Introduction to Marketing



营销学概要

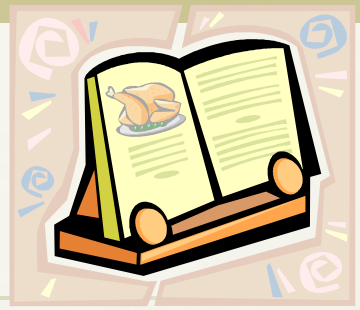
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SESSION 10: PRODUCT LIFE CYCLE

第十课：产品生命周期

Learning Outcomes (LOs):



1. Define product life cycle (PLC).
2. Recognize different marketing mix strategies for different stages of PLC.
3. Get to know how to manage PLC.
4. Understand BCG Matrix and its relationship with PLC.

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LO1: Product Life Cycle

- Products have lives and they need managing throughout their working lives.



- This requires deciding:

--- What products should be created.

--- The best time to launch them.

--- How to capitalise on a product's strengths and iron out any weaknesses.

--- When an older product is past its prime and needs modification or withdrawal from the market.

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LO1 (Con.)

Product life cycle (PLC) refers to the stages a new product goes through in its lifetime in the marketplace. The stages include:

- Introduction
- Growth
- Maturity
- Decline

LO2: PLC Stages and Marketing Strategies

- Introduction Stage
- Growth Stage
- Maturity Stage
- Decline Stage

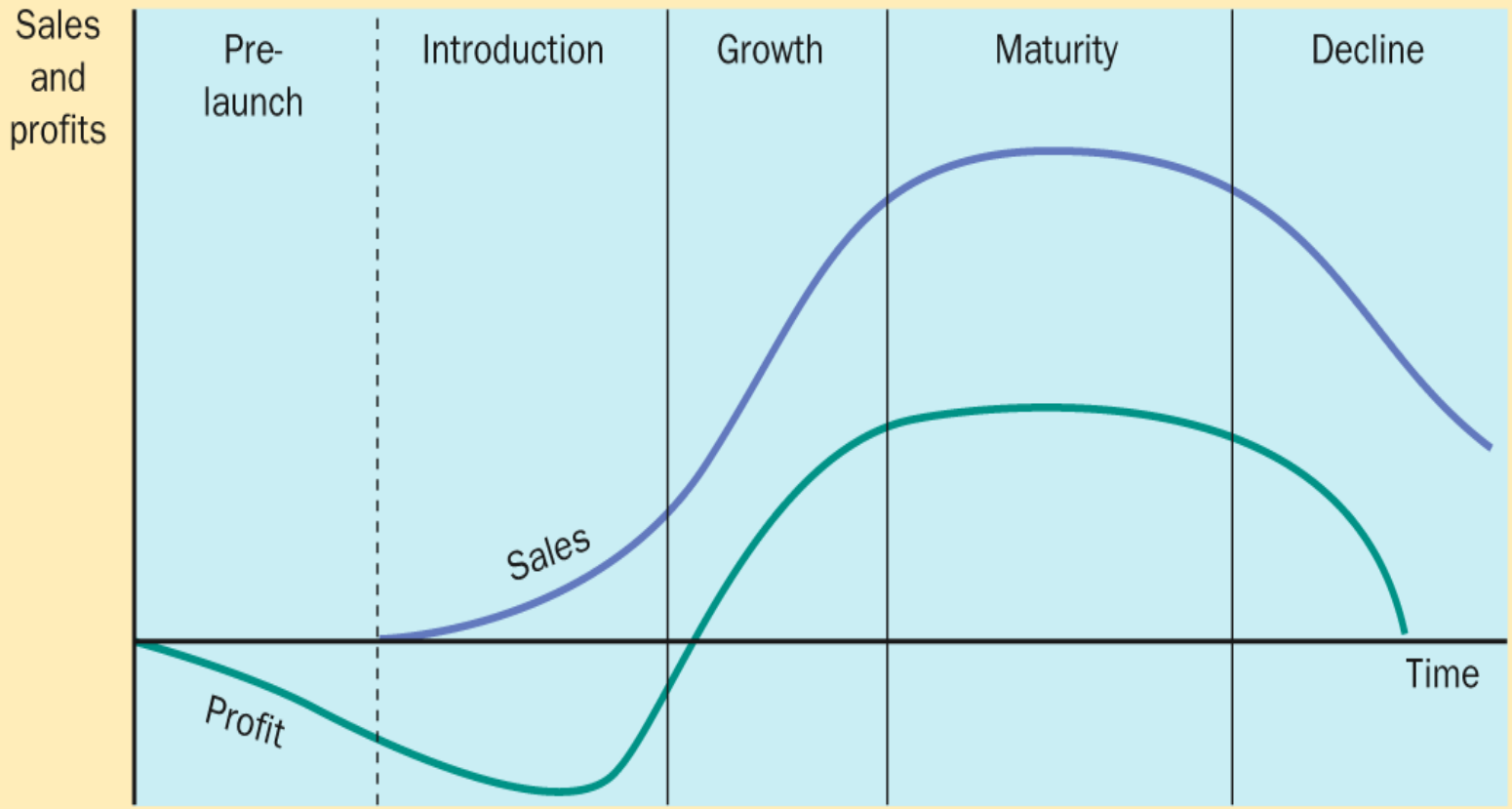


Video Time

- Watch the video twice and take notes on:
  1) the features of each stage
  2) the marketing mix for each stage

** Listen carefully for the 4Ps and for each stage and match them up.

PLC Graph:
Why are sales / profit low at first?



2-1: Introduction Stage



- Sales grow slowly, and profit is low.
- Big expense on advertising / promotion to create awareness.
- Very innovative products need to create *Primary demand*.
- Distribution (Place) important – intermediaries may not wish to buy/sell.
- Pricing can be either high or low.

Introduction Stage

Characteristics, Objectives, & Strategies



Sales	Low
Costs	High cost per customer
Profits	Negative or low
Marketing Objectives	Create product awareness
Product	basic product
Price	Usually high
Distribution	High distribution expenses
Advertising	Product awareness

