, reverse positioners supplement the stripped-down product with one or more carefully selected attributes that would typically be found only in a highly augmented product. This unconventional combination of attributes allows the product to assume a new competitive position

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within the category and move backwards from maturity into a growth position on the life cycle curve. Consider these cases:

IKEA. The global furniture retailer IKEA has long been celebrated in the business press for its innovative marketing and phenomenal growth. There are plenty of good reasons for IKEA's success, not the least of which is its cheap but stylish inventory. But a key factor in the store's high performance is its brilliant reverse positioning.

Like most players in mature categories, furniture companies have steadily augmented their offerings. Today, top stores compete by carrying enormous and varied inventories, assuring not only that customers will find exactly what they want, but that the couch they bring home will be the only one like it in the neighborhood. Sales consultants coddle customers, helping them measure furni-

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ture and visualize their options. Most retailers deliver new furniture to customers' homes and even truck away the old. And retailers work hard to instill the idea that furniture is designed to last forever.

Given this, IKEA's success is surprising. When consumers visit a typical IKEA store, they find that there is no in-store sales assistance (though they will find disposable measuring tape so they can make their own measurements); that the variety is limited (IKEA's furniture comes in just a few basic styles); that there is no delivery option (buyers must grapple with heavy boxes on their own); that most of the furniture requires assembly; and that durability is not to be expected (IKEA works to convince buyers that furniture should be replaced often).

If IKEA had stuck with this stripped-down offering, it's doubtful that the company could have competed successfully in its crowded category. But the store skillfully reverse positioned itself by supplementing this bare-bones value proposition with a store environment and services that are virtually unheard-of among typical low-end participants. Its stores have an airy, ultramodern look. Customers can drop off their children at a beautifully designed, company-operated day care center while they shop. They can stop for lunch at a delightful cafe that

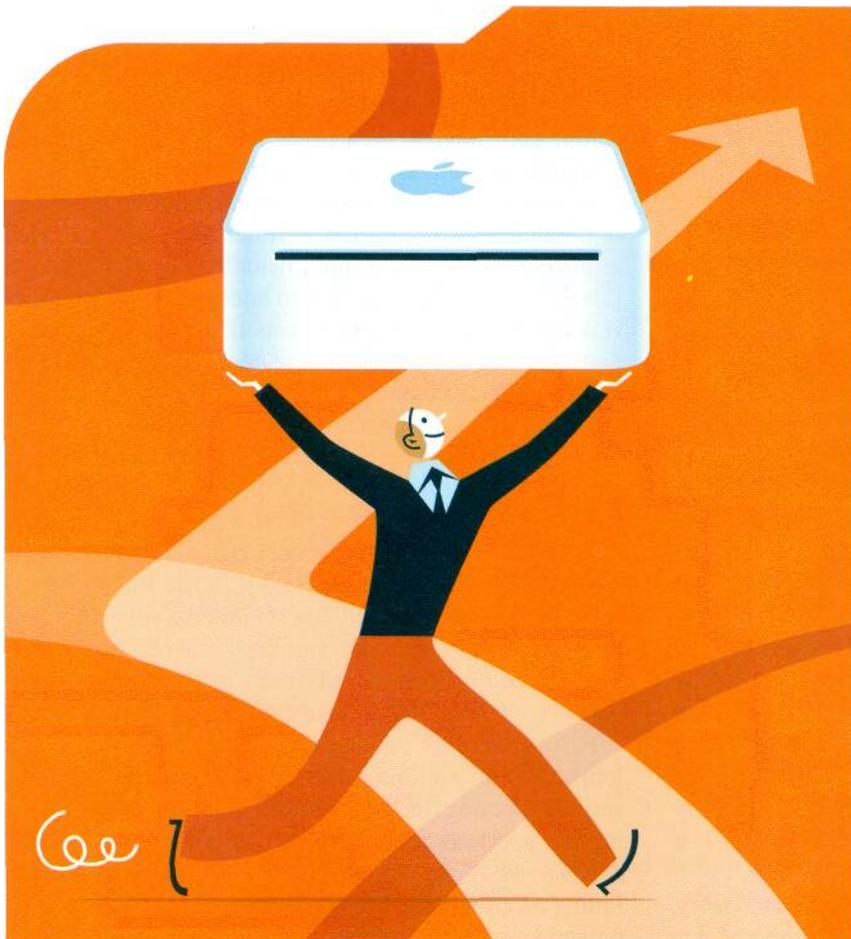
serves delicacies like smoked salmon and lingonberry tarts. And they can purchase items besides furniture - brightly colored housewares and cleverly designed toys that are not available at most other furniture stores.

