

Marketing Management - II
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Lecture No. W2-L6
Marketing Strategies for Different Stages In PLC

Hello and welcome to our course marketing management part 2. We are in week 2 and this is concluding session of this week that is session 6. So, we are taking about product lifecycle management and we have discussed lot of facts, I mean lot of concepts which are related with product life cycle management. If you can recall from the previous session. We have looked in to the different stages of product lifecycle management that is introduction, growth maturity and the decline.

And what we have discussed till now in this product lifecycle management is, some of the things some of the characterization of the introduction stage and some of the choices marketing manager have in the introduction stage. So, what we have going to do today is discussion about the remaining three stages that is growth, maturity and decline.

Now, once the product moves from the introduction stage to the growth stage, there are some significant differences that the manger can observe that are happening to the product in the market. that in the growth stage you will see that. Early adopters have like the product an additional consumers purchase it so basically the early majority is start taking of the product. So, the expectance of the product grows in the market and this is where we are probably word of mouth is extremely important thing for the product.

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Marketing Strategies: Growth Stage

- Early adopters like the product and additional consumer purchase it
- New entrants introduce new product features and expand distribution
- Sales rises faster than promotional expenditure

Then you will see that as this industry or the product category shows promises. you will see the new interest coming to the market so you will start feeling the heat of the competition in the market and you will see that they will trying to expand the distribution very fast. Now the one thing which I ll tell you can go back to our graph of this sales and profit of product over its lifecycle stage, as you have already explained this thing. That in the initial stages your sales is not that much but your expenditures are higher.

Now, what happens in the growth stage is the sales rises faster than your expenditure and you will see that because of that your profits increases and that is why, you see suddenly growth stage your profits start growing much faster than your sales. And one thing one can observe is that sales rate the growth in the sales is faster than the promotional expenditure or any of fixed cost.

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Marketing Strategies: Growth Stage

Strategies employed by firms:

1. Improve product quality and adds new product features and improved styling
2. It adds new models and flanker products
3. It enters new market segments
4. Expands distributions network
5. Shift advertising from product-awareness to product-preference
6. Lower prices to attract price-sensitive customer

So, commonly employed strategy during its growth stages are that, marketer try to improve the product quality as you said I think in some of the session that, the focus shift from the design and the product or the differentiation to the operational excellence. So, here it is in the growth stage once you enter in to the growth stage. You will see that; the emphasis is basically on improving the product quality and add new product features and improved styling.

So, that yeah but even then, when you add features at this stage. There is a big difference from the additional features, yes at the earlier stage, yes here this will be are the incremental, features peripheral because the dominant design would have already emerged or established at this stage.

Where as in the early stage in all the competitors are jointly with each other establish their design as the dominant design. So, here it is these are the peripheral and the incremental and as you have written improve styling, esthetics color these things come but functional are core features at seldom altered at this stage.

Then you will see that new products or new models are basically added in the product line. So, that you can restore the different segments of the customer. You add flanker product so that you can secured the position of your core product. Sometimes you add value added features in the product existing product or you bring down paper down kind of models into the market. So, that you can you can basically avoid the competition to you from the top or

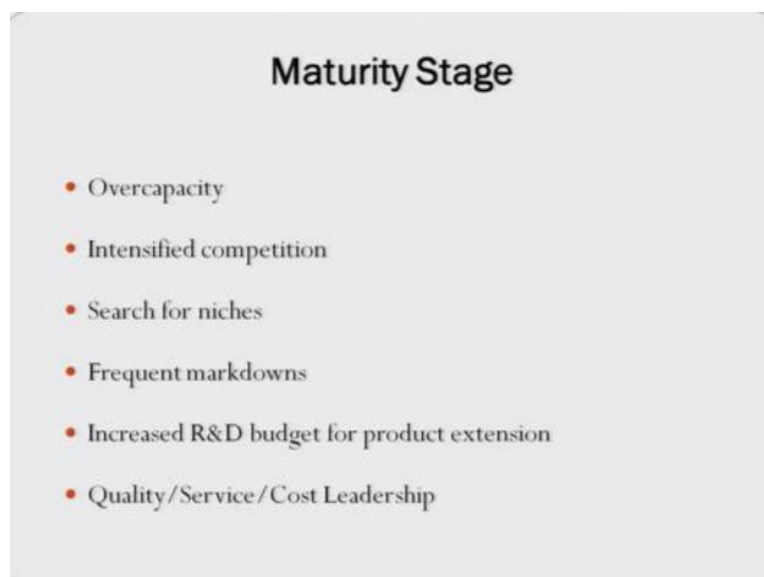
bottom side. Then you will see that in this stage in the growth stage marketers straight enter in to new market segments.

