



UNIT –III: Product – Product Classification –New Product Development- Product Modification- Product diversification and Product Elimination – Branding and Packaging-Product Life Cycle- Product positioning.

PRODUCT

Meaning:

A product is something that is manufactured for sale in the market. Customer needs are met by the usage of products. Product is one of the main components of marketing—all marketing activities revolve around the product. Products can be tangible or intangible. Tangible products are known as goods while intangible products are called services.

Definition:

According to Philip Kotler “A product is anything tangible or intangible that can be offered to a market for attention, acquisition use or consumption that might satisfy a need or want”.

Product Classification

Products can be classified depending on who the final purchaser is. Components of the marketing mix will need to be changed depending on who the final purchaser is.

- Consumer products: destined for the final consumer for personal, family and household use.
- Business to business products: are to satisfy the goals of the organization.

The same product can be purchased by both, for example a computer, for the home or the office.

The following are classifications for consumer products:

- **Convenience:**



Packaging is important to sell the product. Consumers will accept a substitute. Marketers focus on intense distribution, time utility. Convenience products can be categorized into staple (milk), impulse (not intended prior to shopping trip).

- **Shopping:**

Consumers expend considerable effort planning and making purchase decisions. IE appliances, stereos, cameras. Consumers are not particularly brand loyal. Need producer intermediary cooperation, high margins, less outlets than convenience goods. Use of sales personnel, communication of competitive advantage, branding, advertising, customer service etc. Attribute based (Non Price Competition), product with the best set of attributes is bought. If product attributes are judged to be similar, then priced based.

- **Specialty:**

Buyer knows what they want and will not accept a substitute, IE Mercedes. Do not compare alternatives. Brand, store and person loyal. Will pay a premium if necessary. Need reminder advertising.

- **Unsought:**

Sudden problem to resolve, products to which consumers are unaware, products that people do not necessary think of purchasing. Umbrellas, Funeral Plots, Encyclopedia!!

The following are classifications for Business to Business products:

- **Production Goods**

- ✚ **Raw Materials:**

- ✚ **Component parts:** becomes part of the physical product

- ✚ **Process materials:** not readily identifiable part of the production of other products



- **Support Goods**

- ✚ **Major Equipment:**

- ✚ **Accessory Equipment:** Type writers and tools

- ✚ **Consumable Supplies:** IE Paper, pencils or oils

- ✚ **Business to Business services:** Financial, legal marketing research etc.

NEW PRODUCT DEVELOPMENT

The entire product development process is characterized by a number of factors which complicate its conduct. The first is that all functional units of the enterprise are involved at various points, and many of them throughout the entire process. They must be carefully mobilized and their natural resistance to cooperative action overcomes.

Second, many different types of activity must be carried on concurrently. Practically all of these are necessary prerequisites to later activities. Thus, there is an acute problem of timing, requiring the establishment of target dates and follow-up to determine progress.

For products that require a substantial amount of technical research and development work, the period from the original concept of the idea until commercialization is typically five to ten years.

Third, is the need for several check points at which the project is considered in all of its aspects, and decisions are reached—whether it should be abandoned, put on the shelf, or continued at a given rate of work?

There is no magic number of such points, although the most obvious occur at:

1. Preliminary screening of new-product ideas.
2. The time substantial amounts of expenditures are authorized for research and development.
3. Authorization for prototype manufacture and market or use testing.
4. The decision regarding full-scale manufacture and marketing.

The process of reviewing the project in its manifold technical and economic aspects at each of these check points becomes increasingly more detailed and thorough as larger and larger amounts of company resources must be committed by decisions to continue it.



Fourth, new products that are quite similar to the present line in production and selling characteristics will not require a process of development so elaborate or as long as those that are more alien to the established knowledge and know-how of the company organization.

The nature of these complicating factors indicates the desirability of systematizing the search for new products. While the appropriate elements of a product development system would vary from one firm to another, certain activities are basic to the process itself.

New Product Strategy Development

Only a few ideas are good enough to reach commercialization. Ideas can be generated by chance, or by systematic approach. Need a purposeful, focused effort to identify new ways to serve a market. New opportunities appear from the changes in the environment.

These include at least the following phases:

Seven phases to new product development:



1. Idea Generation

Continuous systematic search for new product opportunities.

- *Marketing oriented sources*--identify opportunities based on consumer needs, lab research is directed to satisfy that research. 1-800#s, research etc.