2-2: Growth stage



- Hopefully, rapid increases in sales and profits.
- Competitors appear.
- Prices lower.
- Promotion - emphasise differential advantage.
- Product may change slightly for differential advantage (e.g. extra functions).
- MUST get *repeat purchasers*
- MUST get wide distribution

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Growth Stage

Characteristics, Objectives, & Strategies



Sales	Rapidly rising sales
Costs	Average cost per customer
Profits	Rising profits
Marketing Objectives	Maximize market share
Product	New product features
Price	Lower Price to penetrate market
Distribution	Increase number of outlets
Advertising	Build awareness in the mass market

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2-3: Maturity Stage



- Slowing of sales at all levels.

- Fewer new buyers, mainly repeat purchasers.
- Reduce prices to keep customers.

- MUST try to hold market share → more product variation

  e.g. - Gillette shavers for women

  - Digital cameras that connect to facebook

Maturity Stage

Characteristics, Objectives, & Strategies



Sales	Peak sales
Costs	Low cost per customer
Profits	High, then lower
Marketing Objectives	Maximize profits
Product	Diversify brand and models
Price	Match or beat competitors
Distribution	More intensive distribution
Advertising	Stress differences and benefits

2-4: Decline Stage



- Sales begin to drop (Why?)
  - --- Poor management
  - --- Market environment
  - --- Inevitable environmental changes, such as technological innovation (eg.MP3/CD/tapes)
- What to do?
  - --- **Deletion** (withdraw the product)
  - --- **Harvesting** (keep but reduce costs)
  - --- **Extension** (Modify with new features)

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Decline Stage

Characteristics, Objectives, & Strategies



Sales	Declining sales
Costs	Low cost per customer
Profits	Declining profits
Marketing Objectives	Reduce expenditure, harvest or drop the product
Product	Phase out weak items
Price	Cut price
Distribution	Don't use unprofitable outlets
Advertising	Reduce to focus on loyal customers

