

# managing successful products, services, and brands

03/17/2013

## Charting the product life cycle

- Product life cycle
  - Describes the stages a new product goes through in the marketplace
    - Introduction
    - Growth
    - Maturity
    - Decline

## Introduction stage

- The introduction stage of the product life cycle occurs when a product is introduced to its intended target market
- During this period sales grow slowly, and profit is minimal
  - The lack of profit is often the result of large investment costs in product development
- The marketing objective for the company at this stage is to create consumer awareness and stimulate trial
  - The initial purchase of a product by a consumer
- Companies often spend heavily on advertising and other promotion tools to build awareness and stimulate product trial among consumers in the introduction stage
- Advertising and promotion expenditures in the introduction stage are often made to stimulate primary demand
  - The desire for the product class rather than for a specific brand, since there are few competitors with the same product
- As more competitors launch their own products and product progresses along its life cycle, company attention is focused on creating selective demand
  - the preference for a specific brand
- gaining distribution can be a challenge because channel intermediaries may be hesitant to carry a new product
  - also companies often restrict the number of variations of the product to ensure control of product quality

- during introduction, pricing can be either high or low
  - o a high initial price may be used as part of a skimming
    - a strategy to help the company recover the costs of development as well as capitalize on the price insensitivity of early buyers
  - o high prices tend to attract competitors eager to enter the market because they see the opportunity for profit
  - o to discourage competitive entry a company can price low referred to as penetration pricing
    - this pricing strategy helps build unit volume, but a company must closely monitor costs

#### growth stage

- the growth stage of the product life cycle is characterized by rapid increases in sales
  - o it is the stage that competitors appear
- the result of more competitors and more aggressive pricing is that profit usually peaks during this growth stage
- at this stage advertising shifts emphasis to stimulating selective demand; product benefits are compared with those of competitors offerings for the purpose of gaining market share
- product sales in the growth stage grow at an increasing rate because of new people trying or using the product and a growing proportion of repeat purchasers
  - o people who have tried the product, were satisfied, and bought again
- changes appear in the product in the growth stage
  - o to help differentiate a company's brand from competitors, an improved version or new features are added to the original design and product proliferation occurs
- in the growth stage it is important to broaden distribution for the product

#### maturity stage

- the maturity stage is characterized by a slowing of total industry sales or product class revenue
  - o also marginal competitors begin to leave the market

- most consumers who would buy the product are either repeat purchasers of the item or have tried and abandoned it
- profit decline due to fierce competition among many sellers, and the cost of gaining new buyers at this stage rises
- market attention in the maturity stage is often directed towards holding market share though further product differentiation and finding new buyers
- a major consideration in a company's strategy in this stage is to control overall marketing cost by improving promotional and distribution efficiency

#### decline stage

- the decline stage occurs when sales drop
  - a product enters this stage not because of any wrong strategy on the part of companies, but because of environmental changes
- numerous product classes or industries are in the decline stage of their product life cycle
- products in the decline stages tend to consume a disproportionate share of management and financial resources relative to future worth
  - a company will follow one of two strategies to handle a declining product
    - deletion
    - harvesting

#### deletion

- deletion
  - or dropping the product from the company's product line (the most drastic strategy)
    - because a residual core of consumers still consumer or use a product even in the decline stage
      - product elimination decisions are not taken lightly

#### harvesting

- harvesting
  - when a company retains the product but reduces marketing costs