Introduction to Marketing Essentials
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Lecture - 22
Managing Successful Products, Services, and Brands- I

Welcome to Introduction to Marketing Essentials, now we will start with module 22 and we are talking about the 2nd topic in this part 4. This 2nd topic which will be covered in module 22, 23 and 24 is on Managing Successful Products, Services and Brands.

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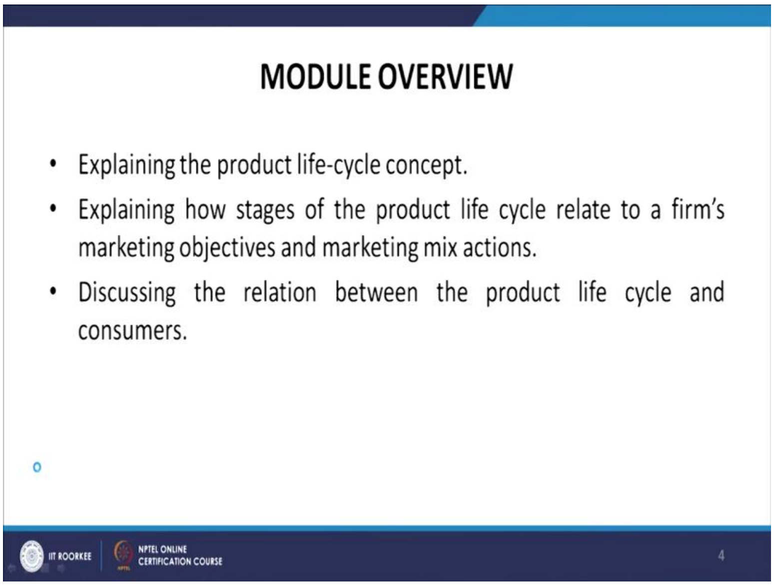

So, let us start with understanding of managing successful products, services and brands. And we will talk about the new and we will talk about product life cycle concept, then we will understand how stages of the product life cycle relate to a firms marketing objectives and marketing mix actions, then we will discuss the relations between the product life cycle and consumers.

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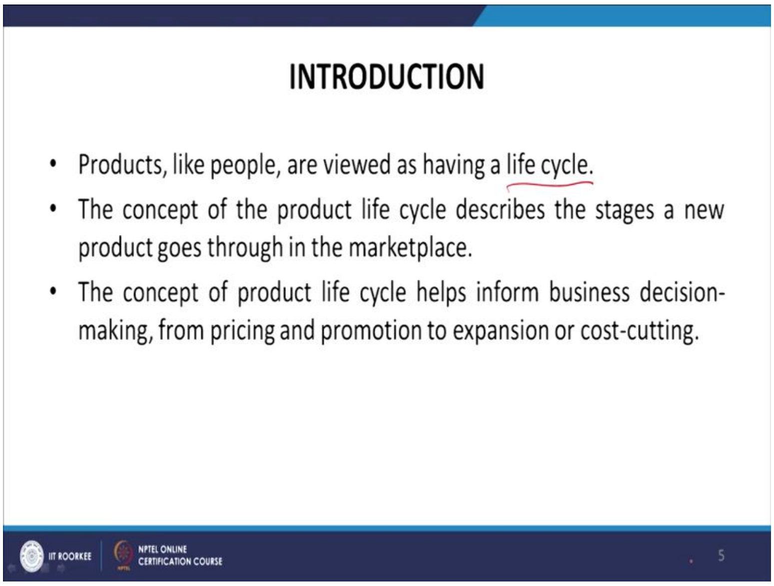

Now, products like people are viewed to have a life cycle. So, human beings they have or people they have or living things they have a life cycle similarly we also see that products have life cycle. The concept of the product life cycle describes the stages or new product goes through in the marketplace.

So, this will tell you about what are the various stages through which a new product goes through in the marketplace. The concept of product life cycle helps in form business decision making from pricing and promotion to expansion or cost cutting.

