Chapter: - 7.

PRODUCT LIFE CYCLE:

- Successful new products may not last forever, during its life. Sales /profits generated for by-product may vary.
- Variance depends on the market demand for product changing needs level is described by demand cycle curve such as:

<table>
<thead>
<tr>
<th>Demand</th>
<th>Time</th>
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<tbody>
<tr>
<td>M</td>
<td>G1</td>
</tr>
<tr>
<td>E</td>
<td>G2</td>
</tr>
<tr>
<td>D</td>
<td>M</td>
</tr>
</tbody>
</table>

E = Emergence.
G1 = Accelerating Growth.
G2 = Decelerating Growth.
M = Maturity.
D = Decline.

- Demand may also decline due to a change in technology.
- Based on demand for a product it may be possible to create a concept that provides insights of the product’s competitive dynamics. This is called PRODUCT LIFE CYCLE.
- PLC concept implies:
  - Products have a limited life.
  - Product sales pass through distinct stages with each stage posing Challenges/Opportunities/Problems.
  - Profits rise/fall during different stages of product life cycle.
  - Products require different marketing/manufacturing/finance/purchase/HR strategies at each stage of Product Life Cycle.
- In most cases historical/empirical data shows the sales/profits of a product as following a pattern (as per diagram)
- Pattern is:
Product Life Cycle curve is typically divided into 4 stages:

- **Introduction:**
  - Product introduced in market.
  - Slow sales growth.
  - No profits as expenses are high.

- **Growth:**
  - Period of rapid market acceptance.
  - Profit increases.

- **Maturity:**
  - Sales growth slows down.
  - Profits stability then decline to fight competition.

- **Decline:**
  - Sales decreases
  - Profits decreases

Stages are marked by changes in rates of sales growth.

**PLC concept can be used to analyse:**

- Product category (liquid/oral care/skin care).
- Product form (white liquid/paste/cake).
- Products (vodka/toothpaste/soap).
- Brands (Smirnoff/Colgate herbal/Lux).

- Product categories have largest PLC’s. Many product category stay in maturity stage of PLC indefinitely.
- Product forms follow PLC structure, i.e., better than product category as they pass through I/G/M/D strategies faster.
- Products follow std. PLC or PLC variances.
- Brands have shorter PLC’s however their PLC’s may be structured by investing brand with suitable products & image.

**PLC Variants:**

- There may exist many PLC patterns in addition to standard PLC. Some common variants are:

![Graphs showing different PLC patterns](image-url)
(1) Growth/Slump/Maturity Pattern:
- Sales grow, and then fall to petrified level.
- Example: Small kitchen appliances (Spoons), Cease fire.

(2) Cycle-Recycle Pattern:
- Sales grow, then decreases.
- Company gives another promotion push for another smaller growths.
- Example: Pharmaceuticals.

(3) Scalloped Pattern:
- Sales pass through a series of PLC’s due to discovery of new uses/characteristics.
- Example: Nylon.

Style / Fashion / Fad Life Cycle:
- Three special categories of PLC need to be distinguished.
- PLC’s pertaining to Style/Fashion/Fad.

Style:
- style is a basic/distinctive mode of expression appearing in a field of human endeavors.
- Once a style is invented, it can last for generations, at times going in/ going out.
  - Example: Styles in Home, Clothes.

Fashion:
- Fashion is a currently accepted/popular style in a given field.
  - Example: Clothes: Jeans.
    Music: Hindi-Pop.
- Fashion Pass through four Stages:
  - Distinctiveness Stage:
    - Same customer take interest in something new that sets them apart.
  - Emulation Stage:
    - Other customers take an interest out of desire to emulate fashion leaders.
  - Mass-Fashion Stage:
    - Fashion becomes very popular & manufacturing gear up for mass production.
  - Decline:
    - Consumer starts moving towards other fashion.

Fad:
- Fads are fashion that comes quickly into the public eye, are adopted with great zeal, peak easily and decline fast.
- Acceptance cycle is short.
- Fads tend to have limited followings
- Example: Body Piercing, Tattooing, Pepsi Blue.
**Marketing Strategies through PLC:**
- Marketing strategy differs based on PLC stage of product.

**Introduction Stage:**
- Starts when New Product is launched.
- Sales growth is slow due to:
  - Expansion in product capability.
  - Working out technical bugs in product.
  - Delay in adequate distribution.
  - Customer accepting NP slowly.
- Profits are negative/low due to:
  - Low Sales.
  - High distribution/promotion costs.
- Promo costs are high due to:
  - Need to inform customer about new/unknown product.
  - Need to induce trial.
  - Need to secure distribution/retail.
- Marketing strategies classified based on:
  - Price.
  - Promotion.