So, try to increase a penetration or they try to increase the range or the reach of their product as the distributive system is expanded the last point is I think that extremely important, that distinguishes basically the growth stage from the introduction stage is that, while you are emphasis or you are focus in the introduction stage is to make a costumer are the market being aware about the product.

You first try to create knowledge about the product in the market, however when you reach in to growth stage, you will see that since the competition has come. Now the fight is not to basically the about making costumer aware about the product. So, the market already knows about the product and there are plenty of options they have. Now the basically focus is here is on the creating the preferences towards your brand and that is very a basically a big shift in the marketing strategy or the promotional strategy of the organization.

Then you will see that lower prices to attract price sensitive costumer, that is why we have lot of company brings down a basic kind of models from of their products, so that they can reach the price sensitive costumers also.

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Then the next stage is basically the maturity stage. After the, this growth stage where you will see that the product almost reaches to a saturation stage. The sales has as you said that initially it is still growing after point it become stagnate and later stage of the maturity stage.

You will see that the sales start basically on a decline side. So, in the maturity stage is correct price where is over capacity because there are too many competitors or there are too many offerings and the demand has demand is not raising it faster rate or probably the rate at which it was growing earlier. And you will see because of this, over capacity or the supply being more than demand, companies are the firms start looking for their niches where they can focus is still I mean the mass market might not be the very attractive

But you will see that there are niches where they can go and these niches can offer still offer a significant profitability in some of those niches if you can get her to the needs of those niches. So, there are plenty of examples in this case like if you if you look at though maturity stage might not be a very right way of signifying the car mark. But you see that the kind of nesses these automobile companies are looking today indicates their change in the strategy.

And in fact, as the market is growing yeah though there are in a country like India which emerging economy the demand for cards will continue to grow. So, it is that not saturated but yet as it is progressing you can see more and more this emergence of the niche. The SUV XUV or multipurpose MUV or sedan in various varies combination of hatchback sedan. we are seeing all of that all of them here coming up. And also, very interesting is that a niche marketing is the very a similar to what Kotler talked about focus or yes.

So, the last authors have talked about, as costumer intimacy for a very specific segment. So, for example I can say like I say a laptop in which definitely a kind of maturity reaching a maturity stage even in a country like India and therefore, we see a niche a emerging like laptop for fashionable women or laptop for working professionals. You know, which there this all series of TV promotion with film actresses and where the laptop shown as a lifestyle product actually lifestyle product with different colors.

And it being light weighted you and it can be put inside the lady's handbag these are the characteristics the emergence of the maturity stage and niche marketing yeah. And as you are saying, I think last point did talked about that Porter's generic strategy, whether you want to be a costly door or whether you want to focus on quality or whether you want to focus on the costumer intimacy. So, these are the some of the options that marketers do try to basically adapt the maturity stage of the product lifecycle.

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One thing is that, some of the alternatives in the in front of the marketers or how can they increase volume. So, as this formula suggest that, volume is a basically the function of number of brand user multiplied by the uses rate per users. So, it's like a number of users multiplied by unit use of per user. Now the way you can grow is either you increase the number of users or you increase the users rate per user.

