# 7

# MANAGING LIFE-CYCLE STRATEGIES

*Managers can keep track of their product portfolios if they are aware of the concept of product life-cycle. Products are like living organisms. They are born, they live, and they die. A new product is introduced in the marketplace; it grows; and when it loses appeal, it is terminated. As a product moves through its cycle, the strategies relating to competition, promotion, distribution, pricing and market information must be periodically evaluated and possibly changed. By understanding the life-cycle pattern, marketers can maintain profitable products and drop unprofitable ones.*

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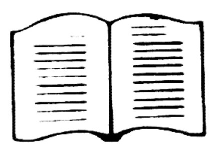
# Lesson - 1: Stages and Shapes of Product Life-Cycle

## Objectives of this lesson

After reading this lesson, you will be able to:

- Understand the concepts of demand/technology life-cycle
- Know the different shapes of product life-cycle
- Identify the stages of product life-cycle
- Explain product-category, product-form, product, and brand life cycles
- Identify other shapes of product life cycle, and
- Describe style, fashion, and fad life cycles.

## Introduction



Once a product is introduced on the market, it enteres into its life-cycle, which is a series of stages progressing from the product's initial entry, to its ultimate withdrawal from the market. Contemporary marketers try to plan for the life of the product before it is ever introduced. They try to maximize the profits over the entire period it is on the market, not just in the initial stage.

*All products do not have exactly the same life-cycles.*

It is interesting to note that not all products, of course, have exactly the same life cycles. Some of them will live longer than others, and some will reach their maturity sooner than others. It is also to note that many products will never complete their normal life cycles; they will abruptly die well before they never mature. The life cycle approach is an effective tool for management to plan for each stage of a product's life. To have deeper insights into the concept it is imperative to know the parent concept - the demand/technology life cycle concept - in the beginning. Let us now have a look at the demand/technology life cycle concept :

## The Demand / Technology Life Cycle Concept

A particular human need may be satisfied by many ways. A particular product, for example, is one of the ways of meeting a particular need. The same need may also be satisfied by other products. People for example, have a need for travelling means which grows and changes as time passes. The demand life-cycle curve can describe the changing need level. Each need passes through five stages (see figure no - 7.a on the next page). The stages are termed as emergence, accelerating growth, decelerating growth, maturity, and decline designated by 'E', 'G1', 'G2', 'M', and 'D' respectively. In case of particular need such as need for travelling means, the maturity and decline stages have not set in yet, because such a need is increasing day by day.

**Figure- 7.1a: Shows the Demand/Technology Product Life Cycle**

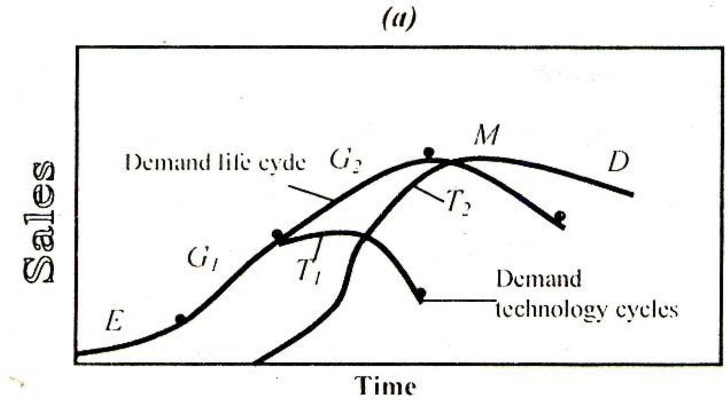
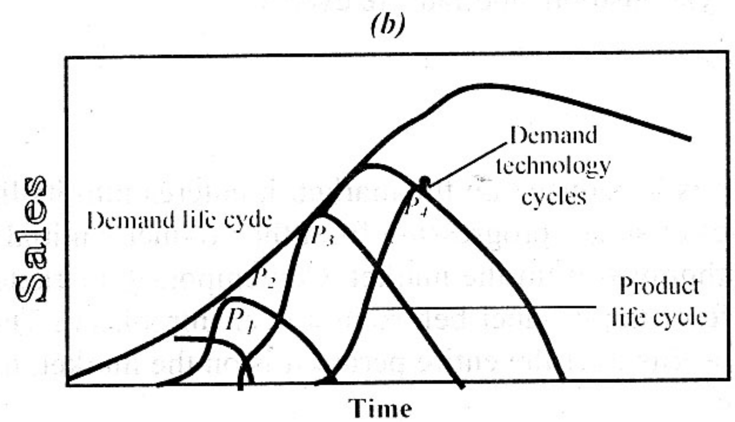



**Figure- 7.1b: Shows the Demand/Technology Product Life Cycle**




*Source: Philip Kotler, Marketing Management: Analysis, Planning, Implementation, and Control, 9th edition, 1997, p., 344*

When marketers are able to find out a particular need they use certain technology to satisfy such need. Travelling need was first satisfied by using animals as horse; later by carts pulled by animals; thereafter by boats, steamers, buses, trains, and airplanes. As technology develops it satisfies a particular need in a way better than the previous technology. These demand/technology life cycles are shown by curves T1 and T2 under the demand life-cycle curve in the figure 7.1a. Looking at the figure you can see that each demand/technology life cycle follows the trend of emergence, accelerating growth, decelerating growth, maturity and decline in that order. A succession of product forms to satisfy a specific need appears within a given demand/technology life cycle. Each new product satisfies the need in a better way than the earlier product because the later product uses a superior technology. Looking at the figure 7.1b you can see a succession of product-form life cycles. P1, P2, P3, and P4 are the four product form life cycles where each of the product is able to satisfy a particular need better than its previous form. Again, in a particular product form there could be many alternative brands available that may differ in their need satisfying abilities.

Since there could be alternative brands available of a particular product category, a company should concentrate not only on its brand life cycle, but should consider the product life cycle perspective. It will help the company to understand the emerging technology that may have an impact on the demand of the particular product.

The contemporary world is dynamic - changing in nature - which includes technology as well. By studying the dynamic nature, a company should decide well in advance which new technology it should exploit and which one to side step. In order to decide on this, a firm should choose its Strategic Business Area (SBA). SBA is referred to as a distinctive part of the environment in which the firm does or may be willing to do business. If a particular firm can decide on the segment of the technology it will operate before its competitors, its chances of success in that area is much higher than those who follow later.