The formula works. While U.S. furniture stores have been steadily losing out to retailers like Sam's Club and Wal-Mart, IKEA has become the seventh-largest furniture store in the country. It has doubled its market share and nearly tripled its U.S. sales over the past eight years, going from \$600 million to \$1.7 billion. Using reverse positioning to plainly distinguish itself from middle-tier furniture stores, low-end warehouse stores, and big-box retailers, IKEA shook up the category and, in effect, created a new customer segment by attracting an eclectic mix of customers - from students to young urban professionals - who previously had spread their furniture shopping across a range of outlets.

Commerce Bank. Most banks offer dozens of checking and savings accounts and compete by claiming to offer account holders the highest interest rates. Yet Commerce Bank, serving New Jersey, Delaware, New York, and metropolitan Philadelphia, pays among the lowest rates in its market. What's more, it offers a conspicuously limited product line - just four checking accounts, for example.

This stingy approach would seem like a doomed strategy, were it not for the bank's astonishing growth. Between 1999 and 2004, Commerce Bank expanded from 120 to 319 branches, deposits quintupled from \$5.6 billion to \$27.7 billion, and loans tripled from \$3 billion to \$9.4 billion.

The bank's growth is due in no small part to its unprecedented service perks. After stripping away what customers expect-competitive interest rates and abundant choices - Commerce Bank reverse positioned itself as "the most convenient bank in America." It's open seven days a week, including evenings. You can get a debit card while you wait, and, when it rains, an escort with an umbrella will walk you to your car. The bank offers free coffee and newspapers, and most branches have free coin-counting "penny arcade" machines that customers love (in one recent month, bank patrons fed the machines a total of \$28 million in loose change). Customers may have limited choices and get inferior rates, but they're flocking to



the bank. In 2004, Commerce Bank opened 1.1 million new customer accounts, increasing total accounts by nearly 600,000.

JetBlue. In December 2004, while most of the airline industry hemorrhaged, JetBlue celebrated its sixteenth consecutive profitable quarter. Its 2004 operating revenues reached \$1.27 billion, a 26.8% increase over the previous year. The upstart carrier achieved this performance in part by following Southwest's lead, offering cheap seats and a lean value proposition:

no meals, no round-trip fares, and no first-class seating. But then it supplemented its bare-bones offering with surprising indulgences like leather seats, high-end personal entertainment systems with satellite television, and extra legroom in the back two-thirds of the plane. This counterintuitive juxtaposition of attributes has helped JetBlue establish a unique position in the market and steal share from less creative competitors. By setting itself apart from both the low and high end while offering features of each, JetBlue successfully appeals to customers across segments—from college students to business executives.

Breakaway Positioning

With reverse positioning, a product establishes a unique position in its category but retains its clear category membership. With breakaway positioning, a product escapes its category by deliberately associating with a different one. Marketers leverage the new category's conventions to change both how products are consumed and with whom they compete.

Products communicate their category membership in many ways—through their design, distribution channels, promotions, and pricing. Each of these elements of the marketing mix cue consumers to mentally categorize an offering in a certain way. By manipulating these cues, a firm can change how consumers "frame" a product and, therefore, how they respond to it. Instead of seeing the breakaway product as simply an alternative to others in its category, consumers perceive it as altogether different.

When a breakaway product succeeds in leaping out of its category and into a new one, it can redefine its competition. Like reverse positioning, this strategy allows the product to shift backward on the life cycle curve, moving from the doldrums of maturity into a thriving growth position. Just as important, it can disrupt both the category it has left and the one it has affiliated with, particularly if copycats begin to emulate the breakaway strategy.

Swatch. Every businessperson knows the Swatch story, but few appreciate that it is a prototypical example of suc-

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cessful breakaway positioning. Before Swatch launched in 1983, Swiss watches were marketed as a form of jewelry. They were serious, enduring, expensive, and discreetly promoted. A customer bought only one, and it lasted a lifetime. Swatch changed all that by defining its watches as playful fashion accessories. They were fun, ephemeral, inexpensive, and showily promoted. And they inspired impulse buying—customers often would purchase half a dozen in different designs. Their price—\$40 when the brand was introduced—expanded Swatch's reach beyond its default category (watches as high-end jewelry) and into the fashion accessory category, where it has different customers and competitors.

Swatch's breakaway positioning also disrupted the watch category by creating a fashion accessory subcategory. In doing so, Swatch not only opened up untested space for its own growth, but it allowed almost all of the industry giants, such as Timex and Citizen, as well as dozens of fashion brands, including Calvin Klein and Coach, to expand with their own lines of fashion accessory watches. Fossil, for example, was launched a year after Swatch specifically to exploit the new market space. Using this breakaway positioning strategy, Swatch has become the best-selling wristwatch of all time.

The Simpsons. The Fox network was understandably nervous when it launched its animated series *The Simpsons* in 1989. Although *The Flintstones* appeared on evening TV in the 1960s, no network had created a cartoon specifically for adults and placed it in the shark-infested waters of prime time. But Fox was then a relatively new network; with a younger, smaller audience and a less-established network identity than its mainstream competitors, it was willing to take chances.

Fast-forward 15 years: *The Simpsons* is not just the longest-running animated series on American TV, but this spring it became the longest-running sitcom ever, surpassing the previous record holder, *The Adventures of Ozzie and Harriet*. Along the way, *The Simpsons* has amassed 21 Emmy awards, made the cover of *Time*, and consistently ranked among the highest-rated shows on TV.

Certainly the show's smart writing and oddly appealing characters have fueled its success. But, crucially, so did its ability to break away from its presumed category (cartoons) and associate itself with an entirely different one (adult prime-time sitcoms). With features of both categories, *The Simpsons* attracted a wide demographic.

From its first episode, *The Simpsons* disrupted the sitcom category, transforming consumers' expectations of prime-time TV. Because it was "only a cartoon," the series could get away with caustic satire and subversive social commentary that, 15 years ago, could have stalled a typical live-action situation comedy. It spawned other edgy animated sitcoms, including *South Park*, *King of the Hill*, and *Beavis and Butt-head*, and inspired conventional sit-

coms to experiment with riskier content. And, unlike any live-action sitcom, it generated an enormous merchandising business, selling, at times, a million *Simpsons* T-shirts a week. Today, with about 11 million viewers per episode, the show is Fox's number one Sunday series and ranks first in its time slot for adult viewers.

The Simpsons's breakaway positioning has had an important impact on its progress along the life cycle. Most live-action sitcoms have a compressed life cycle, in part because actors age. Lucille Ball, for example, delighted audiences as an eccentric young housewife in the 1950s but lost them when she tried to play an eccentric single grandmother in the 1980s. Similarly, *Friends* exited after a ten-year run when its stars, originally cast as dizzy

Which Strategy When?

Each of the three positioning strategies for breaking free of the product life cycle lends itself for use in particular categories. Reverse positioning is best suited to service categories; breakaway positioning to consumer packaged goods; and stealth positioning to consumer technologies. These aren't hard-and-fast rules, but a clear logic underlies them.

Reverse for Services. Services are intangible, so it's hard for consumers to grasp nuanced differences between them (for example, they have to study endless fine print to distinguish between credit card offers). Because proliferating service options tend to confuse rather than delight customers, they often welcome the elimination of certain benefits or options when it means that, in return, they will receive transparency and simplicity—and a few surprising perks. The reverse positioning at Commerce Bank makes it easy for consumers to know exactly what they are getting in exchange for limited choice and uncompetitive returns. Similarly, passengers on JetBlue may sacrifice meals, but they can be confident that seat pricing is equitable, unlike pricing at other airlines where adjacent seats can be invisibly priced hundreds of dollars apart. Reverse-positioned services often create loyal "brand missionaries" who are enchanted by the combination of simplicity and unexpected delights. Both JetBlue and Commerce Bank are known for the positive word of mouth they generate. Reverse positioning also tends to create powerful brand identities by subverting convention, as JetBlue famously does.