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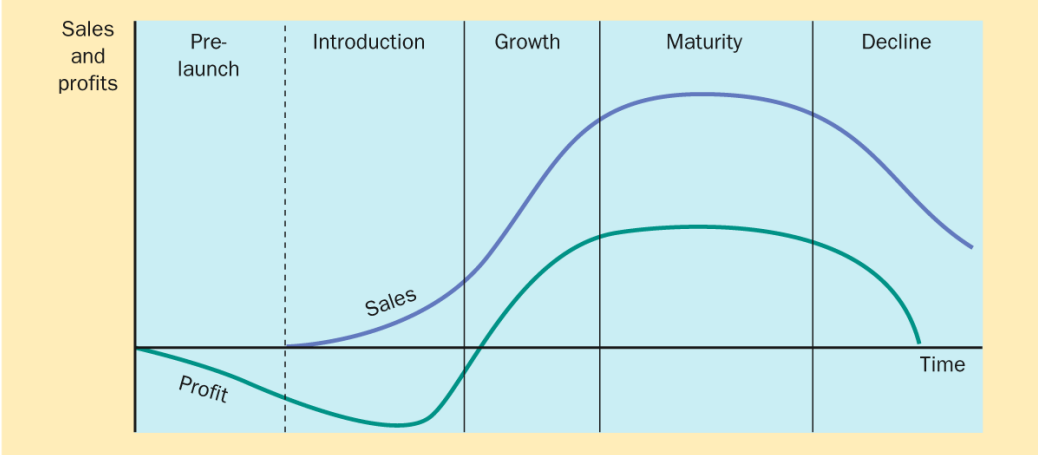
Example: Product Life Cycle of a VCR

Introduction of the VCR= 1977 VHS first sold in the USA