- *Laboratory oriented sources*--identify opportunities based on pure research or applied research.
- *Intrafirm devises*--brain storming, incentives and rewards for ideas. 3Ms Post it, from choir practice. Hewlett Parkards lab is open 24 hrs. day. Analyzing existing products, reading trade publications.
Brainstorming for your group project. Ideas should not be criticized, no matter how off-beat they are.

2. Product Screening and Evaluation

New product check list; list new product attributes considered most important and compare each with these attributes. Check list is standardized and allows ideas to be compared.

--General characteristics, Marketing Characteristics and Production Characteristics.

Ideas with the greatest potential are selected for further research.

Do they match the organizations goals (DuPont and ICI have many patents that they have not exploited for this very reason.)

Look at companies ability to produce and market the product.

Need to look at the nature and wants of the buyers and possible environmental changes.

3. Concept Testing

Sample of potential buyers is presented with the product idea through a written or oral description to determine the attitudes and initial buying intentions.

This is done before investing considerable sums of money and resources in Research and Development.



Can better understand product attributes and the benefits customers feel are most important.

Would you buy the product?

Would you replace your current brand with the new product?

Would this product meet real needs?

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4. Business Analysis

Analyze potential contribution to sales, costs and profits.

- + Does the product fit into the current product mix?
- + What kind of environmental and competitive changes can be anticipated?
- + How will these changes effect sales etc.?
- + Are the internal resources adequate?
- + Cost and time line of new facilities etc.?
- + Is financing available?
- + Synergies with distribution channel etc.
- + MIS to determine the market potential sales etc.
- + Patentability should be determined, last 17 years, 14 years for a pharmaceutical product.
- + Find out if it is technically feasible to produce the new product.
- + If you can produce the new product at a low enough cost so as to be able to make a profit.

5. Product Development

Develop a prototype, working model, lab test etc.



Attributes that consumers have identified that they want must be communicated through the design of the product.

6. Test Marketing

- + Can observe actual consumer behavior.
- + Limited introduction in geographical areas chosen to represent intended market.
- + Aim is to determine the reaction of probable buyers.
- + It is the sample launch of the Marketing Mix.
- + Determine to go ahead, modify product, modify marketing plan or drop the product.

PROS are:

- + Lessens the risk of product failure.
- + Reduces the risk of loss of credibility or undercutting a profitable product.
- + Can determine the weaknesses in the MM and make adjustments.
- + Can also vary parts of the MM during the test market.
- + **Need to select the appropriate MM and check the validity.**

CONS are:

- + Test market is expensive.
- + Firm's competitors may interfere.
- + Competitors may copy the product and rush it out.
- + IE Clorox detergent with bleach P&G. "In a live test you've tipped your hand, and believe me, the competition is going to come after you. Unless you have patented chemistry, they can rip you off and beat you to a national launch" - Director of Marketing at Gillette's Personnel division.



Alternatively can use a simulated test market. Free samples offered in the mall, taken home and interviewed over the telephone later.

7. Commercialization

Corresponds to introduction stage of the Product Life Cycle. Plans for full-scale marketing and manufacturing must be refined and settled. Need to analyze the results of the test market to determine any changes in the marketing mix. Need to make decisions regarding warranties etc (reduces consumer's risk). Warranties can offer a competitive advantage.

Product Diversification

Diversification occurs when a firm seeks to enter the market with a completely new product. "Diversification is a policy of an operating company, so that its business and profits come from a number of courses, usually from diverse products that differ in market or production characteristics." Generally, it means adding a new product to the existing product line. It may be new products, new markets, new technologies etc. It is just the opposite of product line contraction and is also



Managing the Product Development

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referred to product line expansion. For example, a firm making watches at present, has started making wall-clocks. This product is different from the existing product. The reasons for the diversification are :

1. To take advantage of the existing reputation;
2. To arrest the declining profit margins;
3. To meet new products of competitors;
4. To use more effectively the existing facilities;
5. To increase the sales of existing products;
6. To maintain market share;
7. To meet the customers' demand;
8. To utilise the existing spare capacity of factory;
9. To eliminate cyclical slumps;
10. To curtail market expenditure;
11. To compensate the loss of another product;
12. To use undistributed earnings.