## Product Life- Cycle Stages

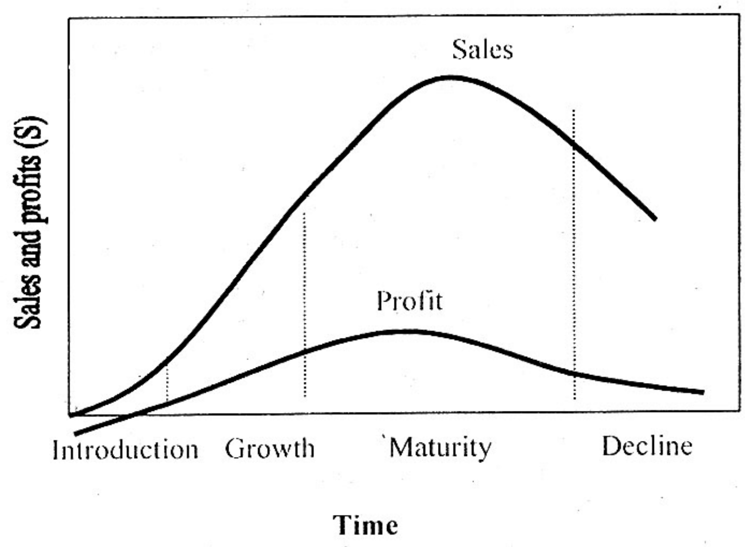
The concept of a product moving through various life stages has been of interest to marketers for last few decades. The basic life-cycle analysis is that a new product starts out in the introductory stage, moves next to a growth stage, then to maturity, and eventually to decline and possibly death. Before looking at the stages, let us have an idea of how the knowledge of a product life-cycle can help you to be successful as a strategic marketing planner. The knowledge of product life-cycle can help you in following ways:

- Depending upon the life-cycle stage, product-market attractiveness will decline as the product advances through the stages that is to say that a product has a limited life.
- Recognition of life-cycle stresses the importance of new product planning since older products are not likely to grow and contribute to profits as much as new products.
- The emphasis upon corporate and marketing functions will vary depending upon the life-cycle stage.
- The management requirements at different stages also vary. An entrepreneur, for example, may be critical to getting a new product properly launched, whereas a person who will exercise tight control on finances is often needed during the maturity stage.

We shall now take up a brief discussion on different stages of the product life-cycle. A product life cycle normally looks like a bell shaped curve showing four stages at different points of the curve (see the figure 7.2).

*A product has four stages in its life-cycle.*

**Figure-7.2 : Shape of Product life cycle.**




***Source:*** *Philip Kotler, Marketing Management, Analysis, planning, Implementation, and control. Ninth edition. p. 346.*

Let us now have a brief discussion on each of stages of product life-cycle in the following sections :

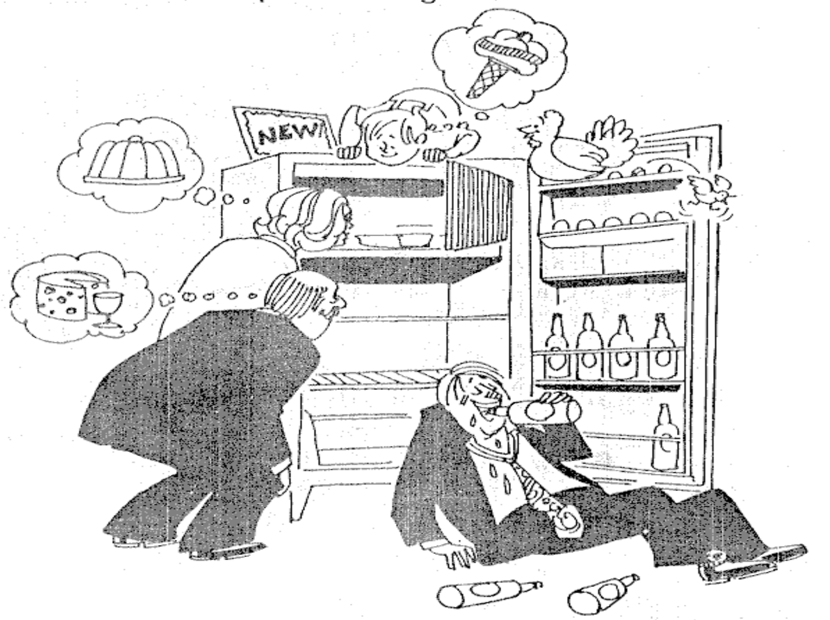
*At introduction stage profits are usually negative or below zero*

**Introduction:** The introduction stage of the life cycle begins at a product's first appearance in the marketplace. Or, when the product is commercialized, the product will enter the introduction stage of the life cycle if it is the first of its kind on the market. At this stage profits are usually negative or below zero. Profits are below zero because initial revenues are low and at the same time that the firm usually must cover large expenses for promotion and distribution. Notice in the above figure how sales should move upward from zero, while profits should move from below zero. In this stage, it is important to communicate product benefits to buyers.

**Growth:** During the growth stage, sales rise rapidly as the consumers begin to accept the product. Production runs become longer and economies of scale are achieved, reducing per unit cost and also helping profits to increase rapidly.

**Maturity :** During the maturity stage of the product life cycle the sharp growth in sales begins to slow, and profits at the beginning of this stage actually decline. The most notable characteristic of this stage is the peaking of the product's sales and profit curves (see the figure above). Note that at the beginning of this stage sales continue to grow, but at a much slower rate. Towards the end of this stage, sales and profits will start to fall fairly rapidly. This stage is characterized by severe competition as many brands enter the market. To combat competition, marketing costs increase substantially results in reduction of profits.

The Market Acceptance Stage




**Decline:** This is the final stage of the life-cycle of a product. During this stage, the product's sales and profits fall very quickly, and most competitors leave the market. New technology or a new social trend may cause the product to take a sharp turn downward in terms of sales. When this happens, marketers consider pruning items from the product line to eliminate those not yielding a profit.

*Declin is the final stage of the life-cycle of a product.*

What is the duration of each of the stages of a product life-cycle? It is very difficult to get an answer to such a question. It is also difficult to ascertain when a particular stage starts and when it comes to an end; marketers usually identify stages based on the sales growth or decline rate. There should have periodical reviews by the marketers on different stages in order to decide on courses of action to combat competition. In the following few paragraphs we shall focus on product-category, product-form, product, and brand life cycles.

## Product-Category, Product-Form, Product, and Brand Life Cycles

Using the product life-cycle concept you may analyze a product category (home entertainment or electronic items), a product form (audio-visual equipment), a product (television), or a brand (Sony). Let us now have some idea on the life cycle of each of the above :

*The life cycle of a product category is found to be longer.*

- ***Product Category Life Cycle :*** The life cycle of a product category is found to be longer. Electronic items, for example, will stay in the growth or mature stage for an indefinite period of time. We also find that some of the product categories have entered into the decline stage such as VCP, while others are clearly in the growth stage such as computers.
- ***Product Form Life Cycle :*** The product form life cycle follows more or less the same pattern as the standard product life cycle. For example, the VCPs (video cassette player) passed through the four stages of the life cycle. It is expected that VCD (video compact disc) players will also pass through these stages (introduction, growth, maturity, and decline).
- ***Product :*** A particular product may either follow the shape of a normal product life cycle or it may follow some other shapes discussed later this lesson.