Growth of the VCR = 1992 100 millionth VCR sold

Maturity of the VCR= 2000 23 million sales (peak)

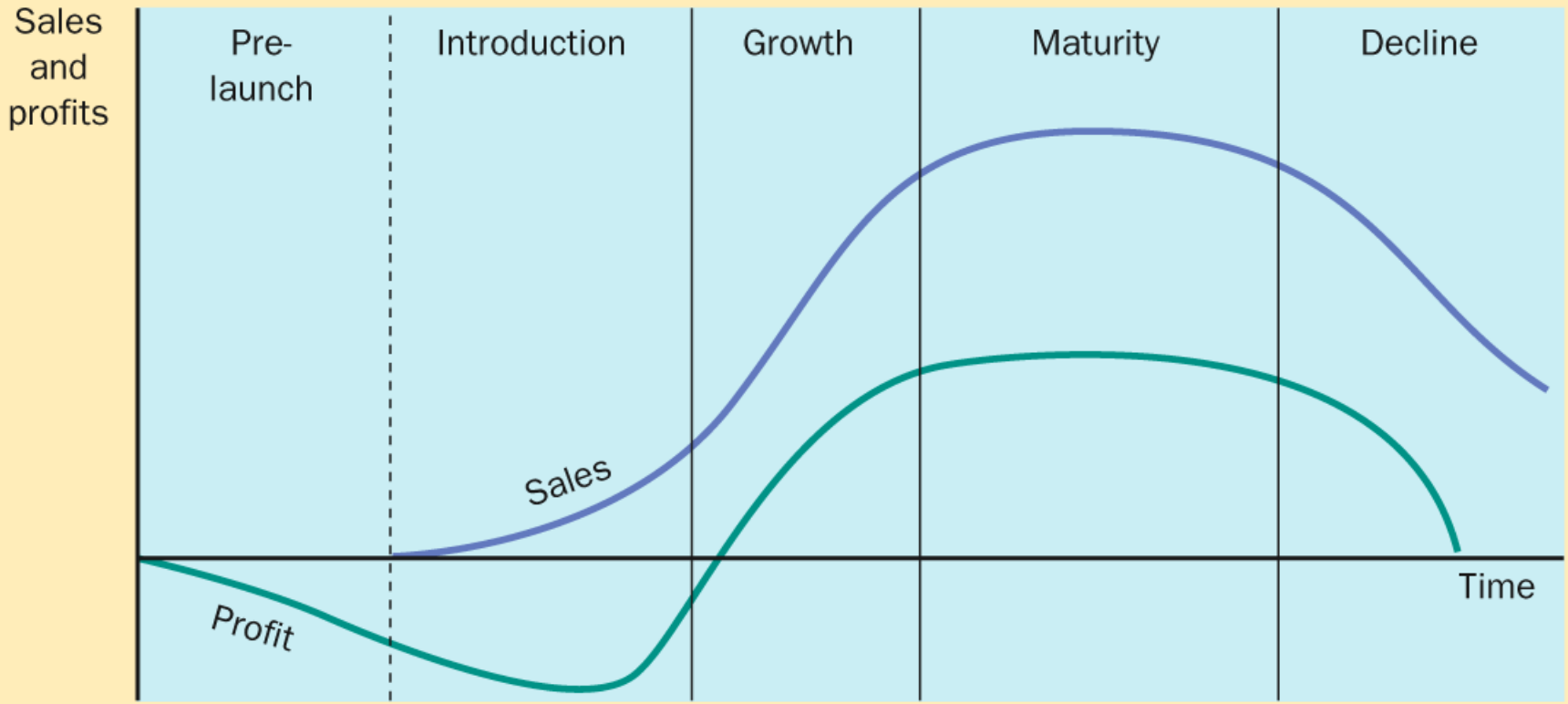
Decline of the VCR = 2001 DVD sales surpass VHS sales