The kinds of diversifications are:

1. **Products Sharing a Common Base** : It is an introduction of new products, which are akin to the present line. The new products, which are introduced into the market, will not affect the present product, in any way. For instance, a sugar industry can diversify to paper product.
2. **Products of Related Industries** : It is an introduction of a new product, a complementary item. For instance, a type-writer company may manufacture type-writer ribbon, which can be used as a complementary product to the typewriter. The new product may be used as an input for the old product.
3. **Products of Unrelated Industries** : The products of unrelated industries or lateral diversification as a move to expand product line, beyond the confines of the industry. That is, the company can produce any products. For instance HMT produces wrist watches, electric lamps etc.

Product elimination (Product Withdrawal)

It means that a product is removed from the product line. When there is no demand for a product or when the demand declines to obsolescence, marketing of such product is of no use. Moreover, certain products cannot be modified to suit the market. In such a case, it is better and profitable to withdraw the product. Such product brings decreased sales, and profit, and finally affects the reputation and financial strength of the firm. Such a process of withdrawal of products is known as product elimination. A sick product lost market appeal.

The indicator for elimination :

1. Downward profit trend
2. Decreasing price trend
3. Declining sales trend
4. Cheaper substitutes are appeared.
5. Greater utilisation of executive's time.
6. Contribution is not covering the fixed expenses.
7. Unfavourable customer reaction.
8. Emergence of superior substitute products.
9. Decreasing marketing share.
10. The product may be in the last stage of PLC.

**Production Modification**

The existing product has to be modified in order to suit the changing conditions, because of fashion change. When one makes improvements in the existing product, by changing its quality, size, form or design etc., the process is said to be product modification. When changes are made, the existing product may look almost new. The purpose of this change is to increase the sales or to attract the customers. Modification may facilitate : (1) Satisfying the additional needs of the buyers, (2) up grading or down grading the quality of a product to suit the market—rich or poor (3) Changing to attractive design, colour, shape etc. (4) Meeting the consumers' demand or for social responsibility.

Product Failure : Reasons

Generally it is witnessed that many products entering into the market, may not reach the target of sales and profits. Introduction of new substitutes, technological innovations, consumers, who are selective in their choice of products etc. reduce the span of life of products. The following are the general causes for the failure :

1. Conception of product idea or specification of the product may be faulty.
2. Design of product may not match with production facility.
3. The strength of competitions may not be accounted.
4. Marketing may be inefficient and insufficient.
5. Cost of production may be higher than the estimated cost.
6. The product performance may be unsatisfactory.
7. Operations may not be within control.
8. Market changes may not be understood properly.
9. Producers may be ignorant of consumers' preference.
10. Technical and production problems might have been underestimated.
11. Products may be introduced to the market untimely.
12. Introducing products for which there is no demand.
13. Stressing product attributes incorrectly.
14. Prices may be high.
15. Poor packaging, inappropriate size etc.
16. Weaknesses in distribution
17. Inadequate sales force
18. Poor timing
19. Lack of test marketing
20. Government policy

How to Avoid Product Failure ?

Many products are introduced in the market and many products go out of the market every year. Many of the problems can be solved by timely action taken by the management. Thus, the failure of some of the products can be avoided by the following steps :

1. The product must be suitable to the market.
2. There must be a good demand in the market.
3. The product must keep the company's image.
4. There should not be any legal restriction.
5. The product must be in tune to the consumer's need.
6. The product must fit into the existing product facility.
7. There must exist a good system of marketing.
8. The product must be compatible with the current environment and social standards.
9. There must exist a good demand creation method.
10. There must exist a good system of distribution.



BRANDING

Part of the actual product.

Without brands, shoppers choice becomes arbitrary.

Definition:

A name, term, design, symbol or any other feature that identifies one seller's good or service as distinct from another's.

- Brand name is that part that can be spoken, including letters, words and #s, IE 7UP.
Brand names simplify shopping, guarantee a certain level of quality and allow for self expression.
- Brand mark-elements of the brand that cannot not be spoken, IE symbol
- Trade Character IE Ronald McDonald, Pillsbury Doughboy
- Trade mark-legal designation that the owner has exclusive rights to the brand or part of a brand.
1990, US Patent & Trademark Office had 680,000 trademarks registered, 56,515 new in that year.
- Tradename-The full legal name of the organization. IE Ford, not the name for a specific product.

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Benefits of Branding

Provides benefits to buyers and sellers

TO BUYER:

- Help buyers identify the product that they like/dislike.
- Identify marketer
- Helps reduce the time needed for purchase.