*The life cycles of brands vary.*

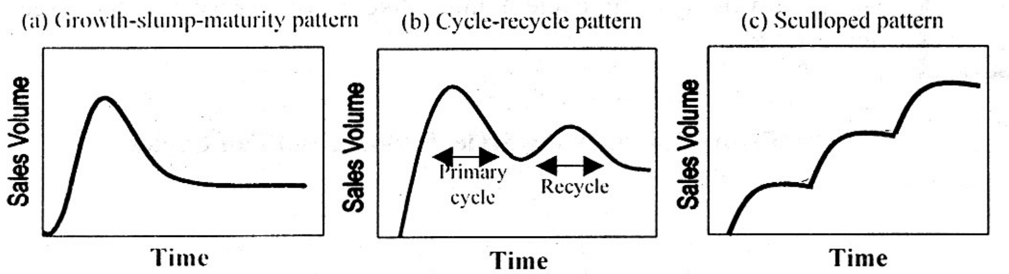
- ***Brand Life Cycle :*** The life cycles of brands vary. There are some brands that are withdrawn from the market shortly after their introduction as because customers do not favor them. They have a very short life cycle. Again, there are other brands found to be in existent in the marketplace for decades such as Lux. These brands have long life cycles.

## Other Shapes of Product Life Cycle

*A standard product life cycle takes bell shape.*

We have mentioned earlier that a standard product life cycle takes bell shape. But there are products that exhibit life cycles other than a bell-shaped one. It is found from different studies that life cycle pattern may vary from six to seventeen types of which three are common. They are growth-slump-maturity pattern, cycle-recycle pattern, and scalloped pattern (see figure below).

**Figure-7.3 : Showing Common Product Life-Cycle Patterns**




***Source :*** *Philip Kotler, Marketing Management: Analysis, Planning, Implementation, and Control, 9th edition, 1997, p., 347*

- ***Growth-Slump-Maturity Pattern :*** Products that follow this life cycle pattern experience rapid sales growth when they are first introduced in the market and gradually fall settling at a solid level or pertified level as shown in figure - 7.3a.

- ***Cycle-Recycle Pattern :*** Under this pattern a product initially experiences a rapid growth reaching the peak and than declines which ends the first cycle as shown in figure - 7.3 (b). Company during the end of the first cycle gives aggressive promotional drive as in the introductory stage which further pushes sales and reaching to another peak (lower than the first one) and again starts declining (second cycle). Pharmaceutical products could be examples following a cycle-recycle pattern.

- ***Scalloped Pattern :*** There are products that may be used by different people and different purposes. As the new uses or users are identified or discovered, sales experience a leap as shown in the figure - 7.3 (c). The number of leap depends on the number of new types of uses or users are discovered or the discovery of new product characteristics. Sales of plastic, for example, may follow a scalloped pattern as its new uses and users are discovered.

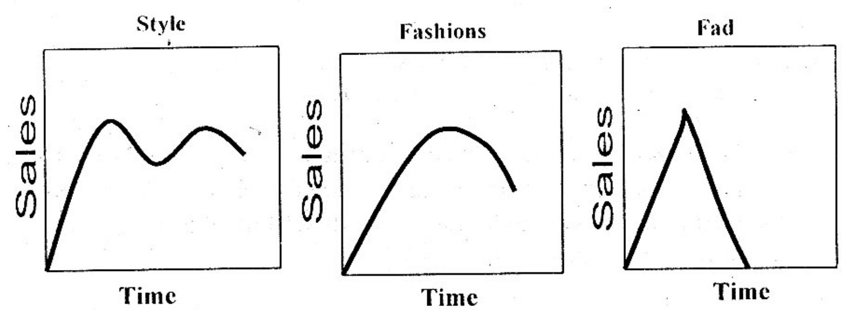
## Style, Fashion, and Fad Life Cycles

You may also come across three new categories of life cycles in addition to those discussed above. They are style, fashion, and fad life cycles. Let us now have some ideas on them :

**Style :** Though the words 'style' and 'fashion' mean the same thing to most people, but in reality they carry different meaning. A style is "a characteristic or distinctive mode or method of expression, presentation, *A particular style, after its invention may also experience a life cycle.*

or conception in the field of art"[1]. Style may be observed in our clothing, automobile, home furnishing, hair dressing and in so many other areas. A particular style, after its invention may also experience a life cycle. The pattern of style life cycle is much like a cycle-recycle pattern (see figure 7.4 a)

**Figure-7.4: Showing Style, Fashion, and Fad Cycles**




***Source :*** *Philip Kotler, Marketing Management: Analysis, Planning, Implementation, and Control, 9th edition, 1997, P., 349*

*A fashion is a style that has achieved some degree of current acceptance.*

**Fashion :** A fashion is a style that has achieved some degree of current acceptance. Importantly, not all styles become fashions - only those that achieve a degree of acceptance by the public. Thus, there are many styles of women's evening attire (sarees, salware-kaamij, Lehengaa) and automobiles (sedans, station wagons, pick-ups). But only a relatively few styles ever become popular and well known. A fashion can originate in basically two different ways. Consumer created fashions are made popular by the public. For example, the increased interest in physical fitness can create a fashion of jogging which eventually increase the use of running shoes.

A fashion can also be producer-created. This is particularly apparent in the apparel industry where prominent clothing designers develop new styles and promote them heavily.

*A particular fashion passes through four stages such as distinctiveness stage, emulation stage, mass-fashion stage, and decline stage.*

A particular fashion passes through four stages such as distinctiveness stage, emulation stage, mass-fashion stage, and decline stage. In the distinctiveness stage, few people take interest in something nontraditional to give others in the society that they are different. When this nontraditional ways are followed by others to emulate the fashion leaders, the emulation stage begins. When a fashion becomes increasingly popular

[1] *Basic Marketing, McCarthy E. J., seventh edition, Richard D. Irwin, lnc, Homewood, Illinois, 1981, page:316*

with the general public, the mass-fashion stage begins. At this stage manufacturers go for mass production to cope up with the mass demand. When the fashion looses its appeal and people are attracted to something new, the decline stage starts.

Fashions usually develop slowly but remain popular for a shorter time span. The decline of fashion is also slow as its growth. Fashions are distinct from other products. Although a fashion can last for several years, its popularity usually appeals quickly and fades rapidly. Fashions are usually adopted by the higher socioeconomic classes in the beginning. How far down the social ladder a fashion goes depends on how quickly the upper classes adopt a new fashion to replace the existing one. Not all fashions, however, are adopted in this manner. Some are actually popularized by lower socioeconomic groups and then move up the social ladder. This is called the "trickle up" theory of fashion adoption. **'FATUA', 'KHADDAR'**, and '**PAANTAA**' were initially popular among the lower classes, working their way up to high society.

*Fashions usually develop slowly but remain popular for a shorter time span.*

Many opportunities exist for companies catering to fashion products, which have the principal advantage of speed with new opportunities coming and going. The difficulty, however, is that the executive must be knowledgeable about fashion if the company is to have much chance for success, investing considerable sums of money in research and development., and in the marketing effort.

**Fad :** A fad is a fashion that has gained a high degree of popularity among a particular group in the current period. Kotler defines fad as a fashion that comes quickly into the public eye, is adopted with great zeal, peak early, and decline very fast. A fad can have an extremely short life span, much shorter than fashion. Perhaps the most spectacular fad of early 1980s, however, was Rubik's Cube. Fads quickly capture the fancy of a particular group of buyers. Because of the speed with which they enter and leave the marketplace, the executive must create the fad - little opportunity exists in following another company into the market. To effectively market fad items, then, the executive must engage in extensive research and development, and the company must be capable of absorbing a considerable amount of risk.