Aspects of Life Cycle Shape

- Generally



Other possible PLC Shapes

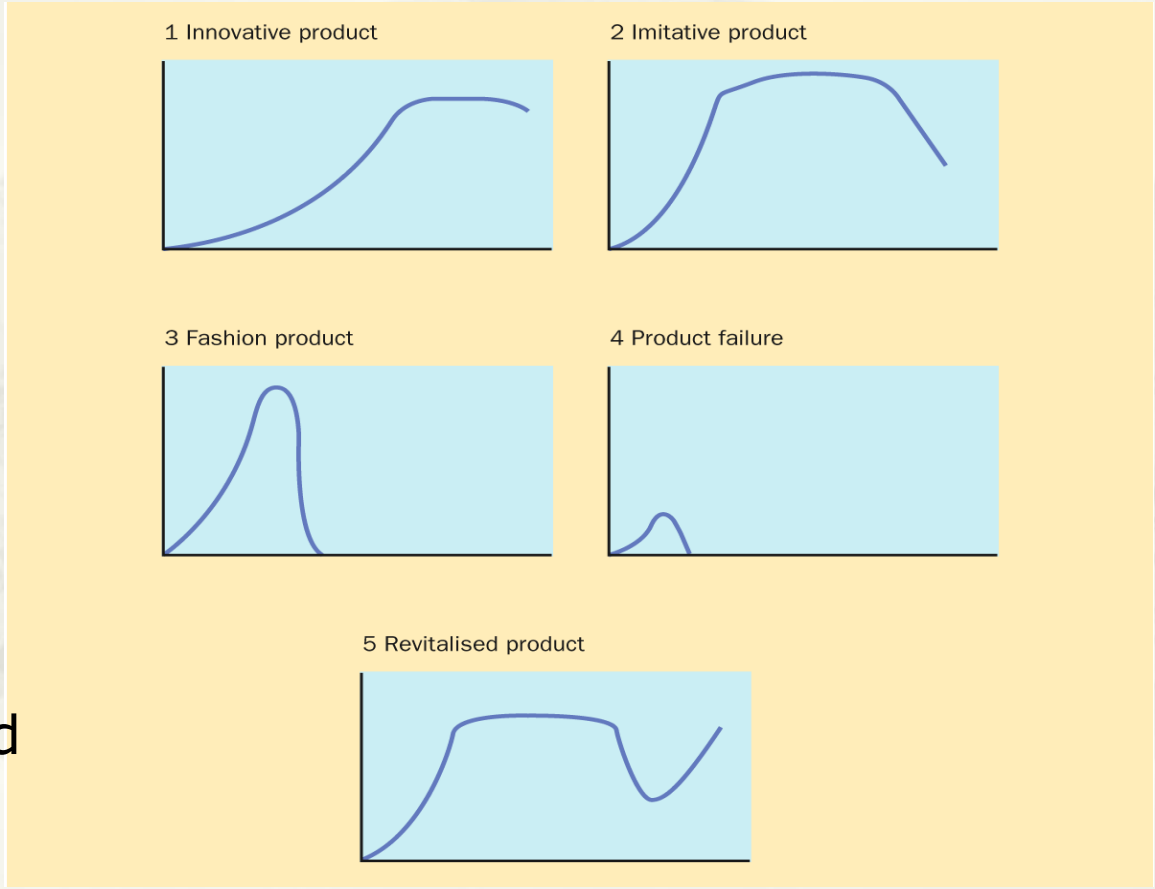
1.Innovative Product

2.Imitative Product

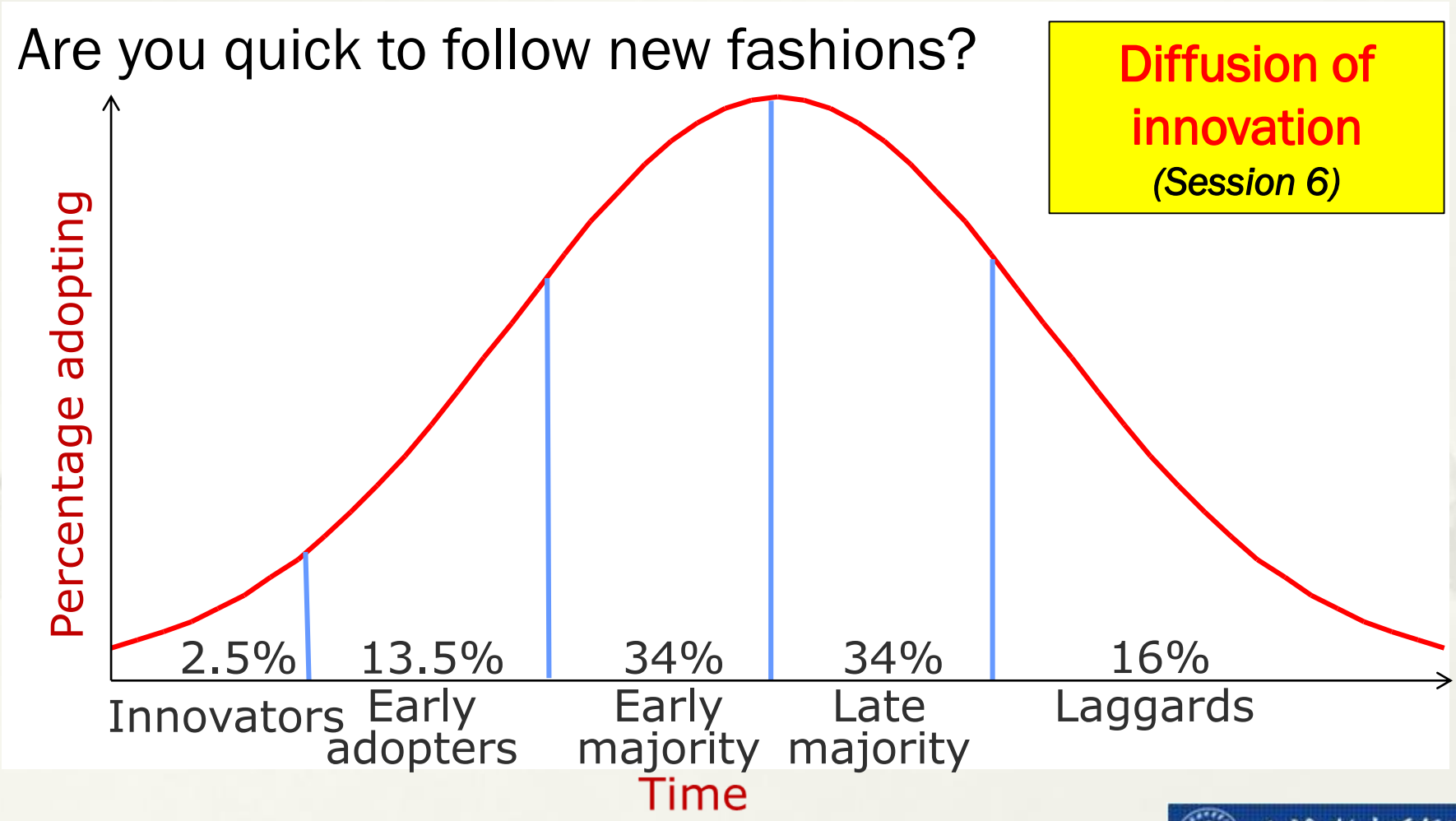
3.Fashion Product

4.Product Failure

5.Revitalised Product



The PLC and Consumers



LO3: Managing PLC

**Three ways to get the most from each stage:

- Modify the Product
- Modify the Market
- Reposition the Product



3-1: Modify the product



- Change, add to the quality, performance or appearance, e.g. Gillette Mach 3.



Mach3 (1998)



Mach3 Turbo (2001)



Mach3 Turbo GForce (2003)



Mach3 Power Sensitive(2012)

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3-2: Modify the market



- **Finding New Users.** e.g. Mini-burgers for kids
- **Increasing Use.** e.g. soup in summer
- **Creating New Use Situations.** E.g. Hand cream as face cream.
- ……

3-3: Reposition the product



- Change the 'image' of a product in consumers' minds.

- Why?
  - React to competition, e.g. Nike vs 'New Balance'. New Balance focused on 'large sizes'
  - Reach a new market, e.g. shaving cream fro women
  - Consumer trend, e.g. Health and weigh consciousness (Diet Coke).
  - Changing the Value. TRADING UP = more features. TRADING DOWN = fewer features.