<table>
<thead>
<tr>
<th>Price</th>
<th>High</th>
<th>Low</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td>Rapid Skimming Strategy</td>
<td>Slow Skimming Strategy</td>
</tr>
<tr>
<td>Low</td>
<td>Rapid Penetration Strategy</td>
<td>Slow Penetration Strategy</td>
</tr>
</tbody>
</table>

**Rapid Skimming Strategy:**
- New product launched at high price with high promotion level.
  - Example: Nokia Handsets.
- High price helps firm to recover max profits/units.
- High promo helps in customer awareness/adoption.
- Good policy when:
  - Large part of product mkt is unaware of product.
  - Those who become aware are eager to have it & can pay asked price.
  - Firm faces potential competition & wants to build brand preference.

**Slow Skimming Strategy:**
- New Product launched at high price with low promotion.
- High price helps firm to recover maximum profits/units.
- Low promo keeps marketing expenses down.
- Combination is expected to skip high profit from the mkt.
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- Slow skimming strategy normally used when:
  - Market size is limited.
  - Market is aware of product.
  - Buyers are willing to pay high price.
  - Potential competition is not imminent.
  - Example: Mercedes and most of the niche players.

**Rapid Promotion Strategy:**
- New Product launched at low price with high promotion.
- Helps to achieve:
  - Fastest market penetration.
  - Largest market share.
- Normally used when:
  - Market is large.
  - Market is unaware of the product.
  - Buyers are price sensitive.
  - Strong product competition exists.
  - Costs likely to decreases with volume.
  - Example: Reliance Hungama, Nirma, and Wheel

**Slow Penetration Strategy:**
- New Product launched at low price with low promotion.
- Low price encourages rapid product acceptance,
- Low promotion cost helps retain profits.
- Used when:
  - Mkt is large.
  - Market is highly aware of product.
  - Market is price sensitive.
  - Market is minimally sensitive to promo.
  - Product competition exists.

**Growth Stage:**
- Growth stage marked by increase in sales.
- Early adopters like the product.
- Early majority buys the product.
- Late majority starts buying towards the end of growth stage.
- Competition may increase which in turn introduces new product features to differentiate their offering.

- Profits increase due to:
  - Manufacturing cost/unit decreases.
  - Promotion costs are spread over larger volume.

- Growth rate gradually declined from accelerating to decelerating.
  - Example: Earlier there was Surf, then came Ariel then Ariel Blue, green then Surf Excel, Surf Excel Blue.
- Companies need to prepare new strategy for this.
Overall during growth stage companies try to sustain rapid market growth for as long as possible.
  - Example: Automobile Market: Cars: Earlier there was Ambassador, then Fiat, Maruti 800.
  - For this, strategies could be:
    - Add new features/ increase product quality/ increase style/ looks
      - Example: Car Market
    - Add new models/ flanking product. Flanking products are products in different sizes/ flavors/…that protects brand/new product.
      - Example: Vanilla Ice Cream and Lux.
      - Lux has large number of soaps bars around it like Breeze, Hamam and Pears etc so that Lux is protected.
    - Enter new market segments.
    - Increase distribution coverage/ Enter new distribution channels.
    - Increase advertising from product awareness to product properties.
    - Reduce price to attract next layer of price sensitive cost.

In growth stage, companies needs to make a trade off between high market share & high current market profit. At times profits is foregone currently in order to make even more profits later.

**Maturity Stage:**
- At some point of time, growth of a product slows down. The product now enters a stage of maturity.
- This stage is likely to last longer than previous stages.
- Most products today are in maturity stage hence, most of marketing management deals with mature products.
- Maturity stage is made up of three stages.

- **Growth Maturity:**
  - Sales growth starts declining.
  - Laggard buyers enter market.
  - No new channels are left to fill.
- **Decaying Maturity:**
  - Absolute sales volume decrease
  - Customers start switching to substitutes/ other products.
- Stable Maturity:
  - Sales flatten out due to market saturation.
  - Future sales governed by population increases & replaces demand.
- Slowdown in sales growth creates over capacity which leads to intensified competition
- Competitors try to find new segments/ niches
- Prices may decrease/ advertising increase/ trade deals increases/ sales promo increases.
- R&D spending increase discover new features/ products improvements / line extensions.
- Shake out may occur due to profits erosion in decaying maturity. Weak competition may withdraw.
- Competitive advantage may be due to:
  - Large volume low cost.
  - within this we may have:
    - Quality
    - Service
    - Cost

**Market Nichers:**
- May include within
  - Market specialists.
  - Product specialization.
  - Customizing firms.
- Nichers serve/ satisfy small target markets well & command a price premium.
- Company has to decide whether to be in dominance or be a Nicher.
- Marketing strategies in maturity stage could be:
  - Market modification.
  - Product modification.
  - Marketing Mix modification.

**Market Modification:**
- Mkt for mature product/brand could be modified by working along formula:

\[
\text{Sales Volume} = (\text{Number of Brand users}) \times (\text{Usage rate per user}).
\]
- Sales volume may be increased by influencing constituent variants.
- Number of brand users can be expanded by:
  - Converting non users:
    - Attracting non users.
    - Example: Courier services may try to increase number of users.
  - Entering new mkt segments:
    - Enter new mkt segment in terms of geographical/ demographical of people who use product category but not the brand.
    - Example: Johnson & Johnson Baby Shampoo promoted to adults
  - Win competition:
    - Try to get competitor’s customer to try/ adopt your product.
    - Example: Pepsi & Coca Cola both.
To increase usage rate, strategies could be:

- **More frequent use:**
  - Try to get customer to use product more frequently.
  - Example: Fruit Juice/ consumption encouraged for breakfast/ before meals/ after meals/ anytime/ occasionally.

