

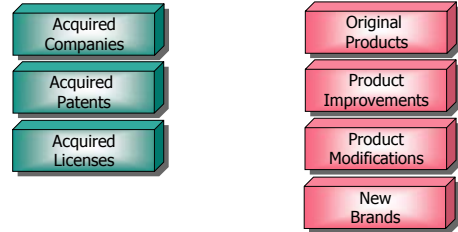
## Product Life-Cycle Strategies

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## New-Product Development Strategies

### Strategies for Obtaining New Product Ideas



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## New Product Failures

- ✦ One study estimated that as many as 80% of new consumer packaged products failed.
- ✦ Only about 40% of new consumer products are around 5 years after introduction.
- ✦ Why?
  - Overestimation of market size,
  - Product design problems,
  - Product incorrectly positioned, priced or advertised,
  - Product may have been pushed despite poor marketing research findings,
  - Costs of product development, or
  - Competitive actions

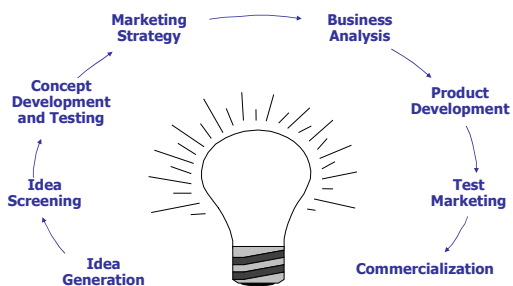
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## Improving New-Product Success

- ✦ New product success depends on having a:
  - Unique superior product (one with higher quality, features, and value in use), &
  - Well-defined product concept (a defined target market, product requirements, and benefits).
- ✦ To create successful new products, the company must:
  - understand its customers, markets and competitors, &
  - develop products that deliver superior value to customers.

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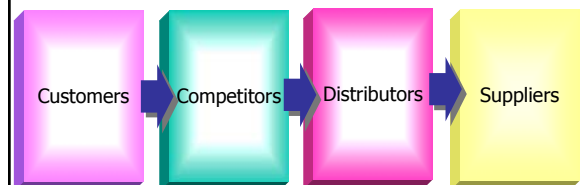
## Major Stages in New-Product Development



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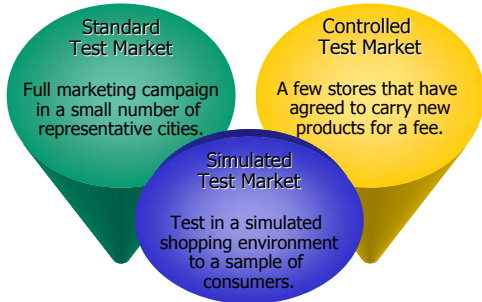
## New Product Development Process. Idea Generation

Idea Generation is the Systematic Search for New Product Ideas Obtained Internally From Employees and Also From:



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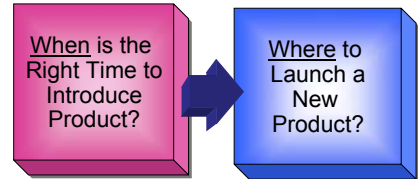
## New Product Development Process. Test Marketing



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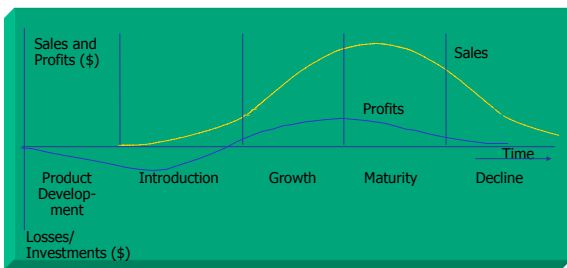
## New Product Development Process Commercialization

Commercialization is the Introduction of the New Product into the Marketplace.



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## Product Life Cycle



Sales and Profits Over the Product's Life From Inception to Demise

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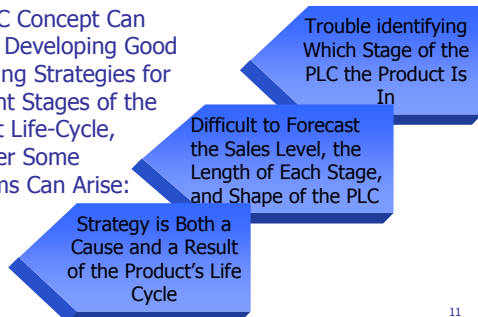
## Applications of the Product Life Cycle

- ✦ The PLC concept can describe a:
  - **Product class** which has the longest life cycles (i.e. gas-powered cars),
  - **Product form** which tend to have the standard PLC shape (i.e. minivans),
  - **Brand** which can change quickly because of changing competitive attaches and responses (i.e. Ford Taurus),
  - **Style** which is a basic and distinctive mode of expression,
  - **Fashion** which is a popular style in a given field,
  - **Fad** which is a fashion that enters quickly, is adopted quickly and declines fast.