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Now, to say a product has life cycle is to assert four things. So, when we are saying that a product has a life cycle it means that, product have a limited life that is the first thing. The second is product sales pass through distinct stages each posing different challenges opportunities and problems to the seller.

The third is profits they may rise and fall at different stages of the product life cycle and the fourth one is products require different marketing, financial manufacturing, purchasing and human resource strategies at various stages in the life cycle. So, these are the 3 things that are associated these are the 4 things that are associated with this understanding of a product life cycle.

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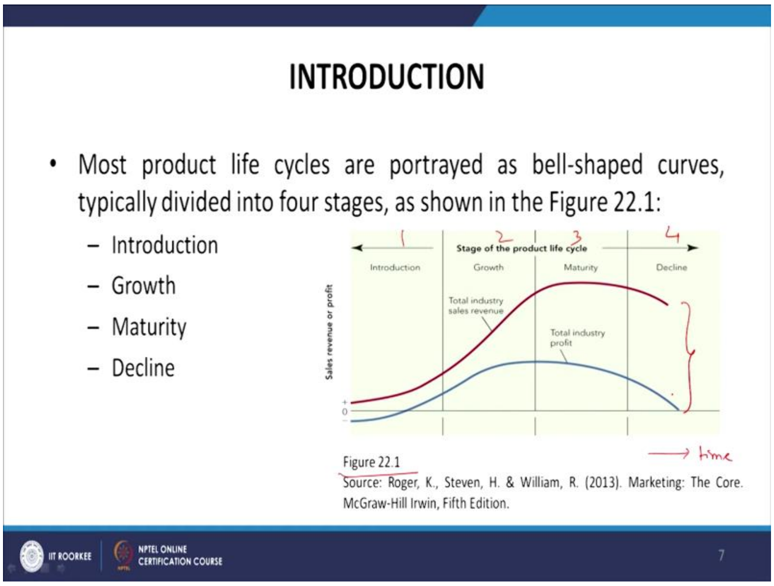

Now, most product life cycles are portrayed as a bell-shaped curve typically divided into four stages and this figure 22.1 it represents this product life cycle. So, now, you see that on this axis on the y axis we have sales revenues or profits and on this axis x axis we have time. So, this red is sales and this blue is profits. So, you see that this is a bell-shaped curve these are the four stages; 1, 2, 3 and 4. So, it moves up and decline and then it goes it is profit is negative and then it reaches 0. So, now, you see that at this stage the product may be selling, but the profit is no longer there.

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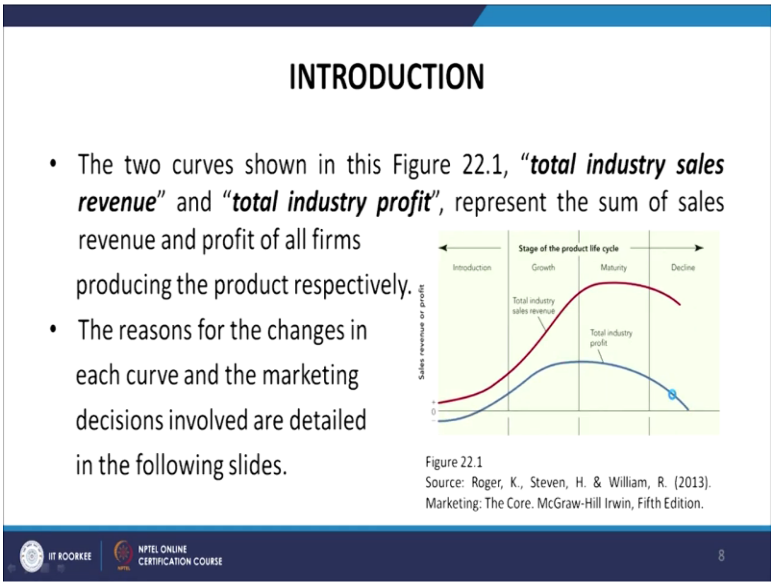

So, the two curves shown in this figure 22.1 the total industry sales revenues and total industry profits they represent the sum of sales revenues and profits of all firms producing the product respectively. The reason for the changes in each curve and the marketing decision involved are detailed in the upcoming slides.