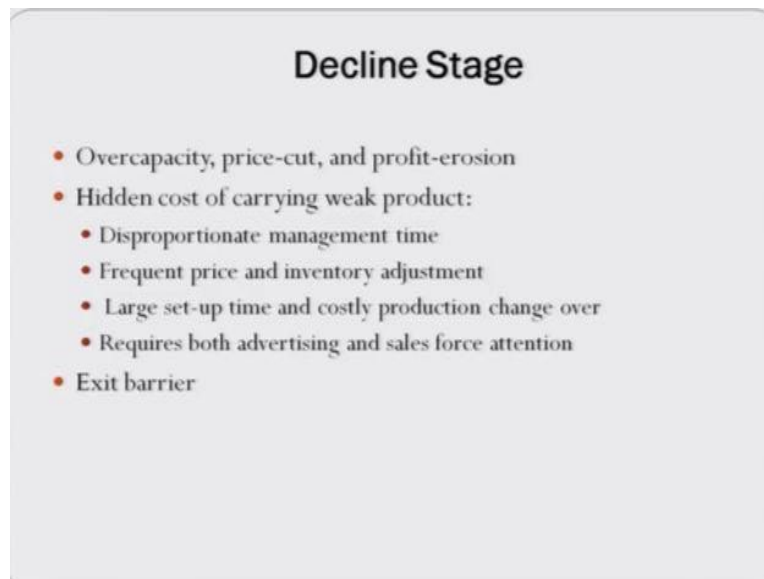
So, it is the quite commonly seen that in the mature market you will find very difficult to increase the number of users. Because the market is not expanding. So, new costumer is not adding up and snatching the costumer from the competitor is not easy. So, one probably smarter probably if it is find quite often interesting or probably they find it very useful is that they try to increase the users rate or the consumptions each existing user.

So, that is where is this marketing modification concept comes. So, I mean whether it is increasing the size of the, basically what is which more better in the in this, not in the niche market in the size of the tube, I mean I mean okay toothpaste, you are side size of the holes every time we push more paste will be come. Or you actually say that is important that you brush twice. So, you increase the usage per user.

Or you say, that having a chocolate not only basically in the regular way chocolates are associated with the festive seasons and all that or in India people often have some kind of some sweets at the end of the meal, So, chocolates has the positioned itself in that segment yes instead from a causal indulgence become that okay as a meetha yeah after a every meal

so the user rate that they are trying to increase. So, that basically captures what happens inside the maturity stage.

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The last stage of this product life cycle is basically the decline stage. And the decline stage, we see that, it is again it's an overcapacity continues, you will see that because of the intense competition people are fighting with the price cuts and this not probably a very good situation for a firm. Because you will see that your profits are going down are going down at a very fast rate. Now how here you have the decision. Whether you want to continue with that product or you would like to stop producing or stop marketing that product.

So, at this stage there are hidden cost of carrying weak products in your product portfolio. These are basically have to provide the management has to provide disproportionate amount of time. Because there is too much competition there are so many problems attached with that product and the management time is disproportionately or not, if you look at the profitability of the product and the managers time they are not probably in the similar ratio.

Then frequent price and inventory adjustments these are the problem phase, large set of time and costly production change over and requires both advertising and sales force attention. So, these are some of the choices you have. So, the thing is whether you should continue with a product or basic or you should but I think both Porter and some of his students have shown that even at the decline stage yeah, clever competitor can actually make a lot of money.

So, you have choices I will just go into that that, you have choices either you can exit the market but as you said. Sometimes some smart marketers will probably still stay in that market, take out the investment from that product and try to increase their profitability. What happens is that many competitors can exit the market yes.

So, what it may happen is that suddenly you are there are few people left and then the market again becomes worthwhile for those few players yeah, because even though the demand is shrinking. Because there are less number of competitors as opposed to the growth stage here park competitor enough business may become available, you had to keep it system that is why we often see that, there are some products they take a long time to do here yeah who really completely die.