Breakaway for Packaged Goods. Products, on the other hand, are tangible, and, through constant expo-

sure, consumers learn to easily navigate new features as products evolve. Thus, consumers tend to welcome new options, particularly in mature products where purchasing feels mundane and routine. Although continual line extensions do give consumers the diversity they seek—and perhaps keep them faithful to a particular brand—incremental changes rarely ignite the sort of passionate buying that breakaway positioning can stimulate. As Heinz's experience with EZ Squirt ketchup shows, breakaway positioning leverages the ease with which consumers judge familiar products and their desire for novelty. It also often expands category boundaries by attracting copycats who emulate the breakaway strategy. The watch-as-fashion-accessory subcategory pioneered by Swatch now represents a significant portion of the overall watch market.

Stealth for Technologies. Stealth positioning works by moving a product out of a category that customers may resist and placing it into a more desirable one. Thus it is well suited to categories whose products are perceived as having intrinsic shortcomings, such as being difficult to use, unreliable, or threatening. Although many types of products have such shortcomings, they are particularly common among consumer technologies in early development. In cases like these, repositioning the product—without actually changing it—can neutralize its apparent shortcomings or even turn them into assets. Sony's positioning of the AIBO robot as a lovable pet shifted consumers' attention away from its limitations as a household aide and turned even the elderly into early technology adopters.

20-somethings, started approaching 40. But cartoon characters are ageless (Bart Simpson has been ten years old for a decade and a half). Just as Bugs Bunny exploited the cartoon medium to stay fresh for 65 years, *The Simpsons*'s breakaway status has allowed the series to pause indefinitely on the life cycle curve at a point at which live-action sitcoms usually head into decline.

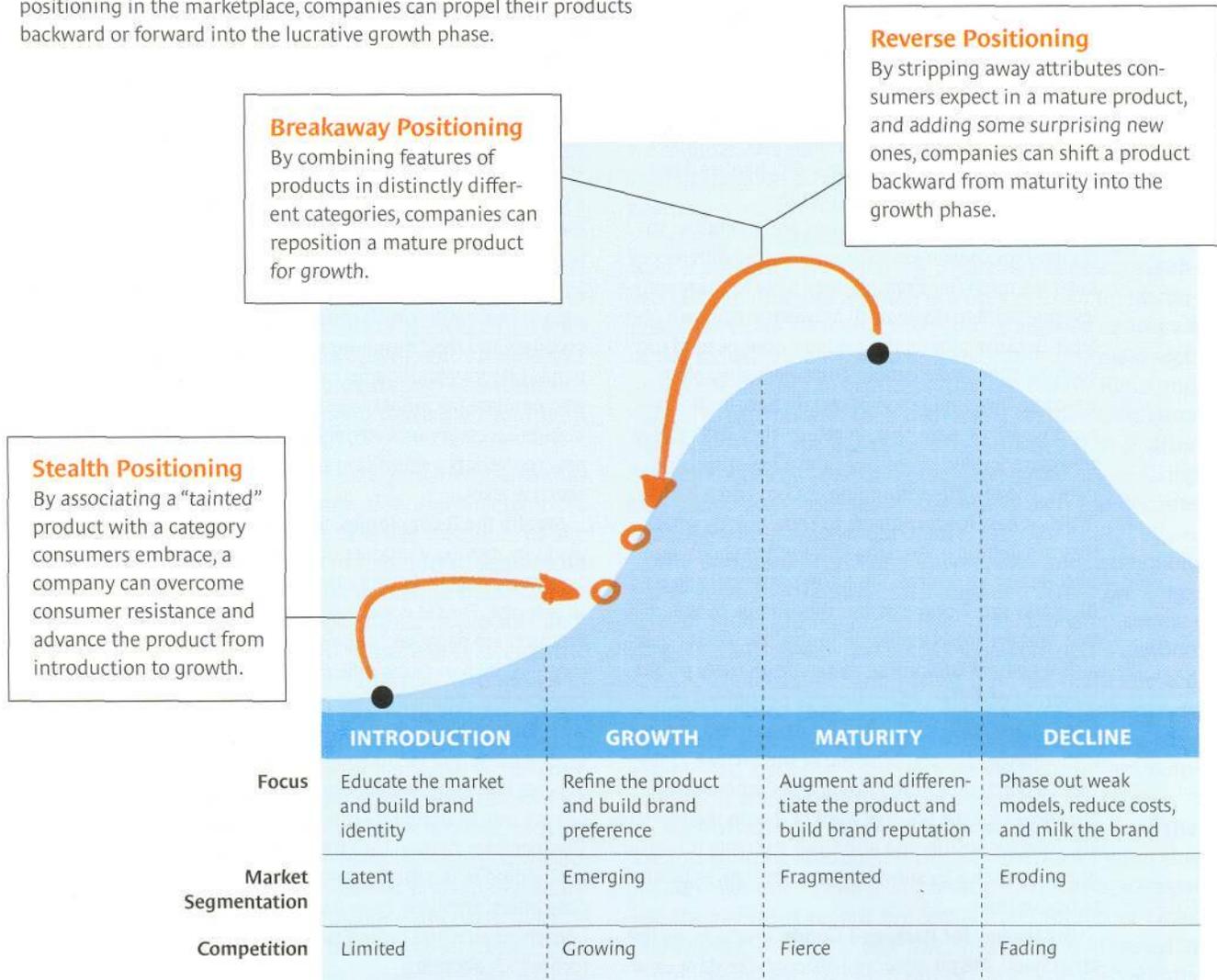
EZ Squirt Ketchup. For generations, parents have told children not to play with their food. So what was Heinz thinking when it launched EZ Squirt ketchup in 2000? EZ Squirt came in a spectrum of unketchuppy hues - green, purple, orange, pink, and teal - and was sold in flamboyant squeeze bottles with kid-friendly nozzles. Heinz's ad-