- **More usage per occasion:**
  - Company tries to interest users to use more of product on each occasion used.
  - Example: Shampoo: Use two rinsing instead of one.
  - Toothpaste: Larger diameter of tube opening used along length of brush.

- **New /more varied users:**
  - Company tries to discover new product uses & tries to convince customers to use product in varied ways.
  - Example: Food processor manufacturing company provides recipes to broaden customer use of product.

**Product Modification:**
- Sales may be stimulated in the maturity stage by modifying product characteristics.
- Product modification could be:
  - Quality improvement.
  - Feature improvements.
  - Style improvements.

- Quality improvements aims at increased final performance in terms of:
  - Durability.
  - Reliability.
  - Speed/ Taste.

- Feature improvements aims at adding new features to expand new product’s:
  - Versatility.
  - Safety.
  - Convenience.

- Style improvements aims at increasing products aesthetic appeal.

**Marketing Mix Modification:**
- Sales may be stimulated by modifying other marketing mix elements. These could be:
  - **Price:**
    - Price decrease may increase sales.
    - Price increase may signal higher quantity.
  - **Distribution:**
    - Company may try to obtain more product support & display in existing outlets.
    - Number of outlets may be increased.
    - New distribution channels may be used.
  - **Advertising:**
    - Advertising expense may increase.
    - Advertising message/ media mix may change.
- Sales Promotion:
  - Sales promotion campaign may be used to lift sales temporarily or to enter newer segments.
- Personal Selling:
  - Number / Quality of sales force may change.
  - Sales territories/ sales force management may change.
- Services:
  - Company may change product’s services offered in terms of:
    - Delivery.
    - Technology assistance to Customer.
    - Maintenance.
- Maturity marketing strategies constitute majority of marketing managers role in day to day work.

**Decline Stage:**
- Sales of most product forms & brands eventually decline.
- Decline may be due to:
  - Technical advances.
  - Change in customer tastes.
  - Increase in competition.
- Above may lead to:
  - Over capacity.
  - Increase price cutting.
  - Profit Erosion.
- Unless strong reasons exist, carrying a weak product may be very costly.
- To handle declining sales, marketing strategies could be:
  - Increase firms invest to dominate market/ strength competitive position.
  - Maintain invest until uncertainties above industry are resolved.
  - Decrease firms invest, selectively by dropping unprofitable customer and focusing on niches.
  - Harvesting.
  - Divesting.
- Appropriate strategy depends on:
  - Industry’s relative attractiveness.
  - Company’s strength in the industry.
**Summary of Product Life Cycle:**
(Characteristics / Objectives / Strategies).

<table>
<thead>
<tr>
<th>Characteristics:</th>
<th>Introduction</th>
<th>Growth</th>
<th>Maturity</th>
<th>Decline</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. <strong>Sales</strong></td>
<td>Low Sales</td>
<td>Rapidly Increasing Sales</td>
<td>Peak Sales</td>
<td>Declining Sales</td>
</tr>
<tr>
<td>2. <strong>Costs</strong></td>
<td>High cost per customer</td>
<td>Average cost per customer</td>
<td>Low cost per customer</td>
<td>Low cost per customer</td>
</tr>
<tr>
<td>3. <strong>Profits</strong></td>
<td>Negative</td>
<td>More Profit</td>
<td>High Profit</td>
<td>Declining Profit</td>
</tr>
<tr>
<td>4. <strong>Customer</strong></td>
<td>Innovators</td>
<td>Early Adopters</td>
<td>Early Majority + Late Majority</td>
<td>Laggards</td>
</tr>
<tr>
<td>5. <strong>Competitor</strong></td>
<td>Few</td>
<td>More in number</td>
<td>Stable number, beginning to decline</td>
<td>Declining numbers.</td>
</tr>
</tbody>
</table>

**Objectives:**

| Create product awareness and Trial | Maximize market share | Maximize profits and defend market share | Reduce expenses & milk brands |

**Strategies:**

| 1. **Product** | Offer basic product | Offer product extension, service, warranty | Diversify brands / models | Phase out weak products |
| 2. **Price**   | Change cost + | Price to penetrate market | Price to match better competition | Cut price |
| 3. **Distribution** | Build selective distribution | Build intensive distribution | Build more intensive distribution | Selective phase out of unprofitable unit |
| 4. **Advertising** | Build product awareness among early adopters and dealers | Build awareness and interest in mass market | Stress on brand difference and benefits | Reduce to retain hard core loyals |
| 5. **Sales Promotion** | Use heavy sales promotion to induce trial | Reduce sales promotion due to increased consumer demand | More sales promotion to encourage brand switching | Reduce to minimum level |