## Questions for Review

1. Product life-cycle is a series of stages –
    a. Progressing from the product's initial entry, to its ultimate withdrawal from the market
    b. Progressing from the idea generation to its ultimate withdrawal from the market
    c. Progressing from the product's commercialization to its ultimate withdrawal from the market
    d. Both a & c.

2. Which of the following is a stage in the demand life cycle ?
    a. Emergence
    b. Accelerating growth and decelerating growth
    c. Both a & b
    d. None of the above.

3. SBA is referred to as –
    a. A distinctive part of the environment which the firm decides to avoid
    b. A distinctive part of the environment in which the firm does or may be willing to do business
    c. Both a & c
    d. None of the above.

4. SBA stands for –
    a. Strategic Business Area
    b. Strategic Business Activity
    c. Strategic Business Accounting
    d. None of the above.

5. The introduction stage of the life cycle begins –
    a. At a point when product's idea is generated
    b. At a product's first generating profit
    c. At a product's first appearance in the marketplace
    d. All of the above.

6. During the growth stage –
    a. Sales rise rapidly
    b. Economies of scale are achieved
    c. Cost per unit is reduced
    d. All of the above.

7. In the maturity stage of the product life cycle –
    a. The rapid growth in sales begins to slow
    b. Profits at the beginning of this stage actually decline
    c. Both a & c
    d. None of the above.

8. Marketers usually identify stages of a product's life cycle –
    a. Based on the sales growth
    b. Based on the decline rate
    c. Fragmented markets
    d. Both a & b.

9. Products that follow growth-slump-maturity pattern –
    a. Experience rapid sales growth when they are first introduced in the market
    b. Experience slow sales growth when they are first introduced in the market
    c. Experience steady sales growth when they are first introduced in the market
    d. None of the above.

10. A fashion is –
    a. A style that has achieved a great degree of current acceptance
    b. A style that has achieved some degree of current acceptance
    c. A style that achieved some degree of acceptance among rich people
    d. All of the above.

11. Which of the following is a stage of a fashion cycle?
    a. Distinctiveness
    b. Mass-fashion
    c. Emulation and decline stage
    d. All of the above.

12. Identify the differences among style fashion and fad. What is the product life-cycle? Of what value is it to the marketing executive?

**Answers**

1. d, 2. c, 3. b, 4. a, 5. c, 6. d. 7. c, 8. d, 9. a , 10. b, 11. d.

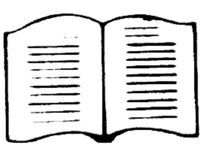
# Lesson - 2 : Marketing Strategies Throughout the Product Life-cycle

**Objectives of this lesson**

After reading this lesson, you will be able to:

- Ascertain the value of understanding the nature of the product life cycle
- Understand each of the stage a product passes through its life
- Know the strategies a marketer need to pursue during introduction stage
- Describe the strategies followed in the growth stage
- Identify the strategies that may be followed by a company during the maturity stage
- Explain the strategies pursued in the decline stage
- Criticize the concept of product life-cycle.

## Introduction



Although the exact duration of a product's life cycle cannot be forecasted, all products exhibit characteristic life cycles illustrated in the previous lesson. A product typically will experience slow initial sales after launch, while it is comparatively unknown, with accelerating sales as it becomes better known and its reputation established. Steady growth is then achieved until almost all the consumers likely to buy the product have done so, at which point sales even out. The product also faces increasing competition as its sales expand, so that at saturation point it may be fighting harder to retain its existing share of a stagnant market. If newer products are seen as better than the existing one, sales will decline. At this point the company must take some action, either to restore the fortunes of the product or to kill it off.

## Value of Understanding the Nature of the Product Life Cycle

*Each product has its unique life-cycle.*

Of course, each product has its unique life-cycle. In some cases, the pattern of growth-maturity-decline may be quite rapid while in others, the product can sell at saturation level for a very long period. It is also important to recognize that brands are subject to similar life cycle stages, although generally of a shorter duration. Clearly, the marketing manager must be aware of what stage in the life cycle the brand, as well as the product, has reached. As competition increases, brand life-cycles tend to shorten, requiring the introduction of new marketing strategies designed either to increase sales or to kill off one brand to make way for a new one.

Forecasting product life-cycles, and when a product is about to move into a new stage, is clearly no easy matter, although the danger signals heralding a decline are clear enough - declining sales or market share, especially in relation to one particular brand or product in the product line. An understanding of the relationship between a product and its life cycle enables marketing managers to plan their campaigns more effectively and to be in a better position to judge product sales and profit potential. The value in understanding the nature of the product life-cycle is in its relationship with marketing strategy. It will alert the company to the need for positive action at the so-called 'threshold point', where some change to strategy will be essential if the product is to continue. But beyond this, the marketing mix will be different for every stage of the life-cycle. In the next section, we shall take up the discussion on each of the stages and the corresponding marketing strategies that may be pursued by the marketing managers.

## The Introduction Stage

When a product is commercialized, the product will enter the introduction stage of its life-cycle. Sales growth of a product is likely to be low at the introductory stage due to number of reasons. ***First,*** it may take time to make the product available in different markets. ***Second,*** it may take time for a company to expand its production capacity. ***Third,*** company may experience technical difficulties at the initial stage. ***Fourth,*** establishing adequate distribution may consume fairly longer time. ***Fifth,*** company may also face difficulties changing consumers' established behavioral patterns to buy its product.

New products usually do not earn a profit in the introductory stage. Investments in research, manufacturing, and marketing often exceed revenues until sales have grown to sizable figures. Company needs to spend a significant amount of money in obtaining adequate distribution of the product. During this stage, potential buyers must be made aware of the product's features, uses, and advantages which cost a substantial amount of money to the firm. Companies focus, basically the high income group at the introductory stage to buy their products, because products are priced higher at this stage. The reasons of high prices are ineconomies of scale of production at this stage, and higher expenditures in areas mentioned above. The high price results in low sales during this stage. As a result, the profit curve is typically negative. Because of this un-profitability, the new product's development and production must often be subsidized by the cash and profits generated by older products.

*New products usually do not earn a profit in the introductory stage.*

***Marketing Strategies in the Introductory Stage:*** Marketing managers need to formulate strategies with regards to marketing mix elements for the introductory stage of the product. You know that the basic marketing mix elements are: product, price, promotion, and distribution. Regarding the marketing mix elements, a company may decide to pursue skimming or penetration strategy. It may either go for rapid skimming or slow skimming strategy. Similarly, the company may decide to pursue rapid penetration or slow penetration strategy.

*The basic marketing mix elements are: product, price, promotion, and distribution..*

In case the company decides to follow the rapid skimming strategy, it sets the price arbitrarily high with the intent of capturing the early purchaser of the product. This strategy is used to maximize short-term profit. Companies under this strategy may also go for producing higher quality products, promoting them aggressively, and distributing them through selective distribution channels. This strategy may work well if a substantial percentage of potential buyers are unaware of the product; they will be willing to buy it once they are informed of the product's existence; they will be ready to pay a premium price since the product is of higher quality; and, the distribution matches their requirements.