- Helps buyers evaluate quality of products especially if unable to judge a products characteristics.
- Helps reduce buyer's perceived risk of purchase.
- Buyer may derive a psychological reward from owning the brand, IE Rolex or Mercedes.

TO SELLER:

- Differentiate product offering from competitors
- Helps segment market by creating tailored images, IE Contact lenses
- Brand identifies the company's products making repeat purchases easier for customers.
- Reduce price comparisons
- Brand helps firm introduce a new product that carries the name of one or more of its existing products...half as much as using a new brand, lower co. designs, advertising and promotional costs.

EXAMPLE, Gummy Savers

- Easier cooperation with intermediaries with well known brands
- Facilitates promotional efforts.
- Helps foster brand loyalty helping to stabilize market share.
- Firms may be able to charge a premium for the brand.

Importance of Branding and How to Develop a Brand

Handout...American Movie Classics...

- Why does AMC Brand Itself?
- Increasing Competition, 500 channels etc.
- Need to differentiate Product offering so consumer's associate satisfying need to see good movies to watching AMC
- Consumers cannot check all brands therefore need to make choice easier for them



"We compete now with many movie channels, If consumers think of you without a Brand or personality, you become an inventory of pictures, In a world of hundreds of channels, you'll get lost".

- How does AMC Brand Itself?
- Advertise...emphasize need to keep movies in original state
- Boutiques in stores to sell "AMC Collection"
- License Audrey Hepburn image...spokesperson
- Co-promotion w/ United Artists Theaters sponsoring afternoon vintage movies.
- AMC news magazine at Newsstands.
- Logo and AMC Letters
- Releasing AMC movies on video
- TM = 72% over 35 years old

Brand loyalty is declining due to an increase in similar new products for customers to choose from, and an increase in marketing activities to encourage brand switching and the increasing quality of private label products.

Brand equity, financial value associated with the brand. Can be increased when licensing royalties can be gained.

Four Branding Decisions firms must make

Need to determine Corporate Name

- A firm's name logo and trade characters.
- Over 1000 ongoing firms change names each year, DuPont
- If nature of business changes, may need to alter name--Southwest Airlines?? Allegheny
- Airlines change to US Air due to expansion in geographic markets. (United Brands changed name to CHIQUITA brands)
- Boston Chicken vs. Boston Market



- Geographic names not as popular as they used to be compared to surnames, descriptive names and coined names.
- Kiwi airlines--named after a bird that cannot fly :)

Types of Brands

Manufacturers Brands:

- Initiated by the producer.
- 85% food items, all autos, 75% major appliances, more than 80% gasoline.
- Requires the producer to be involved in distribution, promotion, and to some extent, pricing.
- Brand loyalty is encouraged by quality, promotion and guarantees. Producer tries to stimulate demand, encouraging middlemen to make the product available (PULL)

Private Distributor Brands:

- Initiated and owned by the resellers. 50% of shoes, 33% tire market, 13% food, 25% appliances.
- Manufacturers not identified in the product.
- Helps retailers develop more efficient promotion, generate higher margins and increase store image.
- Wholesalers brands-IGA
- Retailers brands Sears Kenmore, JC Penney's Stafford Executive.
- Presidents Choice, Loblaw, 1000 products
- Our Compliments, MF. by Nabisco
- Master Choice, A & P
- Select, Safeway

Kodak in Japan, market private label film since Mf. label not successful in marketplace, "COOP" for the Japanese Consumer Cooperative Union.



DuPont, with Initiatives Inc, design/make fashion items, utilize its fiber resources and develop another customer for them. Work with retailers to design fashions.

The competition between manufacturers brands and private brands (15% retail grocery) is intensifying.

Handout...How Country's Biggest Brands Are Faring at the Supermarket

Reason for increase in Private Brands:

- Increasing prices of MB in 1980s with flat demand
- Increasing Quality of PB
- Increasing Promotion of PB
- PB offer retailers higher margins
- Offer regional products

Private brands have been growing:

1991 increase 4%

1992 increase 3%

1993 increase .8%

Manufacturer brands are beginning to fight back.

- Reduce price (marlboro monday, reduced 20%)
- Promotions focus on quality and directed at PL
- New product launches, line extensions.
- Focus on core products

PB are still popular, also consumers are purchasing PB products that were once bastions of MB, personal care etc., Beer/Cigarettes, another indication of consumers' growing confidence of the quality of PBs.



Handout...Philip Morris Makes Dave's---

Marketers of MB products (esp. Philip Morris) are developing products that appear to be PB products, in recognition to consumers growing preference for this type of product.

Abroad

UK, Private Label is 36% of market. Why??

- National Advertising
- Retailers are Marketers not landlords. Sainsburys launched 1400-1500 new products each year. 8000 of 16000 products are private label.

Generic Brands:

- Indicates only product category.
- Began as low cost alternative in the drug industry.
- Less than 1% of supermarket revenue even though 85% stock them. Cheaper than branded items.
- Accounts for less than 1% of retail sales, was 10%.

Selecting a Brand Name

Criteria for choosing a name:

- Easy for customers to say, spell and recall (inc. foreigners)
- Indicate products major benefits
- Should be distinctive
- Compatible with all products in product line
- Used and recognized in all types of media
- Single and multiple words Bic, Dodge Grand Caravan, IBM PC (letters), or a combination Mazda RX7



- Availability, already over 400 car "name plates", this makes it difficult to select a new one.
- Use words of no meaning to avoid negative connotation, Kodak, Exxon
- Can be created internally by the organization, or by a consultancy
- Legal restrictions, i.e. Food products must adhere to the Nutrition Labeling and Education Act, 1990...May 8 1994

Handout...Let There Be 'Right'....

FDA, Pringles Right Crisps, as opposed to Light Only 1/3 less fat. Considered Pringles Right Choice/Idea.

Light/Lite must be 1/2 fat of original content

Reduced fat = 25% reduction

"Lite taste" can still be used :)...lite is a descriptor of the word taste, not of the actual product!!

Service-usually the company name, must be flexible enough to encompass activity of current services as well as new ones in the future (Southwest Airlines). Frequently use symbols, AT&T's globe, Travellers insurance umbrella.

Naming process goes from idea generation to idea evaluation to legal evaluation. Should define objectives--what value to the product should the name provide.

Protecting a Brand

- Need to design a brand that can be protected through registration.
- Generic words are not protectable (aluminum foil), surnames and geographic or functional names are difficult to protect.
- To protect exclusive rights to a brand, must make certain that the brand is not likely to become considered an infringement on any existing registered brand.



- Guard against a brand name becoming a generic term used to refer to general products category. Generic cannot be protected. IE Aspirin, Shredded Wheat ETC.

Xerox

Rollerblade

Thermos

Kleenex

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Branding Policies

First question is whether to brand or not to brand. Homogenous products are difficult to brand (Not Purdue, Robinson Brick). Branding policies are:

- Individual Branding: Naming each product differently P&G, facilitates market segmentation and no overlap.
- Overall Family Branding: All products are branded with the same name, or part of a name, IE Kraft, promotion of one item also promotes other items.
- Line Family Branding: Within one product line. IE P&Gs Ivory line.
- Brand Extension Branding: Use one of its existing brand names as part of a brand for an improved or new product, usually in the same product category.

75% new products are brand extensions!!

Handout...Can Virgin Name sell Cola, Computers, Vodka and more.

To use brand extensions the products should be either related (not the case for Virgin), or the brand name should have a value over and above the particular product category, i.e. a counter culture image for example. If that is the case, then it might work.



Brand Licensing

Approve use of trade marks on other products for a licensing fee. IE Harley Davidson with Cologne, McDonalds with McKids.

PRO Gain extra revenue and free publicity and trade mark protection, also helps develop your brand, AMC

CON Lack of manufacturing control, bombardment of unrelated products.

PACKAGING

Part of the actual product.

Consists of a products physical container, label and/or insert.

Approximately 10% of product selling cost.

Development of a container and a graphic design for a product. Can effect purchase decisions IE pump dispenser on a tube of toothpaste.

Packaging Functions include:

- Protect product and maintain functional form, IE milk.
- Foil shop lifting
- Offer convenience, Usage (dispersement)
- Promote product by communicating features "last 5 seconds of mktg", Campbells...Read Article
- Develop reusable package for alternative use.
- Segmentation, tailored to a specific group Contact Lenses

Major Packaging Considerations

Packaging decision serve the channel members and the final consumer.



- Cost--how much are customers willing to pay for the packaging?
- Preprinted cost, use UPC codes
- Must comply with the FDA packaging regulations.
- Make product tampering evident to the reseller and customer, cost benefit with liability
- Need to consider consistency among package designs--Family packaging...category consistent...Pringles
- Need to inform potential buyers of new products content, features, uses, advantages and hazards.
- Need to create a desirable image through color etc. Can be designed to appear taller or shorter (thin vertical lines for taller) People associate specific colors with certain feelings, Red with fire. Do not package meet in green!!
- Must meet the needs of resellers--transportation, storage and handling.
- Environmental responsibility.

Packaging and Marketing Strategy

Packaging can be a major component of the marketing strategy--giving a product a competitive advantage. Need to reevaluate packaging periodically.

- Altering the Package - must evolve with the times
- Change style of package Coke, Pepsi
- Pepsi freshness dating, need extensive marketing effort to communicate this.
- Coke's new contoured bottle "feel the curves" "the ultimate form of refreshment", with a silhouette of a coke bottle on a bill board. Considering a contoured can in the future!!

Multiple Packaging Twin packs, six packs etc...won't work for salt!! Stimulate extra use. Helps gain customer acceptance.



Handling Improved packaging

Packaging changes during distribution, IE Cartons

Criticism of Packaging

- Functional problems, Flour, sugar.
- Packages that are difficult to open.
- Recyclability. Safety issues (sharp)
- Package deception. Customer confusion IE different size designations, Giant, Econ etc.
- Increased costs attributed to packaging.

LABELING

- Facilitates ID of a product
- Descriptive function
- Indicate the grade of the product
- Describe source of product, its content and major features
- How to use the product etc.
- Label can be a promotional tool
- Needs to fulfill federal obligations.
- Universal Product Code for Inventory and Information.

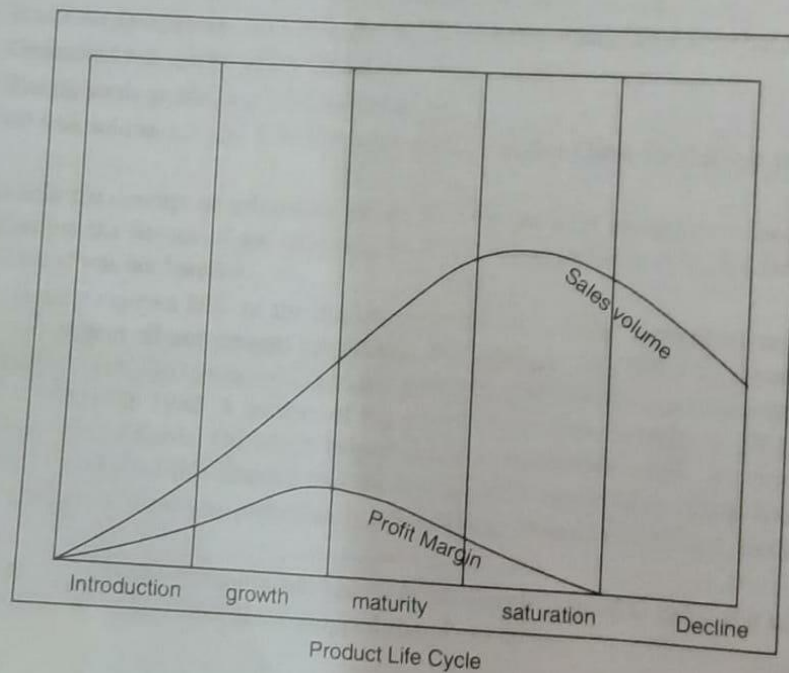


PRODUCT LIFE CYCLE

PRODUCT LIFE CYCLE

- Product Life Cycle
- Different Stages
- Advantages of PLC
- Development of New Product
- Managing New Product Development
- Planning Process
- Launching a New Product
- Product Diversification
- Product Elimination
- Product Modification
- Product Failure
- Questions

As every being has life, a product has its life. Industrial goods may have a longer life than consumer goods. When a product idea is commercialised, the product enters into the market and competes with the rivals, for making sales and earning profits. Products, like human beings, have length of life. This has been described as life cycle in human beings and when applied to products, it is called as product life cycle. The product life cycle is generally termed as product market life cycle, because it is related to a particular market. For instance, an old product in the market of Mumbai, may have a new life in a remote village. The product life cycle may be short for some products and long for some other products. The period may differ from product to product. But the product passes through the stages, collectively known as product life cycle. The chart below gives the life cycle of a product.





Introduction : Product is new : awareness in market is low : cost of marketing is high : profits are low.

Growth : The product has given satisfaction to the first buyers. Others follow : Sales increase rapidly and product starts generate profits. Competitors notice the success and start planning competitive offering.

Maturity : The product reaching its maturity and sales are good. But battle for market share is about to begin.

Saturation : Total sales are not growing any more. The battle for market share is difficult. Try for strong brand loyalty and reduced price.

Decline : Sales and profits are starting to fall and future of the product does not look healthy. Remedial strategy—modifying, repositioning or even deleting the product, is needed.

Every product moves through a life cycle, having five phases and they are :

1. Introduction
2. Growth
3. Maturity
4. Saturation
5. Decline

1. **Introduction :** This is the first stage in the life of a product. This is an infant stage. The product is a new one. The new product means “a product that opens up an entirely new market, replaces an existing product, or significantly broadens the market for an existing product.” The initial stage needs greater amount for investment. In this stage, the product is introduced into the market and made available to the customers with a slow rise in sales. The profit may be low, because of heavy advertising and sales promotion in order to stimulate the demand.

2. **Growth :** The product satisfies the market. In this stage, a product gains acceptance from the part of consumers and businessmen. Sales of the product increase. Profit also increases. This is the stage where competitors appear along with substitute products in large numbers. Previous buyers continue in their purchase and new buyers appear. Firms may find it difficult to meet the demand. The success of firms depends upon the efficient manufacturing and distributing systems of the product.

3. **Maturity :** At this stage, keen competition increases. Sales continue to increase for a while, but at a decreasing rate. Competitors go for mark-down price by increasing advertising deals. Market expenses increase, even after mark-down prices, which enable to face competition. Thus, profit is thinned. Additional expenses are involved in product modification and improvement in the marketing mix or/and product mix or style changes, to attract the customers and retain the market. Overall marketing effectiveness becomes the key factor in this stage.

4. **Saturation :** In the saturation stage, the sales are at the peak and further increase is not possible. The demand for the products is stable. The rise and fall of sale depend upon supply and demand. At this stage, a replacement of product is needed, because the sale of the existing product cannot be increased.

5. **Decline :** When sales start declining, buyers go for newer and better products. This is because of many reasons—technological advances, consumer shifts in taste, increased competition etc. At this stage, the product cannot stand in the market; many firms withdraw from the market, when sales and profits decrease. Price becomes the competitive weapon. Under such a situation, firms shift their attention to other products. The product becomes out of date and fashion. Then the firm will drop the product from the product line.



Popularized by Theodore Levitt, 1965

PLC can be applied to:

- product category (Watch)
- product style (Digital)
- a product item/brand (Timex)

Four Stages to the Product Life Cycle:

1. Introduction
2. Growth
3. Maturity
4. Decline

The following material refers to the PLC as far as the product category is concerned unless otherwise stated.

1. Introduction:

Failure rate for new products can range from 60%-90%, depending on the industry. A product does not have to be an entirely new product, can be a new model (car).

Marketing Mix (MM) considerations

- ✚ Need to build channels of distribution/selective distribution
- ✚ Dealers offered promotional assistance to support the product...PUSH strategy.
- ✚ Develop primary demand/pioneering information, communications should stress the benefits of the product to the consumer, as opposed to the brand name of the particular product, since there will be little competition at this stage and you need to educate consumers of the product's benefits.
- ✚ *Price skimming*...set a high price in order to recover developmental costs as soon as possible.



- ✚ *Price penetration*...set a low price in order to avoid encouraging competitors to enter the market, also helps increase demand and therefore allows the company to take advantage of economies of scale.

2. Growth:

- ❖ Need to encourage strong brand loyalty; competitors are entering the market place. Profits begin to decline late in the growth stage.
- ❖ May need to pursue further segmentation.

Marketing Mix (MM) considerations

- ✚ May need to perform some type of product modification to correct weak or omitted attributes in the product.
- ✚ Need to build brand loyalty (selective demand), communications should stress the brand of the product, since consumers are more aware of the products benefits and there is more competition, must differentiate your offering from your competitors.
- ✚ May begin to move toward intensive distribution-the product is more accepted, therefore intermediaries are more inclined to risk accepting the product.
- ✚ Price dealing/cutting or meeting competition, especially if previously adopted a price skimming strategy.

Handout...Coca Cola Launches Fruit-Drink line...

