

## Product Life Cycle handout

### Key Terms and Concepts

1. Life cycle
2. Marketing Mix
3. Market share
4. Brand awareness
5. Brand preference
6. Profit
7. Skimming
8. Penetration
9. Harvesting
10. Deletion
11. Introduction stage
12. Growth stage
13. Maturity stage
14. Decline stage

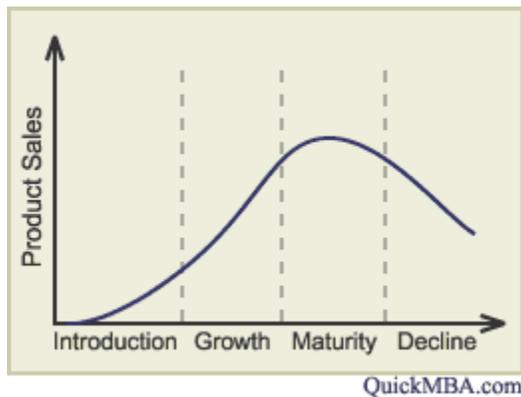
**Introduction stage** –The main financial goal is sales growth. Promotions are focused on increasing brand awareness and stimulating trial. If the product has no or few competitors, a skimming price strategy (high initial price) is used; this communicates exclusivity and helps the producer to cover initial research and development costs. If the product has many competitors, a penetration price strategy (low initial price) is used; this minimizes consumers' risk. Typically only a few distributors are involved; this also helps to create exclusivity. Customers are mainly 'early adopters' – people who love to be the first to own a product and who are less concerned about taking risks. Often these consumers have access to large amounts of financial resources (VALS).

**Growth stage** – As 'me-too' (copycat) products enter the market, new markets are identified and pursued. Increasing competition puts pressure on firms to create new points of difference – different versions of the product – in order to meet the specific needs and wants of new markets and new market segments. More distributors are engaged to get the product to more market segments. Promotions are focused on emphasizing differentiation and establishing brand preference. The main financial goal is profitability within each market segment. More distributors are used to get the product out to more buyers. Customers are mainly 'early majority' – people who are trend spotters but not trend setters, and people who are somewhat more risk averse. Often these consumers have more limited resources (VALS).

**Maturity stage** – Price wars and intense competition produce market 'saturation', where essentially all potential buyers have been converted to actual consumers. Marketers begin to withdraw products from the market because of poor margins (revenues minus costs). Promotions are focused on reinforcing preference and establishing brand loyalty. Reminder advertising is common. Maximum distribution gets

the product to all possible buyers. Profit is the main financial goal. Customers are mainly 'late majority' and 'laggards' – people who are risk averse and have limited financial resources (VALS).

**Decline stage** – Buyer tastes change or radical product innovation produces new ways to satisfy consumers' needs and wants (this happens often with technology products). Marketers often respond by harvesting – cutting price and costs dramatically and reducing or eliminating all promotions, or by deletion – withdrawing the product entirely. Fewer distributors are used; this strategy can reduce distribution costs. The main financial goal is staying profitable. Customers are either truly loyal or laggards who have severely limited financial means.



Uses for the life cycle model:

1. Situation Analysis – A review of the existing competition will help you to understand which stage the entire category is in. For example, if your research reveals that several new competitors have 'entered the market' – begun selling to the same market or market segment – you know that the category is probably in the growth stage. If your research reveals that all competitors recently dropped their prices, you know that the category may be in the decline stage.
2. Marketing Mix Recommendations – Your marketing mix decisions will follow on your Situation Analysis, Competitor Analysis, consumer analysis and your analysis of the product life cycle. For example, if you are introducing a new product under a new brand name, to a market segment that has unmet needs and many financial resources, you probably should consider a skimming price strategy.