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## Problems Using the PLC

The PLC Concept Can Help in Developing Good Marketing Strategies for Different Stages of the Product Life-Cycle, However Some Problems Can Arise:



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## Introduction Stage of the PLC

Summary of Characteristics, Objectives, & Strategies

Sales	Low sales
Costs	High cost per customer
Profits	Negative or low
Marketing Objectives	Create product awareness and trial
Product	Offer a basic product
Price	Usually is high; use cost-plus formula
Distribution	High distribution expenses
Advertising	Build product awareness among early adopters and dealers

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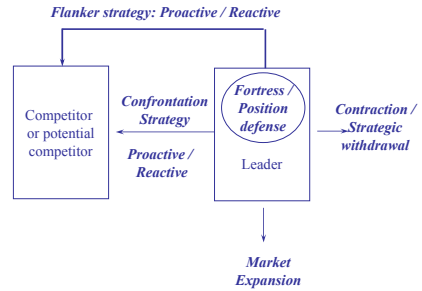
## Growth Stage of the PLC

### Summary of Characteristics, Objectives, & Strategies

Sales	Rapidly rising sales
Costs	Average cost per customer
Profits	Rising profits
Marketing Objectives	Maximize market share
Product	Offer new product features, extensions, service, and warranty
Price	Price to penetrate market
Distribution	Increase number of distribution outlets
Advertising	Build awareness and interest in the mass market

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## Strategic choices for share leaders

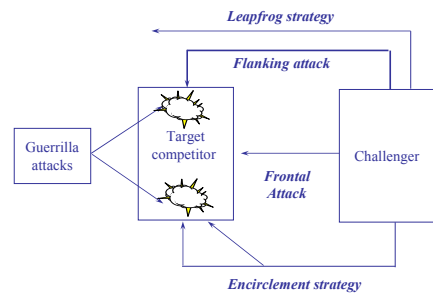


## Strategic objectives for followers



- Capture repeat / replacement purchases from current customers of the leader or other target competitor by:
  - Head-to-head positioning against competitor's offering in primary target market (athletic footwear, PCs)
  - Technological differentiation from target competitor's offering in a primary target market
- Stimulate selective demand among later adopters by:
  - Head-to-head positioning against target competitor's offering in established market segments
  - Differentiated positioning focused on untapped or underdeveloped segments

## Strategic choices for challengers



## Maturity Stage of the PLC

### Summary of Characteristics, Objectives, & Strategies

Sales	Peak sales
Costs	Low cost per customer
Profits	High profits, then lower profits
Marketing Objectives	Maximize profits while defending market share
Product	Diversify brand and models
Price	Price to match or best competitors
Distribution	Build more intensive distribution
Advertising	Stress brand differences and benefits

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## Maturity Stage of the PLC



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## Decline Stage of the PLC

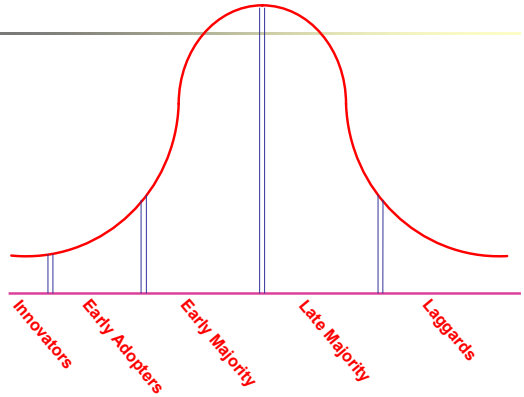


### Summary of Characteristics, Objectives, & Strategies

Sales	➔	Declining sales
Costs	➔	Low cost per customer
Profits	➔	Declining profits
Marketing Objectives	➔	Reduce expenditure and maintain, reposition, harvest or drop the product.
Product	➔	Phase out weak items
Price	➔	Cut price
Distribution	➔	Go selective: phase out unprofitable outlets
Advertising	➔	Reduce to level needed to retain hard-core loyal customers

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## Technology Adoption Life Cycle (TALC)



## Technology Adoption Life Cycle - Discontinuous Innovations

- ✦ **Innovators = *Technology enthusiasts***
  - Technology eventually helps improve lives; No money; Have influence; Gatekeepers to the life cycle; If they hate it implies trouble
- ✦ **Early adopters = *Visionaries***
  - Believe in competitive advantage via discontinuous innovation; Bring \$\$ to table & demand modifications; Techies explore-visionaries exploit
- ✦ **Early majority = *Pragmatists***
  - Do not love technology for its own sake; Believe in evolution not revolution; Want to improve organizational effectiveness; Difficult to convince them to shift paradigms; Prefer to buy from market leaders
- ✦ **Late majority = *Conservatives***
  - Technology skeptics; Price sensitive; Demanding consumers; Largely untapped opportunity for high tech
- ✦ **Laggards = *Skeptics***
  - Gadflies of high tech; Challenge the hype; Need to sell around them

## Review of Concepts

- ✦ Explain how companies find and develop new-product ideas.
- ✦ List and define the steps in the new-development process.
- ✦ Describe the stages of the product life-cycle.
- ✦ Describe how marketing strategies change during the product's life-cycle.

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