

Chapter 11 -- Managing Products and Services

I. Introduction – “As the cycle turns...”

a) Kodak Example

i) New Kodak Strategy: Just Pictures (May 4, 1994)

(1) Kodak to sell:

(a) Sterling Winthrop Inc

(i) pharmaceuticals and over-the-counter drugs

(b) L&F Products

(i) Lysol and other home and personal-care products

(c) Clinical Diagnostics division

(i) produces medical testing devices

(2) The reaction among financial analysts was that Kodak was finally leaving businesses that it never should have entered in the first place.

(3) The company plans to build upon its *traditional film and camera* business

(4) Many on Wall Street sounded a sharp note of skepticism about whether :

ii) Kodak to finish camera making (August 2, 2006)

(1) EASTMAN Kodak is to stop making cameras

iii) George Eastman

(1) Film Patent 1879

(2) By 1886 sold 100,000 cameras!

(3) Until recently, available in most countries, with \$13 Billion sales

(4) Mid 1980's until now – Two major challenges

(a) First, Fuji Film

(b) Then, digital photography

(i) Their sales of film DROPPED!

(5) 2003 Change of direction away from film to digital technologies

(a) To become the leader in helping people take, share, print and view images – for memories, for information, or for entertainment.

(6) Mixed Results

(a) 16.4% market share in 2007

(b) on average, unit costs are higher

(c) digital cameras outsell film 5 to 1

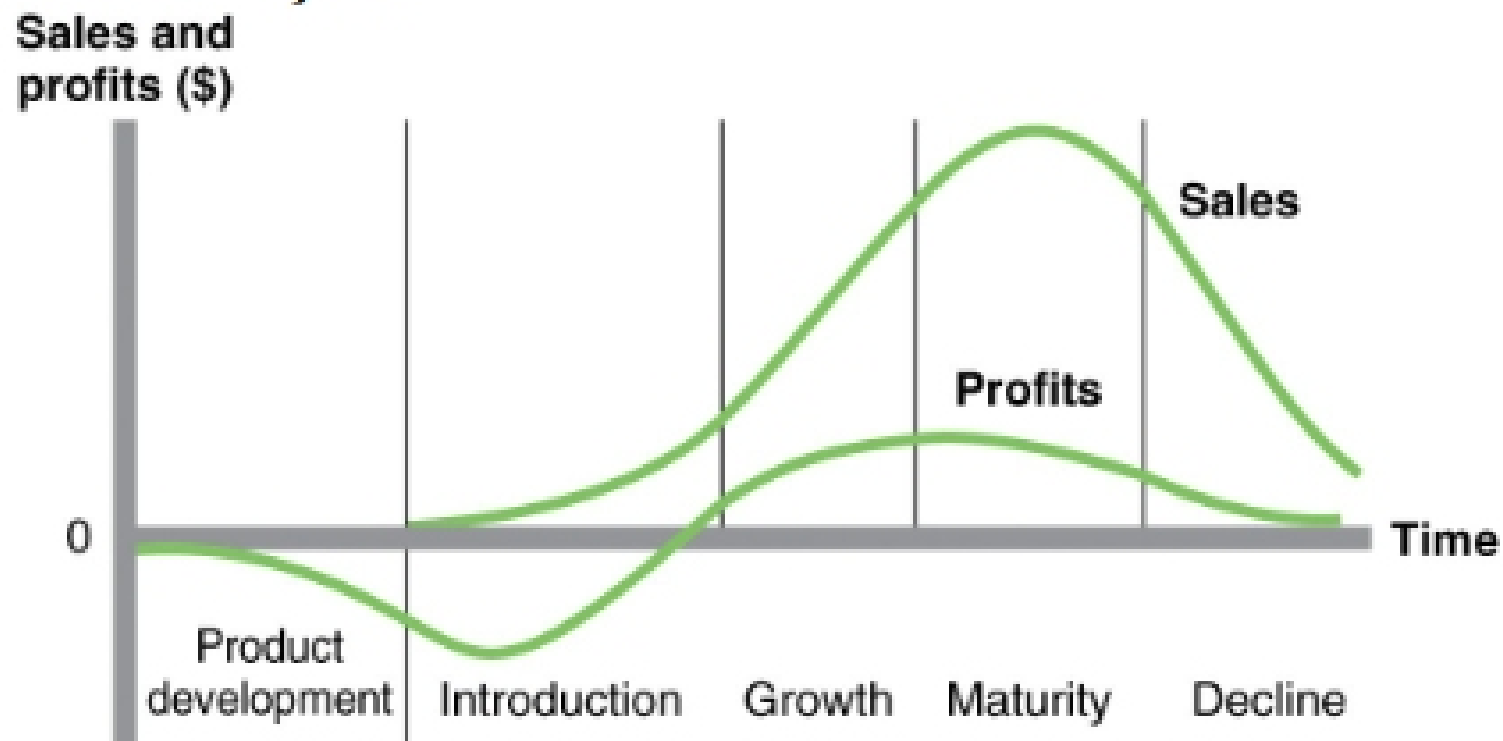
(d) penetration rate only 8% in 2000, now 50%

(e) future is digital

II. PROTECT your product!!

- a)** Polaroid vs. Kodak
 - i)** Instant picture cameras
- b)** As the cycle turns...
 - i)** February 13, 2008
 - ii)** Ends instant film production due to digital
 - iii)** Polaroid was awarded damages of \$909 million

III. Product Life Cycle



**Losses/
investment (\$)**

- a)** Aggregate demand over an extended period of time for all brands comprising a generic product category.
- b)** PLC and profit curves varies from product category to another, but above is the basic shape that we often see.
- c)** Note the **NEGATIVE** profits. Sales are needed to offset product development costs
- d)** As we move through the PLC, we must increase advertising & selling efforts & cut prices in face of competition.
- e)** Deciding when to enter a market can **IMPACT** Profitability

IV. PLC Characteristics and Implications

	Introduction	Growth
a) Characteristics		
b) Customers	Innovators	To the masses
c) Competition	Little	Increasing
d) Sales	Low	Rapid Growth
e) Profits	None	Strong & peak

a) Marketing Implications		
b) Overall Strategy	Market Development	Penetration
c) Costs	High per unit	Declining
d) Product Strategy	Undifferentiated	Improved features
e) Pricing Strategy	High	Lower over time
f) Distribution Strategy	Scattered	Intensive
g) Promotional Strategy	Awareness	Brand Preference

a) Characteristics	Maturity	Decline
b) Customers	Mass market	Loyal Customers
c) Competition	Intense	Decreasing
d) Sales	Slow	Declining
e) Profits	Declining	Low/none

a) Marketing Implications		
Overall Strategy	Defensive	Efficient or exit
b) Costs	Stable	Low
c) Product Strategy	Differentiated	Pruned line
d) Pricing Strategy	Lowest	Increasing
e) Distribution Strategy	Intensive	Selective
f) Promotional Strategy	Brand Loyalty	Reinforcement

g) WHY do brands decline?

- i) Better or less expensive products (monopoly vs tv/video games)
- ii) Need for product disappears due to product development (orange juicer)
- iii) Most competitors abandon the market, BUT
- iv) Some can develop small successful niche businesses.

V. Length of Product Life-Cycle

- a) The length of the cycle from introduction to decline varies.
 - i) Examples: fashion (short PLC) vs. Telephone landline (LONG)
- b) Extended introduction stage (Refrigerators 28 years)
- c) Fad (beanie babies, razor, mood rings)
- d) Indefinite Maturity stage
 - i) Examples
POGS, coke, pet rocks
- e) The Product Life Cycle is getting shorter for most products due to: