Disruptive Innovation model :

Disruptive Innovation is a concept developed by Clayton Christensen in his book *The Innovator's Dilemma* (1997). It explains how smaller companies with fewer resources can successfully challenge established businesses that dominate an industry. Disruptive innovations typically start by targeting niche markets or underserved customer segments with a simpler, more affordable solution that eventually displaces established competitors.

Here is a detailed look at the Disruptive Innovation model, including how it works and key elements:

The Core Concept of Disruptive Innovation

Disruptive innovation refers to a process where a smaller company, using innovative technology or business models, disrupts a larger, established company by targeting overlooked segments or creating entirely new markets. This disruption often happens when the incumbent companies focus on improving their existing products or services for their most profitable customers, while the disruptors innovate by offering a product or service that is initially considered inferior or lower in quality but significantly more affordable or accessible.

The disruptors typically enter the market with lower performance products or services that are not as attractive to the mainstream customers. However, over time, these products improve, while the incumbents are often too focused on their high-end offerings to pay attention. Eventually, the disruptive product or service meets the needs of the mainstream market, and the disruptor overtakes the incumbent companies.

How Disruptive Innovation Works

Disruptive innovations often follow a predictable pattern:

Stage 1: Targeting Underserved or New Markets

- Disruptive innovations often begin by targeting niche markets or undervalued segments that larger players overlook. These segments may not be profitable for the incumbents, but they are attractive to startups due to less competition.
- Initially, the innovation is typically less powerful or lower quality than the existing product or service offered by incumbents but is cheaper, more convenient, or more accessible.

Stage 2: Initial Low-Performance Offerings

- The first iterations of disruptive products usually provide a lower-performance solution. Incumbent companies may dismiss the innovation because it doesn't meet the demands of their mainstream customers who expect high-end, premium features.
- Example: Personal computers in the early days were less powerful than mainframe computers, but they were cheaper and easier to use for a growing number of individuals and small businesses.

Stage 3: Innovation Improvements

- Over time, the disruptive product or service improves, often rapidly. As the technology advances and customers begin to see the value, the product starts to appeal to a broader customer base.
- Incumbents fail to react effectively to the growing market demand for the simpler, more affordable product because they are focused on their higher-end, higher-margin customers.

Stage 4: Moving Upmarket

- The disruptive technology begins to improve and eventually surpasses the established products in terms of performance. The product that was initially only viable for niche customers is now ready to challenge the mainstream market.
- At this point, the disruptive company has gained significant market share and is able to compete directly with incumbents.
- Example: Netflix started as a DVD rental service offering a simpler, more convenient alternative to traditional video rental stores like Blockbuster. Over time, Netflix evolved into a streaming service with greater convenience and lower costs, leading to the decline of traditional video rental businesses.

Stage 5: Disruption

- As the disruptive product or service improves, it overtakes the incumbent's product or service in terms of market demand, leading to industry-wide disruption. The disruptor has successfully moved from a low-performance niche offering to capturing the attention of mainstream consumers.
- The incumbent companies may either struggle to compete or fail to adapt, leading to their decline or obsolescence.

Key Characteristics of Disruptive Innovation

Several elements distinguish disruptive innovations from sustaining innovations (which improve existing products or services for current customers):

A. Lower Initial Performance:

- Disruptive innovations often begin with products or services that are inferior to established offerings in terms of performance. They are not initially aimed at the high-end customers but at niche or underserved markets that have different needs.

B. Accessibility and Affordability:

- Disruptive innovations make products or services more accessible and affordable. They typically offer a simpler, more affordable version of an existing product, making it available to a broader audience, including people who previously couldn't afford or didn't need the more expensive solution.

C. Market Penetration:

- The disruptive innovation gains traction with customers who are either underserved by existing solutions or not currently in the market. Once this base is established, the innovation gradually improves, and the market for it expands.

D. Performance Trajectory:

- Over time, the disruptor's offering improves in terms of quality and performance, catching up with and even surpassing the incumbents' products or services. This improvement allows the disruptor to move upmarket and challenge established players.