

To manage business risk, your executives must be ready to critically analyze a product's life cycle to build a strategy to address the various phases of a new product or service.

LIFE CYCLE ANALYSIS

WHAT WE EXAMINE AND INTERPRET

Product introduction
Growth
Maturity
Decline
Revenue & profit over time

CHARACTERIZATION OF PHASES

1. INTRODUCTION

- Products mostly unfamiliar
- Low revenue & high initial costs for development
 - Negative profits in sales and marketing

GOAL: Increase familiarity; expand market share

CHARACTERIZATION OF PHASES

2. GROWTH

- Growing awareness of the product
- Disproportional increase in sales
 - Positive profits
- Increased competition and competitive pressure

GOAL: Focus on marketing, product improvement and diversification



CHARACTERIZATION OF PHASES

3. MATURITY

- Thriving sales
- Declining profits
- Market saturation
- Maximum number of competitors

GOAL: Defense of market share and product modifications necessary

CHARACTERIZATION OF PHASES

3. DECLINE

- Degeneration phase with steadily falling profits
 - Low profits
 - Changed customer needs
 - Low demand
- Time to exit the market or reinvent the brand

GOAL: Cost containment ensures productivity

LIFE CYCLE ANALYSIS



	INTRODUCTION	GROWTH	MATURITY	DECLINE
CHARACTERISTICS				
Purchase pattern	Early adopters must be convinced	Expanded customer circle	Mass market, repeated purchases, selection among brands	Experienced customers, latecomers demand selection and features
Turnovers	Low	Fast growth	Slow growth	Decrease
Profits	Not notable	Peaks	Declines	Low or zero
Cash flow	Negative	Moderate	High	Low
Competition	Few competitors	More entries, consolidations and bankruptcies	Many price competitors	Increasingly less /exits from the market
Risk	High	Bearable	Starting sensitivity to economic situation	
ACTIONS				
Main strategy	Expand market share	Increase market penetration through marketing	Defend market share, costs and marketing effectiveness are important	Secure productivity/ implement cost controls
Marketing costs	High	High	Descending	Low
Pressure on	Publicity	Market preferences	Brand loyalty	Rationalizing
Distribution	Selective / specialized	Intensive	Interactive	Selective
Price	High	Relatively high	Descending to low point	Low, rarely ascending
Products	Basic model	Improved	Differentiated	Rationalized