And in fact, we also see that in certain cases like automobile parts and all that components, when the product has I mean is going out of the market, you will see that the components rates which are really available at many places the components comes at a on relatively higher prices so if you have a customer base and they want that product. So, marketers can increase the price and probably try to harvest that one thing here all.

The last thing I would to emphasize here is that, one has to understand the strategic importance of that product also because if that is a product which is a sort of a product which helps the customer to come to you to you for other products. So, if it is a product which links the company with customers then probably it is not a very good idea to remove that product from the product line. Because that helps you in acquiring the customers and your you can see that that product as a customer acquisition cost also sure.

So, this basically these are the different thing which goes into this decline stage and I think we completes a product lifecycle concept and I through that actually at this stage, we can take up an interesting example yeah to illustrate a the different issues about product lifecycle that we have been discussing. Also, that new product the challenges that are faced by new products and the other point that we made in an earlier session. That this challenge is a continuous challenge so in today's market, you can become an innovator you can get success.

But, you have to be a continuous innovator you remain on top of the market. So, I thought, I will use the example of these beverages which is a large market in India almost 100, 1000

crores of rupees. And so, as we all know that initially and even today the carbonated drinks of drinks they constitute nearly, I think 40% of the market.

Then we have the fruit juices, they constitute another ten percent of the market, pretty stable these two 50%, the rest 50% is kind of open. There is water in that segment, there is a flavored water in that segment, there are milk based drinks and that segment. And there are also a flavored like limca and other or these new emergences that happened which is actually like lemon drink, traditional Indian drinks like Nimboo pani is, yes Nimboo pani is coming here and it is called nimbu fresh or something like and there is a product called nimbuzz also.

And so, these are actually they all are jostling in that rest of the 50% space. This or just normal water or milk based drinks whereas these two kinds of are 50%. This market is growing now slower. The overall beverage market in India particularly thus casual single serve, you know which you just want to have and which is normally people consume it cold. This market is growing very rapidly it is already about 100 1000 crores and this market is growing at the rate of about 25%, 30% every year. So, quite an interesting market by half a billion-dollar worth of market is added I have almost every year.

So, this basically also illustrated what we were talking about that the changes in the social trends or the awareness level or health related concern, they are basically talking the within the category or the market is shifting from one type of product to the other type of product of product which are probably seen as more healthier and traditional to the Indian culture actually.

And also, what is happening is that you know people have more money maybe they would have just had water now they are going in for different kinds of drinks, when they are thirsty. So, a very interesting company that came in this space and introduced this paper boat, it was unique in shape, it was self standing it had a kind of a reusable bottle and it had a nice shape and giving it good stack ability for good logistics, low logistics costs etc.

And they, in this crowded market to distinguish themselves. They came with this ethnic team. So, they came with the drinks like Jumun, Kala khatta or aam panna or arm ras and or they had this kokum for south India. So, number of different and their whole team was based on emotion, nostalgia, childhood memories and so on, Now, interesting thing is that a hectare

beverage, which introduced this I think they did very well in the first two years. They used quite innovative distribution strategy like focusing on flight in flight food and beverage, airport and other station and other places.

And the social media for promotion, they did quite well. But now AMUL, I mean dabber which already had a very strong position in fruit juice market, they came and look at this almost similar packaging and almost similar proposition they are also in kala khatta, I mean, I was just I picked up from the net that you know, in case of amul, I am not amul, this dabber's hajmola, they have called it hajmols yudley.

And they have six variants Ajuba amp panna and nimbur shikanji, guava number one, jasbati jaljeera, golmaal golgappa and Kabhi Kala Kabhi khatta and look at these names they are poised just against paper boats flavors like Jamun, kala khatta, kokum, golgappa ka pani, aam panna, jaljeera, aamras and ginger lemon tea. Now of course, both parties are saying, for example dabber is saying no we are not actually taking market share away from these guys.

