**Product Life-Cycle Strategies**

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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**

- Idea Generation
- Concept Development and Testing
- Marketing Strategy
- Business Analysis
- Product Development
- Test Marketing
- Commercialization

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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:

- Customers
- Competitors
- Distributors
- Suppliers
New Product Development Process. Test Marketing

Standard Test Market
Full marketing campaign in a small number of representative cities.

Controlled Test Market
A few stores that have agreed to carry new products for a fee.

Simulated Test Market
Test in a simulated shopping environment to a sample of consumers.

New Product Development Process

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

When is the Right Time to Introduce Product?
Where to Launch a New Product?

Product Life Cycle

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

Introduction Stage of the PLC

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.

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:

Difficult to Forecast the Sales Level, the Length of Each Stage, and Shape of the PLC
Strategy is Both a Cause and a Result of the Product’s Life Cycle

Introduction Stage of the PLC

Summary of Characteristics, Objectives, & Strategies

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Objectives</th>
<th>Strategies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>Low sales</td>
<td></td>
</tr>
<tr>
<td>Costs</td>
<td>High cost per customer</td>
<td></td>
</tr>
<tr>
<td>Profits</td>
<td>Negative or low</td>
<td></td>
</tr>
<tr>
<td>Marketing Objectives</td>
<td>Create product awareness and trial</td>
<td></td>
</tr>
<tr>
<td>Product</td>
<td>Offer a basic product</td>
<td></td>
</tr>
<tr>
<td>Price Distribution</td>
<td>Usually is high; use cost-plus formula</td>
<td></td>
</tr>
<tr>
<td>Advertising</td>
<td>Build product awareness among early adopters and dealers</td>
<td></td>
</tr>
</tbody>
</table>
Growth Stage of the PLC

Summary of Characteristics, Objectives, & Strategies

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

Marketing Objectives
- Maximize market share
- Offer new product features, extensions, service, and warranty
- Price to penetrate market
- Increase number of distribution outlets
- Build awareness and interest in the mass market

Strategic choices for share leaders
- Flanker strategy: Proactive / Reactive
- Confrontation Strategy
- Fortress / Position defense
- Leader
- Market Expansion
- Contraction / Strategic withdrawal
- Proactive / Reactive
- Flanker strategy
- Frontal Attack
- Leapfrog strategy
- Encirclement strategy

Strategic choices 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
- Leapfrog strategy
- Flanking attack
- Frontal Attack
- Guerrilla attacks
- Challengers
- Fortress / Position defense
- Leader
- Market Expansion
- Contraction / Strategic withdrawal
- Proactive / Reactive
- Flanker strategy
- Frontal Attack
- Leapfrog strategy
- Encirclement strategy

Maturity Stage of the PLC

Summary of Characteristics, Objectives, & Strategies

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

Maturity Stage of the PLC

Modifying the Product
Company tries to improve sales by changing one or more marketing mix elements.

Modifying the Marketing Mix
Changing characteristics such as quality, features, or styles to attract new users.
Decline Stage of the PLC

Summary of Characteristics, Objectives, & Strategies

<table>
<thead>
<tr>
<th>Characteristic</th>
<th>Objective/Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Declining sales</td>
<td>Low cost per customer</td>
</tr>
<tr>
<td>Declining profits</td>
<td>Reduce expenditure and maintain, reposition, harvest or drop the product</td>
</tr>
<tr>
<td>Phase out weak items</td>
<td></td>
</tr>
<tr>
<td>Cut price</td>
<td>Go selective: phase out unprofitable outlets</td>
</tr>
<tr>
<td>Reduce to level needed to retain hard-core loyal customers</td>
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Technology Adoption Life Cycle (TALC)

- 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.