vertising emphasized the product's "creative" applications and encouraged kids to write their names on hot dogs and draw dinosaurs on burgers. Children immediately grasped that EZ Squirt was more than a food; it was an edible arts and crafts product. Households that used to buy ketchup one bottle at a time, and consume it over a period of months, started buying several different colors at once and polishing them off in days. It was one of the most successful product launches in the company's history, resulting in a 10% leap in market share.

Other companies tried to mimic EZ Squirt by introducing strangely colored foods, but none took off. What these firms failed to recognize was that EZ Squirt's suc-

Repositioning for Growth

The venerable product life cycle curve describes the growth trajectory most products take from introduction to decline. But by changing products' positioning in the marketplace, companies can propel their products backward or forward into the lucrative growth phase.



cess had less to do with its color than with the way it was positioned in the marketplace. Heinz's insight was to change how children (and their parents) mentally categorized the product by breaking it away from the food category and affiliating it with the arts and crafts category. By successfully redefining what ketchup was, Heinz repositioned this mature product with stagnant sales for growth. (Because EZ Squirt's appeal stems largely from its novelty, Heinz carefully controls its availability, tactically introducing selected colors into new markets to reinvigorate the category.)

Stealth Positioning

When firms adopt a reverse or breakaway positioning strategy, there is no pretense about what they're up to. Part of the appeal of their cleverly positioned product offerings comes from explicitly subverting convention through unconventional promotions, prices, and attributes. In contrast, companies that use stealth positioning adopt a covert approach. They conceal the true nature of their products by affiliating them with a different category.

This is a powerful strategy for marketers when a category is in some way tainted. Consumers may feel intimidated by products in the category (as can be the case with new technologies); they may be skeptical of the products because previous offerings have failed to live up to expectations; or they may have personal objections to products or companies in the category. By using stealth positioning, companies can, in effect, sneak products into the market and gain acceptance that might otherwise prove elusive. Although stealth positioning doesn't typically disrupt categories, it can give products a fresh run at the life cycle and keep them from languishing - or dying outright - in the introduction phase.

One word of caution: There is an important difference between stealth positioning and deceit. The difference is both ethical and economic. When used thoughtfully, stealth positioning is a legitimate way to diffuse prejudice about a product or company, encourage acceptance, and deliver value to customers. But the strategy can backfire if consumers discover that a company used the technique to cheat them by exploiting their naivete. The difference is evident in the following examples, where companies have thoughtfully adopted a stealth-positioning approach.

EyeToy: Play. Sony's PlayStation is the dominant game console in the market. But its market penetration - like that of rivals Microsoft (with the Xbox) and Nintendo (with the GameCube) - has been limited by a narrow customer base of mostly males in their late teens and twenties. Sony's goal is to make the PlayStation a broad platform for home entertainment and communications. But first, it has to undo the common perception that the product is an intimidating machine for guys.