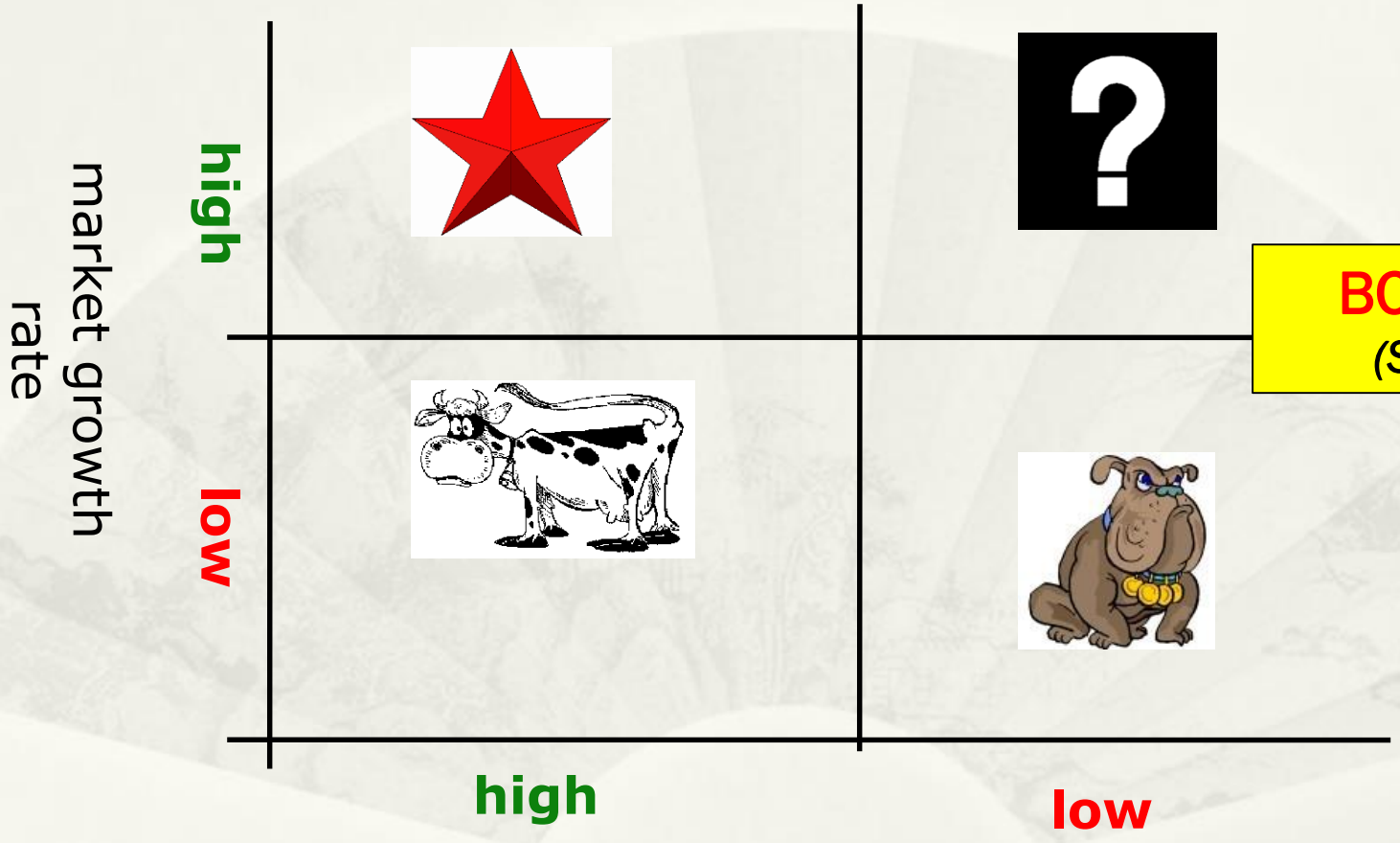
LO4: The Boston Consulting Group Matrix (BCG Matrix) & PLC

- The Boston Consulting Group (BCG) matrix was devised in the 1970's as a planning tool for marketers to help them analyse their product line and allocate money accordingly.

- Products and services have either high or low **market growth rates** and **market shares.**

LO4 (Con.) BCG Matrix & PLC

Which stage of the PLC fits each?

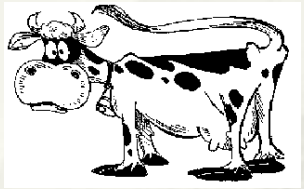


BCG Matrix
(Session 2)

LO4 (Con.) BCG Matrix & PLC

Stage of PLC	Position in the Matrix
Introduction 	Problem children or question marks are products and services that are not yet established in the market. They will consume resources before giving a return on investment (ROI).
Growth 	Stars have both a high market growth rate and a high market share. They generate high cash flows depending on the amount invested.

LO4 (Con.) BCG Matrix & PLC

Stage of PLC	Position in the Matrix
Maturity 	Cash cows have a high relative market share but little market growth. They are products that consumers trust and consume. They generate profit as they don't need much investment. They feed the R&D for other products.
Decline 	Dogs are products and services that have a low market share and market growth. They generate negative cash flow and they make a loss.

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Session 10 Summary



1. Generally a product's life cycle has **four stages**: Introduction, Growth, Maturity, and Decline.

2. However, the **length and shape** of the life cycle may vary.

3. Companies can **manage a product's life cycle** by modifying the product, modifying the market,and repositioning the product.

4. **BCG matrix** is closely related to the four stages of PLC.