Under the slow skimming strategy, a product is offered to the market at a high price but the promotion is not as aggressive as the rapid skimming strategy. The company can gain a substantial amount of profit following such a strategy. Since the promotion costs are lower but the price is high, it enables the firm to make a sizeable amount of profit. A company may be successful in using the slow skimming strategy if most of the potential buyers are informed of the product, ready to pay a premium price, and competition is either nonexistent or slim.

*In the rapid penetration strategy, firm sets the price at a low level but aggressively promotes the product.*

In contrast, in the rapid penetration strategy, firm sets the price at a low level but aggressively promotes the product. The intention is to discourage competition and appeal to a greater portion of the segment on the onset. A company may effectively use this strategy if the market size is significantly large, majority of the market are unaware of the product and very much price sensitive, and there is a small potential competition. By lowering price and earning a smaller gross margin, fewer competitors will be attracted to the marketplace than if a skim strategy were used. The executive has extra time to solidify the product's position in the market and capture a greater market share.

*Under the slow penetration strategy, a product is introduced in the marketplace at a low price.*

Under the slow penetration strategy, a product is introduced in the marketplace at a low price. The promotion under this policy is not aggressive as well. If the company senses that the size of the market is substantially large, buyers are mostly aware of the product and price sensitive, and competition is existent, it may decide to pursue the slow-penetration strategy. It will help the company to capture a significant portion of the market taking advantage of its high price and low promotion costs.

Penetration strategy is normally used when the executive intends to keep the product on the market through all or most of the life cycle. Instead of quickly recouping costs and generating profits as would occur with a skim strategy, the marketing executive hopes for even greater long-term profits. Although firms have used both strategies successfully, penetration is the most common. It is used for nearly all types of products, while skim is typically reserved for fashion, fad, and novelty items which have fairly short life spans.

## The Growth Stage

During the growth stage, sales rise rapidly; profits reach a peak and then start to decline. The growth stage of the product life-cycle is characterized by several new factors. ***First,*** sales and profits grow rapidly. ***Second,*** competitors are attracted to the growing market - often more competitors enter than will survive. ***Third,*** cash flow may still be negative because of the firm's efforts to establish a strong market share ahead of competitors. In this stage, the product enjoys a high degree of prosperity. As it gains market acceptance, the channels of distribution become more open as wholesalers and retailers increase their willingness to carry the product. This prosperity may also attract other companies, and the greatest number of competitors enter the market. Faced with a growing choice of products, the consumer may become confused and uncertain about which to select. The market is turbulent during the growth stage as competitors enter and fight for share. Even measuring the exact market share is difficult since the new users are growing. This does not mean that there are no profits at this stage. Any resulting profits are used up in reinvestment to further the product's growth. It is likely that a company earns more profit during this stage as sales go up and promotion expenditures are spread over larger sales volume. Moreover, as the company gains experience, the cost of production per unit comes down resulting in higher profit.

***Marketing Strategies During the Growth Stage :*** Since the competition is increasing and the market is expanding during the growth stage, the marketing executive moves away from a strategy of cultivating demand to one of market entrenchment - the struggle for brand acceptance and market share. In a related sense, the increased competition and the desire to build a larger market share tend to result in some slight price reduction, although price still stays relatively high, and company reaps substantial profits.

The marketer's role during the growth stage becomes one of persuading consumers and constantly reminding them about the product's benefits, ensuring convenience of purchase by maximizing distributive outlets, manipulating price to keep the product competitive and reinforcing the brand image associated with the product.

The growth stage is critical to a product's survival because competitive reactions to the product's success during this period will affect its life expectancy. At this point a typical marketing strategy encourages strong brand loyalty and competes with aggressive emulators of the product. An enterprise, in this stage, tries to strengthen its market share by identifying the product's benefits and by emphasizing these benefits. A company at this stage may also go for aggressive price cuts. It may also expand product lines and offer greater variety to combat competition. Another possibility is to follow a strategy of market segmentation and sell the product under a variety of brands owned by distributors or other producers. A company may also engage in creative promotional campaign to attract potential buyers. Marketers may also modify warranty and service conditions to make them more attractive than before. The other option could be to make the product widely available to reach the mass market. Following one or more of the above mentioned strategies can place the company in a competitive standing.

## Maturity Stage

*Maturity stage can be divided into three parts.*

In case of almost all of the products, there will be a time when rate of sales growth will slow down. This is the stage that we term as maturity stage of a product's life-cycle. At this stage, products have leveling demand and competition will minimize the profit potential. At this stage, a company requires highly efficient organization, such as functional pyramid type to maximize profits from steady sales. Probably the most notable characteristic of the maturity stage is the peaking of the product's sales and profit curves. We can divide this stage into three parts. Growth maturity is the first phase of this stage when sales growth rate starts declining. Though sales continue to grow at this phase, but the rate is much slower. All of the distribution channels are covered as the product reaches this stage. A product reaches most of the potential customers except few laggards who may start buying during this phase. The second phase is of the stage is stable maturity where market already becomes saturated and as a result sales flatten. Since the market is already saturated, the amount of future sales will depend on the replacement purchase and population growth. The last phase of this stage is decaying maturity when sales will start falling fairly rapidly. This stage is characterized by extreme competition as many competing brands are available in the marketplace. Competitors emphasize improvements and differences in their versions of the product. Consequently, weaker competitors at this stage are squeezed out or lose interest in the product. Companies that did not establish a healthy market share during the growth stage drop out. Sales growth slows as most potential customers have been reached. Profits are high but begin to decline as market leaders cut prices in a strategy to gain market share. Profits remain large and mature products become the cash cows of the company, providing funds for the development of new products. Price of a product will also drop sharply at this stage because of the widespread availability of substitute.

As the sales growth slows down it creates over capacity problem for the firms which makes competition severe. In order to survive in the face of extreme competition, firms increase their advertising, promotion, and research and development expenditures significantly. These increased expenditures further reduce profits of the firms. This situation compels weaker firms to withdraw themselves from the market, and as a result, only the competent ones survive. Among the survivors, there are two types of firms - those who are giants including quality leader, service leader, and cost leader, and those who are nichers serving and satisfying their small target markets - that operate in the marketplace.

***Marketing Strategies in the Maturity Stage :*** To effectively compete in this type of market environment, the marketing executive will expand the product line by making a variety of models and styles to broaden the product's appeal, producing something for everybody in hopes of sustaining sales. By doing this, however, the product's costs increase as shorter manufacturing runs are needed for each model and style and inventories are built up, all of which create diseconomies of scale. The combined effect of lower prices and higher costs results in a declining profit curve. In fact, during the latter part of the maturity stage, some competitors will withdraw their products because insufficient or no profits remain. Those who remain in the market make fresh promotional and distribution efforts; advertising and dealer oriented promotion are common during this stage.

There is no reason to think that mature products are static; improvements can be made on the basic product, and variations can be offered. Although market leaders generally have the resources to expand their offerings, gaining market share is difficult and expensive. The best managed companies, therefore, try to hold and improve their share slightly while diverting profits from successful mature products into the development and introduction of new ones. A company at this point has to look at the merits for revitalizing the product, or allowing it to decline slowly, or killing it off and planning a replacement.