As part of its strategy, in July 2003, Sony introduced a PlayStation product in Europe called EyeToy: Play - a video camera (the EyeToy) and game software (called Play) that plugged into the new PlayStation 2 console. The game concept was simple but groundbreaking. Standing in front of the EyeToy camera (which sits unthreateningly on top of the TV), users place themselves into the game, appearing "inside" it on the television. There they interact with objects on the screen by moving their bodies, without using a complicated handheld controller. EyeToy: Play was an enormous success, selling more than 2.5 million units in its first seven months on the European market. More significant, it succeeded in engaging mothers and fathers, boys and girls, the very old and the very young. The immediate appeal for the atypical user was that the game was simple and unthreatening. But it was also a fun social activity, a diverting game to bring out during the holidays or at informal get-togethers.

In fact, EyeToy: Play is more than a toy, although most customers don't yet see that. It can record brief video messages, and, with an application called Chat slated for release this year, it will be able to turn the PlayStation into a video phone. "It's not just that we wanted to break the ice with a piece of software that people would view as a game rather than a communications application," one Sony executive explained. "It's also that we wanted to establish the EyeToy hardware in people's minds as a plaything rather than a scary communications device.. Gradually introduce it, and then slowly add functionality." Sony hopes its stealth-positioning strategy will change the way consumers view its PlayStation offering and slowly shift this niche product into the mainstream.

AIBO. Sony exploited a similar stealth strategy to gain a foothold in the nascent household robot category. In a March 2004 article in *Harvard Business Review*, I described the company's approach to the challenge of warming consumers to its imperfect early robots. Sony had spent tens of millions of dollars to develop the first household robot, with the goal of seizing a leadership position in the emerging field against formidable competitors like Honda, Toyota, and Matsushita. But making a robot that could do anything useful proved daunting. Sony knew that marketing an unreliable, humanlike household robot that couldn't handle even simple chores was sure to backfire.

Sony's solution was to stealth position its product. Rather than set consumers up to be disappointed by an inadequate household robot, Sony positioned the product as a lovable but otherwise useless pet. Although buggy and unpredictable, the doglike AIBO was an immediate hit. In its first two years on the market, Sony sold out its limited production of 100,000 units. During what amounts to a five-year market test of a flawed technology, Sony has gathered invaluable consumer feedback to guide continued development of its robots. The company

is now prototyping its next-generation robot, a little humanoid named QRIO.

Mac Mini. Moments after Apple unveiled its \$499 Mac Mini in January 2005, the Internet was buzzing with speculation about just what the new computer was for. Sold without a monitor, mouse, or keyboard, the Mini was a minimalist aluminum box, six inches square and two inches tall. It left everything up to the imagination—which is precisely what Apple had in mind. Downplaying its PC capability, Apple's marketers emphasized the Mini's many other uses: It could be a music server for your car; a dedicated Internet port for the kitchen; a mobile recording studio for the band; a backup device for your photos; a TiVo-like recorder and digital entertainment hub for the living room.

Despite the buzz, Apple faced a familiar marketing challenge. Most people use Windows-based PCs, and to many of them, Apple computers seem overpriced and out of step. Past attempts to woo PC users have been unsuccessful, and Apple's share of the PC market has steadily eroded. Saddled with this baggage, the company stealth positioned the Mini as anything but what it fundamen-

tally is: a competitively priced machine that can go head-to-head in the low-end PC market. What's striking about this stealth strategy is that Apple didn't affiliate the product with a specific alternative category. It simply suggested that it was not a PC—a strategy that not only dissociates the Mini from other low-priced, commoditized PCs, but leaves future marketing options wide open.

Most companies aren't technology innovators like Apple or Sony, whose novel products readily lend themselves to unconventional positioning. But a product does not have to be novel to benefit from radical new positioning, nor does it have to be past its prime. Watches, banks, furniture, airlines, sitcoms—even ketchup—can defy the old rules of the product life cycle by simply challenging consumers' notions about what, exactly, they are. Ask your customers what they expect your products to be, then shatter their expectations. You'll find they'll be delighted. 