We are focusing on the unorganized sector, these people standing at the corner, street corners and selling Gol Gappa and so on where people are looking for some kind of chapatti taste, you know which is a very Indian word and very Indian taste. Which is a basically spicy masala taste and they are saying that we our value proposition is based on this chapatti equity. They have called it as a brand equity they said our brand is based on this chapatti swath and they are saying therefore, we are just leveraging the very strong position of hajmola.

Which originally came as a digestive medicine, then it became some kind of a candy and then it became just like some kind of a casual snacks. So, they are saying, we are actually leveraging the huge strength that we have in our hajmola. Now what are these people doing so you see here is a very innovative new drink that comes, tries to create a new space for itself, is immediately challenged by an incumbent.

And she is also early leaders here yes sir so this early leadership is threatened by an older leader from another segment and they come in with this different price position and very clever pricing also done by dabber could have priced it a little lower than the market leader. Instead of they actually priced it equal or higher by changing the package size is slightly

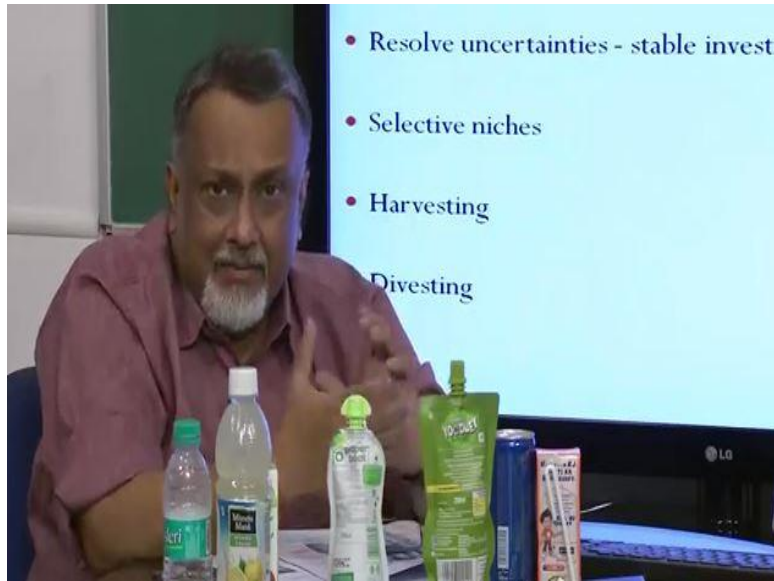
bigger. But this of course, is now the now what is the response the point is that therefore, you may be a leader you will have challenged and you have to continue to innovate.

So, these people what they have done is originally they had only one size now they have come up with three sizes this in fact is a little smaller size so this I think cost something like I think its MRP maybe 30 rupees, this is MRP is I think 25 rupees and they have actually also an MRP of 30 rupees, they also have something which is a slightly bigger in size and very impressive that these people have now immediately this threat, they have introduced I think seven or nine different flavors.

I think the interesting study, that you can make in your market with these soft drinks and beverages that, what are the soft drink beverage, cold beverage consumption habits in your locality. Just look at 3 4 shops in your locality go to a supermarket or a bazaar in your area and observe that which brands are selling in what way, and try to see in your market how this battle between paper boat and daber hajmola Woodley.

How that is playing out, who is winning, why they are winning talk to some people whether they have at all tried, because these are innovative drinks. You know we are talking about these early adopters and innovators. The mainstream drinks, are these are the mainstream drinks, so many people have not yet tried these so talk about these see who is who has already tried where they tried what happened and then try to understand that what sells, what makes influences the customer's choice, is it the flavor or is it a brand. Do people buy because there is a new flavor from this company or do they buy because there is a stronger brand attraction or an incumbent can create an additional brand quicker.

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They can get loyalty for their new product faster than an entrepreneurial brand, make the studies all the topics that we have discussed during this week and the end of last week about this product lifecycle and how new products behave, how new products are developed. What kind of challenges new products have to face and how continuous innovation is an absolute necessity. You can explore in your own locality, going around the shops in your locality and talking to people in your locality, how they are buying and why. Thank You!