There are many ways in which a company can rejuvenate its products, and the method it will choose will depend on the reason or reasons for the product's initial decline. If this occurred through the introduction of a new competitive product with additional benefits, the company might choose to add similar benefits to its own product, to add new but different benefits, or to reduce the present price and emphasize its value for money, perhaps trying to reach a new, more price sensitive market in doing so. If on the otherhand in the company's view the competitive product is not superior to its own, the decision may be taken merely to increase advertising spending, or introduce a sales promotion to regain market share. Marketing is about selecting strategies which are either designed to counteract threats, or to take advantage of opportunities in the marketplace. If you remember the 'four Ps' of marketing, you will realize that the action a firm can take is limited to one of four areas: it can alter the product, the price, the promotional campaign, or the place - where and how the product can be bought. The purposes of any one of the above strategies is to expand the market size. A company can do this by converting nonusers into users, by entering into new market segment (s), by winning competitors' customers, by ensuring repeat sales, by increasing the volume of usage per use by the customers, and by broadening the product's uses.

## Decline Stage

At some point in time the sale of a product is bound to decline. This point is termed as the decline or the final stage of the product's life cycle. Most products do eventually pass from maturity to a fourth stage of the life-cycle: decline and eventual elimination. This stage is characterized by a further dropout of competitors until only a few remain. At this stage profits begin to fall sharply, often because of excess capacity of the firm. Promotion of the product is reduced or discontinued. Any remaining profit will not be reinvested in the product; no attempt will be made to rebuild demand. However, careful management can extend a declining product's life for some time to come. There are number of reasons why a product declines. One of the important reasons is availability of new innovative product as a result of technological development. The other could be the change in social trend or customers' habits which may cause the product to take a sharp turn downward in terms of sales. Because of the declining profits, some of the firms are found to withdraw themselves from the marketplace. The remaining firms may reduce the variety they offer to make their operations more economical. Others may withdraw themselves from unprofitable segments. Yet some others may reduce their promotion budgets significantly to further reduce prices of their offers. Some of the companies may also decide to increase their product's price because consumers buying the product are frequently buying it as a replacement or a specialty need. Only when firms begin to clear out inventories to withdraw the product will they decrease price.

Perhaps a very limited number of firms will find this stage profitable. The production costs will be fairly low, and the marketing efforts will all but cease, making it possible to earn a respectable profit margin. Thus, a company may continue to sell the product for a relatively long time.

At some point in the decline stage, however, the marketing executive will have to withdraw the product. An acceptable level of profitability may no longer exist, or the product's and the company's image begins to suffer as the remaining customers shift to newer items. As a product's sales decline, so does its image of respectability and quality, and the company cannot afford to be closely associated with it.

***Marketing Strategies During Decline Stage:*** Although there is little that can be done about basic shifts in consumer preferences and the entry of competitive items, the firm has a wide range of alternatives that can be exercised for products with falling sales. Before one decides on alternatives, it is imperative to identify the marginal products. After they are identified, managers need to arrive at decisions regarding their fate.

It is one of the most serious tasks of marketers to identify the weak or marginal products. In smaller companies, managers know of the declining products, and hence a formal review procedure need not to be followed. Where product lines are broad, a committee should work to identify the weak items. This responsibility should not entirely be rest on the marketing department because of danger of bias. The committee of product review should consist of executives from marketing, production, purchasing, control, personnel, and research and development departments. The review process should include a two stage procedure. Products should first be screened on the basis of sales trends, market share trends, gross margin trends, and overhead trends. A particular product fails to pass minimum standards on the above factors, it should undergo further analyses based on some other factors. In the second stage, products should be scaled on the basis of market potential, contribution, relationship to sales of other products and so on. This analysis will help the company decide on the strategies regarding the products.

Perhaps the easiest solution to declining sales is to move the product into new foreign or domestic markets. This may require the addition of new distributors or the enlargement of existing sales force. Companies may try to find new uses of the product among the current users. Companies may try to revive aging products by redesigning package and increasing convenience for the customers. Companies may also spend heavily on different consumer deals, displays and so on. Companies may also try to revive by declining product by changing the ad firm with the hope of a more creative advertisement campaign to be developed and launched by the new firm.

A company, based on analysis made by the product review committee, may decide to drop an existing item from its product line (s). The first strategy that a company may pursue regarding this is to do nothing and wait until there are no longer any orders for the item. Here the company can drop all promotional activities and rely solely on repeat purchase from current customers. Another strategy could be to continue the sale of declining product, but having contract with another company to manufacture it. Yet, another option could be to produce the item but selling through other under licensing arrangements. The other strategy is to sell the product to another firm and let them worry about manufacturing and marketing the item. When none of the above strategy is found suitable, the firm should dispose of the product with a minimum of inconvenience to the parties concerned.

## Criticism of the Product Life-Cycle Concept

Although the concept of a product life-cycle has gained a widespread acceptance, some experts question this approach. One study of several products found no evidence of the sales patterns normally associated with product life-cycles. Other critics suggest that there are no normal patterns for a product since each is so unique. Despite these criticisms, however, the life-cycle concept is an invaluable planning tool used by the marketing managers. When used properly as a guide, product life-cycle helps the marketing executive understand buyers of the product over time, and create appropriate, effective marketing programs.

## Questions for Review

1. An understanding of the relationship between a product and its life cycle enables marketing managers –
   a. To plan their campaigns more effectively
   b. To be in a better position to judge product sales and profit potential
   c. Both a & b
   d. None of the above.

2. The value in understanding the nature of the product life-cycle is –
   a. In its relationship with recruitment
   b. In its relationship with marketing strategy
   c. In its relationship with dividend paying
   d. None of the above.

3. Company may face difficulties changing consumers' established behavioral patterns to buy its product –
   a. During the introductory stage
   b. During the growth stage
   c. During the maturity stage
   d. During the decline stage.

4. In case the company decides to follow the rapid skimming strategy –
   a. It sets the price arbitrarily low
   b. It sets the price arbitrarily moderate
   c. It sets the profit arbitrarily high
   d. It sets the price arbitrarily high.

5. The rapid skimming strategy is used –
   a. To maximize short-term sales
   b. To maximize long-term profit
   c. To maximize short-term profit
   d. To maximize long-term sales.

6. In the rapid penetration strategy –
   a. Firm aggressively promotes the product
   b. Firm sets the price at a low level
   c. Both a & b
   d. None of the above.

7. Under the slow penetration strategy –
   a. A product is introduced in the marketplace at a low price
   b. A product is introduced in the marketplace at a high price
   c. Both a & b
   d. None of the above.

8. Penetration strategy is normally used when the executive intends to keep the product on the market -
   a. During the growth stage
   b. Through all or most of the life cycle
   c. During the maturity stage
   d. None of the above.

9. The market is –
   a. Turbulent during the mature stage
   b. Turbulent during the decline stage
   c. Both a & b
   d. Turbulent during the growth stage.