Category doubled in size last year to about \$300m - \$325m Coca Cola's entrant-Fruitopia expect sales this year to reach \$400m Fruitopia is in the Introductory stage when the Alternative Beverage market is in the Growth stage. New competitors like Coca Cola will help grow the size of the market.

Maturity

Sales curve peaks-severe competition, consumers are now experienced specialists.



MM Considerations

- ✚ A product may be rejuvenated through a change in the packaging, new models or aesthetic changes.
- ✚ Advertising focuses on differentiating a brand, sales promotion aimed at customer (PULL) and reseller (PUSH).
- ✚ Move to more intense distribution
- ✚ Price dealing/cutting or meeting competition
- ✚ Provides company with a large, loyal group of stable customers. Generally cash cows that can support other products.
- ✚ Strategies during maturity include:
 - Modification of product...use line extensions
 - Reposition Product

Handout...New Life Savers Ads Grab Hold of Taste

- ✚ Reposition...Taste vs. moment
- ✚ Line extension, gummy savers, breath savers, holes (unsuccessful)
- ✚ Licensing name

Weaker competition will have left the market place.

Decline:

- ❖ Sales fall off rapidly. Can be caused by new technology or a social trend.
- ❖ Can justify continuing with the product as long as it contributes to profits or enhances the effectiveness of the product mix.
- ❖ Need to decide to eliminate or reposition to extend its life.

Marketing Mix (MM) considerations



- ✚ Some competition drop out
- ✚ Need to time and execute properly the introduction, alteration and termination of a product.

Handout...Cannibalism Is a Virtue in Computer Business

- Problems with high-tech products, relate to Product Adoption Process etc.
- Need to manage product mix through their respective life-cycles. When to decide to introduce new (modified) products that compete with the current product offering.
- With high-tech products, need to consider introducing new (and competing) products as the existing product is still in the growth stage of its life cycle.

Different types of Life Cycle Curves

- **Fad Curve**

Handout...Anatomy of a fad...

- ✚ Clear products, Crystal Pepsi
- ✚ Fleeting fashions vs. lasting shifts in consumer preference. Cannot differentiate between the two using usual marketing tools like focus groups. "Hand anyone a hula hoop, and they'll have fun with it--at first"
- ✚ Clear was equated with natural, reinforcing the idea of what you get is what you see.

Problems:

Clear products that didn't fit the positioning...clear gasoline/beer

Pay higher prices for products with fewer ingredients.

- **Seasonal Curve:** Life cycles that varies by season, clothing etc.



PRODUCT POSITIONING

What is Product Positioning?

Product positioning is a form of marketing that presents the benefits of your product to a particular target audience. Through market research and focus groups, marketers can determine which audience to target based on favorable responses to the product.

Research can also determine which product benefits are the most appealing to them. Knowing this information helps streamline marketing efforts and create effective marketing messages that drive more leads and sales. It also helps differentiate the product or service from the competition in the marketplace.

Product positioning is an important component of any marketing plan, but it doesn't have to be limited to one audience. For example, a product may have a main target audience and also a secondary audience that is also interested in the product, but perhaps in a different way. Each audience will find the product appealing for different reasons, which is why it's important to tailor marketing messages to focus on the benefits each audience values most.

Examples of Product Positioning

Product positioning can involve a number of different elements. A product can be positioned in a favorable way for a target audience through advertising, the channels advertised through, the product packaging, and even the way the product is priced. For example, market research may have revealed that the product is popular among mothers. What do they like about the product? What should be highlighted about the product to attract them? And where should the product be advertised to reach them? With the answers to these questions, an effective marketing campaign can be created to send benefit-driven messages to the target audience wherever they may be (such as Facebook, where targeted ads can be purchased based on demographics and interests).



Production Positioning for Small Businesses

While larger corporations have the budgets for extensive market research, small businesses may have a difficult time coming up with the time or money to do it in depth. Instead of running focus groups and doing tons of research, a small business owner can simply ask their network for their opinions. If they collect information on customers and their purchases, future product positioning strategies can be based on actual sales data. This may even be more effective than basing product positioning on the opinions of potential customers, such as in a focus group, because this positioning is based on real behavior rather than speculation.

In conclusion, a huge marketing budget is not necessary to take advantage of market research and effective product positioning. Understanding the target audience and how to communicate the benefits of a product to them in a compelling way is the first step toward a solid marketing plan.