10. We can divide the maturity stage into –
    a. Two parts
    b. Three parts
    c. Four parts
    d. Five parts.

11. At the decline stage –
    a. Profits begin to fall sharply
    b. Profits begin to rise sharply
    c. Sales begin to rise sharply
    d. All of the above.

12. Ascertain the value of understanding the nature of the product life cycle. Discuss the strategies that a marketer may pursue during the introductory stage of a product life-cycle.

13. Describe the strategies followed in the growth and maturity stage. Comment on their effectiveness. Criticize the concept of product life-cycle.

**Answers**

1. c, 2. b, 3. a, 4. d, 5. c, 6. c. 7. a, 8. b, 9. d , 10. b, 11. a.

# Lesson - 3 : Market Evolution

## Objectives of this lesson

After reading this lesson, you will be able to:

- Identify the stages in market evolution
- Explain the stages and identify corresponding marketing strategies
- Describe the dynamics of attribute competition.

## The Concept of Market Evolution

*Evolution, in dictionary term, means the process of growth..*

Evolution, in dictionary term, means the process of growth. In other words, evolution is the theory that sees in the history of all things - a development or gradual advance from a simple and rudimentary condition to one that is more complex and of higher character. Market evolution, thus means the development or gradual advance of market from an initial position to one that is more critical. From the previous two lessons you came to know what happens to a particular product or brand as it proceeds through its life cycle. The attention there was on the product. This gives you a product oriented scenario. You should know, as well, what happens in different stages of the market during its evolution. We discussed the demand/technology life-cycle which give you some idea about the market in general. The contemporary world is dynamic in all aspects. Changes take place in the needs of people, in competitive position, in technology, in marketing mix elements, and virtually everywhere. You as a present or potential marketing executive should be able to anticipate the evolution of market in terms of everything that affect the market. In the following section, we shall take up discussion on stages in market evolution.

## Stages in Market Evolution

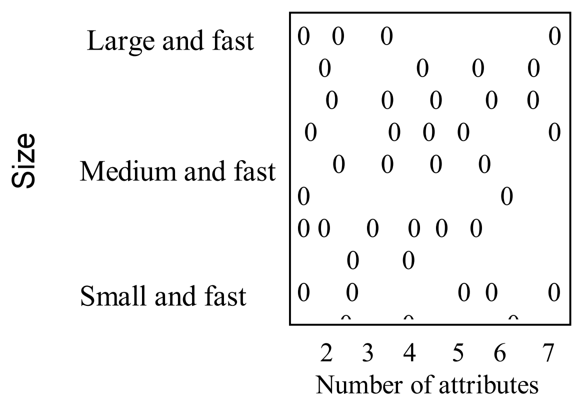
You are already aware of the product life-cycle concept. This tells you about how a product evolves. There you came to know about four stages of a product's life cycle - the introduction/emergence, the growth, the maturity, and the decline. Markets also evolve through the similar stages. Let us now have a look at them in turn :

- ***The Emergence Stage :*** If a particular market is not served by any marketer it remains in a latent form. We have so many needs some of which are yet unmet because of the lack of product capable of satisfying a particular need. This necessarily does not mean that market for a particular product capable of satisfying an unmet need is nonexistent. Market for such product is termed as latent. “A latent market consists of people who share a similar need or want for something that does not yet exist”[2]. You know that, people have wanted for ages, a means for more quicker travel. This need was satisfied by different means during different times. But, people are yet not satisfied with the speed of the existing means of transportation. They want faster means. An entrepreneur for example, realizes this and willing to develop something based on most modern computer technology capable of satisfying this need better than ever. If he is serious, he should determine the attributes of the new product - superior and faster means of transport. If he claims himself to be of market-oriented, he is to know the potential buyers’ preferred levels on the attributes he has determined on which developments will be made. After getting idea on potential customers’ preference levels, the entrepreneur should design an optimal product to satisfy them. But, you should remember that customers vary greatly in their preferences and hence the entrepreneur may have to produce many different types of product to satisfy the majority. If you look at the following figure, you will have idea on how customers’ preferences vary.

**Figure - 7.5 : Customer-Preference Distribution for a Particular Product During Latent-Market Stage.**

Consumer preference distribution for

a particular product say an automobile




*Source : Philip Kotler, Marketing Management: Analysis, Planning, Implementation, and Control, 9th edition, 1997. p. 365*

In the above figure, each of the zero represents an individual preferences which clearly tells us that preferences vary greatly. It is evident that some of the potential customers will be happy getting two new attributes, where others want as many as seven. We can call such a market a diffused-preference market where buyers’ preferences scatter evenly. In such a situation it is difficult to develop an optimal product catering to the needs of the potential buyers. Here, a marketer may pursue any one of the

[2] *Philip Kotler, Marketing Management: Analysis, Planning, Implementation, and Control, 9th edition, Prentice-Hall of India Private Limited, New Delhi, p.,364*

following three strategies:

- ***A Single-Niche Strategy :*** If the marketer decides to develop the product with the aim of satisfying the preferences of one of the corners of the market it is termed as a single-niche strategy. Here he is foregoing the other corners thus narrowing the size of potential sales.
- ***A Multiple-Niche Strategy :*** If the marketer decides to develop and launch more than one new product aiming at more than one corner or segment of the total market we call it a multiple-niche strategy. It involves the firm more investment in terms of development of the product and providing for marketing facilities.
- ***A Mass-Market Strategy :*** Under this strategy, marketer aims at the middle portion of the market where concentration is heavy. If a firm decides to follow this strategy its potential sales could be expected to be much higher than the potential sales that may be generated by the other two strategies.

The decision with regards to the strategy to be pursued depends to a great extent on the size of the firm. If a firm is small in size it is likely to have limited resources - both financial and non financial - which limits its entry to a mass market. Under such situation it is wiser to target a particular corner of the market, i.e., to follow the single-niche strategy. This will help the firm do business for a relatively longer period in the niche without facing much competition. A bigger firm, on the contrary, goes for a larger market, i.e., it follows the mass-market strategy. Since a bigger firm is expected to have strengths in both financial and non-financial sides, it is relatively easy for the firm to capture the mass market. The emergence stage, thus begins as one of the firms launches the product.

- **The Growth Stage :** You know that the emergence stage starts with the launching of the product. The growth stage, on the otherhand, begins as new firms enter the market and competes with the pioneer firm. Since this is the era of extreme competition, new firms will immediately enter the market if they see the market is profitable to operate. But, the question that comes in our mind is that, where the new firms enter the market? It is assumed that the pioneer firm has placed itself in the center. Given the scenario, the new entrant in the market can choose on of the three alternatives. They are as follows:
  - *The new firm can decide to pursue the single-niche strategy thus focusing on one of the corners of the total market.*
  - *The second alternative is to pursue a mass-market strategy. Here the new entrant plans to place or position its product close to the pioneering firm.*
  - *The third option is to go for the multiple-niche strategy. Here the firm first finds out few untapped corners of the market, and then decides to capture few of those corners.*

The decision on strategy, as we have mentioned before, depends on the strengths of the new firm. If it finds itself stronger and larger, it may decide to go for face-to-face/direct competition with the pioneering firm. It may be successful or not depending on how it undertakes and implements the marketing programs. The new large firm may also decide to avoid direct competition and may go for a multiple-niche strategy which may give it a competitive advantage. The small new entrant, on the otherhand will always avoid the large pioneer firm. It is advisable for the small second firm to pursue a single-niche strategy to make an easy access to the market.

*The decision on strategy that a firm should take depends on the strengths of the firm.*

- **The Maturity Stage :** When most of the corners/parts/segments of the total market of a product are tapped and served by different competing firms the market reaches the maturity stage. It is the common picture with regards to any market. In the initial stage one or two firms dominate the market. Gradually new firms are attracted either because the market is profitable, or some of the segments remain unexplored. When all of the major segments are covered, marketers find it unprofitable operating in one or few segments. They then decide to attack each other's segments and capture the total or part of the segment (s). This leads to lower profit for the competing firms. This slows down the market growth and customers start demanding more leading to a more fragmented market. This again reduces competition within the segments. But as the segments' sizes become smaller, profits further reduce leading to a situation called market consolidation. The innovative and larger firms will try to develop new attributes and be able to influence customers more with the new attributes. This will cause some of the customers to switch to the firm's product thus solidifying its position in the market. As a result of which some of the competitors will either be wiped out or pushed to certain corners of the market. This is called market consolidation stage. The consolidated market also does not last long because other firms may imitate the new attribute offered by the firm resulting in further competition. The market again may be turned into a fragmented one. This process of fragmentation to consolidation to fragmentation and again to consolidation continues for sometime until the market reaches the decline stage.

- **The Decline Stage :** You know that the process of fragmentation-consolidation-fragmentation continues for sometime. In some point in time the demand of the market will start reducing. When this starts happening, the decline stage begins. There are two common reasons for decline in market demand for a product. ***First,*** society's need level for a particular product may decline which reduces the need for the specific product. ***Second,*** new technology may emerge capable of producing better products. If people are offered newer and better products, thay are most likely to substitute the old one for the new one. In order to survive, a firm should adapt itself with the new technology and new demands of the society.

**Dynamics of Attribute Competition:** You know that very few firms operate in a market environment all by themselves. Most companies face competition from at least one or other business, and usually from several. Thus, competitive forces make substitutes available for almost every product or service on the market. No matter what new attribute you add to your product to satisfy customers' demand in a way better than your competitors do, it will be copied sooner or later by your competitors. They may even add something more appealing to consumers. It ultimately makes your addition (of attribute) less appealing. Customers, now a days, are affluent than ever before, and as a result they are more demanding. If you are successful in one attribute, it may place you in a better position in the marketplace compared to your competitors. But, remember, this position is only temporary since others will follow you soon. In order to ensure your advantageous position in the long run, you should then, continuously look for new attribute to add. It means that the innovative process is a continuous one. If you continue you will win, otherwise you will jeopardize your position in the face of competition. There are four approaches that a marketer can use identifying new attributes to be added and measure their acceptability as well as technical feasibility. They are mentioned below :

*The innovative process is a continuous one.*

- **Approach-1: The customer survey process:** a firm using this method usually asks customers about the new attribute they like to see in a product. After listing the desired attributes and ranking them in terms of their desirability, the firm calculates the cost involved in their development and materialization. It then examines the likely competition that the proposed attributes may face. Based on this analysis, it decides which attribute (s) may yield satisfactory return to the firm and decides accordingly.

- **Approach-2: The intuitive process:** This is a traditional approach under which marketing executives decide on the new attribute to add based on their guess. By using their experiences they identify attributes that may be desired by the customers, and accordingly they add those to the products. There is uncertainty involved in the approach. If market favors the attribute the firm added, based on the executive's intuition, it will succeed. If not, the firm will incur loss and lose out in the competitive race.

- **Approach-3: The dialectical process:** By dialectical, we mean, the art of reasoning, or, application of logical principles to the process of thought. Firm following this approach stays apart from the majority and concentrates on segment (s) that are overlooked by the majority. It tries to identify attributes that it considers highly desirable by those segments. By focusing on the neglected segments, the firm tries to develop a solid position in that portion of the market. But, remember, competitors in near or distant future will attack you and will try to penetrate the segments occupied by you either by lowering prices or by adding more desirable attributes.

- **Approach-4: The needs hierarchy process:** This approach is based on the famous need hierarchy model developed by Abraham Maslow. Maslow arranged human needs into a hierarchy and argued that people will satisfy lower level needs before attempting to satisfy higher level ones. Once lower level needs are satisfied, they at least temporarily stop being motivators, and the individual will actively strive to satisfy the higher needs. In order to be successful, a marketer should identify when his target market will strive to satisfy higher order needs, and he should exploit this by adding new attributes to his product before his competitors do.

In conclusion, we can say that, marketers, while using one of the above-mentioned approaches, should study the developments in technology, economy, social structures, and other related issues, since they also determine which attribute will be desirable as well as feasible.

## Questions for Review

1. Market evolution means the development or gradual advance of market –
   a. From an in itial position to one that is more simple
   b. From an initial position to one that is more acceptable
   c. From an initial position to one that is more critical
   d. None of the above.

2. A latent market consists of people –
   a. Who share a similar need or want for something that does exist
   b. Who share a similar need or want for something that does not yet exist
   c. Both a & b
   d. None of the above.

3. A diffused-preference market is that -where buyers' preferences scatter evenly –
   a. Where buyers' preferences scatter evenly
   b. Where buyers' preferences do not scatter evenly
   c. Where buyers' preferences scatter unevenly
   d. Both b & c.

4. If the marketer decides to develop the product with the aim of satisfying the preferences of one of the corners of the market it is termed as –
   a. A mass-market strategy
   b. A multiple-niche strategy
   c. A single-niche strategy
   d. None of the above.

5. If the marketer decides to develop and launch more than one new product aiming at more than one corner or segment of the total market we call it –
   a. A multiple-niche strategy
   b. A mass-market strategy
   c. A single-niche strategy
   d. A double-niche strategy.

6. Under mass-market strategy marketer aims –
   a. At one corner of the market
   b. At the middle portion of the market
   c. At extreme corners of the market
   d. None of the above.

7. There are –
   a. Two common reasons for decline in market demand for a product
   b. Three common reasons for decline in market demand for a product
   c. Four common reasons for decline in market demand for a product
   d. Five common reasons for decline in market demand for a product.

8. How many approaches a marketer can use to identifying new attributes to be added to the existing ones?
   a. hree
   b. Four
   c. Many
   d. None of the above.

9. In the customer survey process a firm usually –
   a. Asks customers about the new attribute they like to see in a product
   b. Asks middlemen about the new attribute they like to see in a product
   c. Asks salesmen about the new attribute they like to see in a product
   d. None of the above.

10. By dialectical, we mean –
   a. The art of calculating
   b. The art of reasoning
   c. The art of equating
   d. Both a & c.

11. Define the concept of 'Market Evolution'. Describe the stages of market evolution and show how you will set strategies in each of the stages in order to be successful in the marketplace.

12. Write an essay on dynamics of attribute competition.

**Answers**

1. c, 2. b, 3. a, 4. c, 5. a, 6. b. 7. a, 8. c, 9. a , 10. b.