So, this is the total industry sales revenues and it is about the total industry profits. So, all the industries all the companies and industry they are not making any profit at this in the declining stage.

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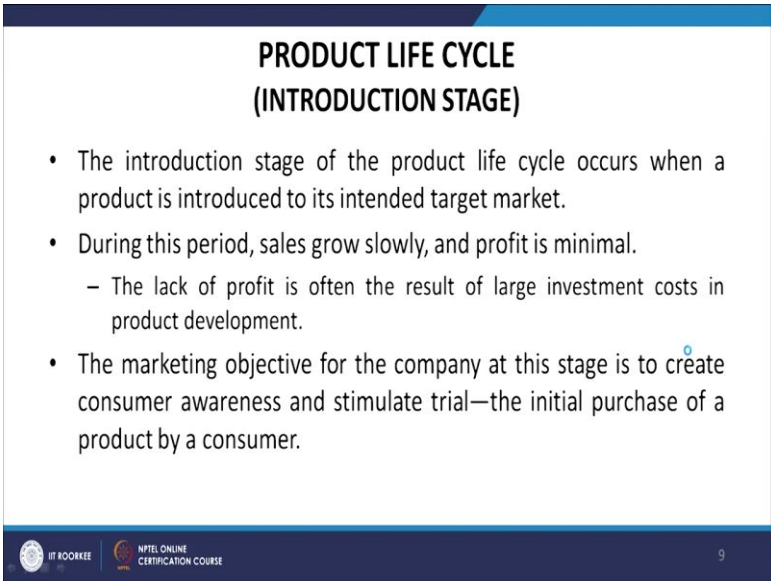

Now, let us look at the first stage of this product life cycle that is the introduction stage. The introduction stage of the product life cycle occurs when a product is introduced to its intended target market. During this period sales grow slowly, and profit is minimal. The lack of profit is often the results of large investments cost in product development. So, the marketing objective for the company at this stage is to create consumer awareness and stimulate trial the initial purchase of a product by a consumer.

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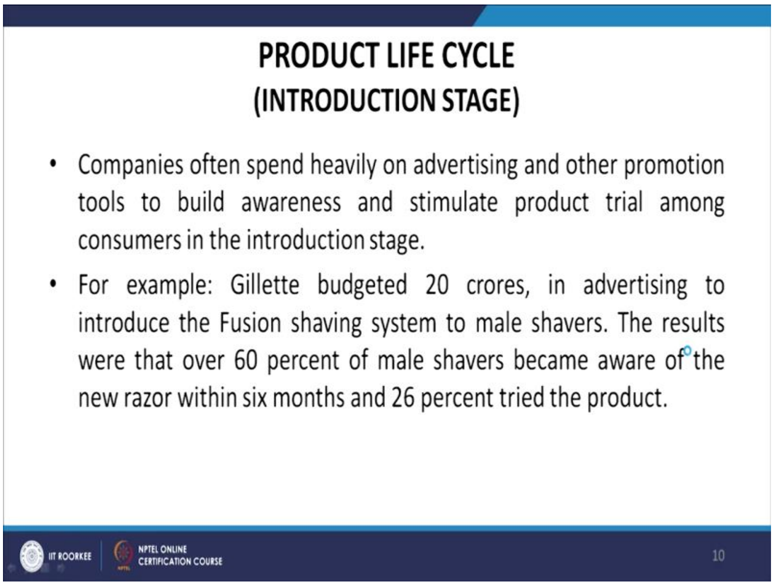

Now, companies often spend heavily on advertising and other promotion tools to build awareness and stimulate product trial among consumers in the introduction stage.

For example, Gillette budgeted 20 crores rupees in advertising to introduce the fusion shaving system to male shavers. The result was that over 60 percent of male shavers became aware of the new razor within six months and 26 percent tried the product. The advertising and promotional spending in this introduction stage is made to stimulate primary demand, the desire for the product class rather than for the specific brand.

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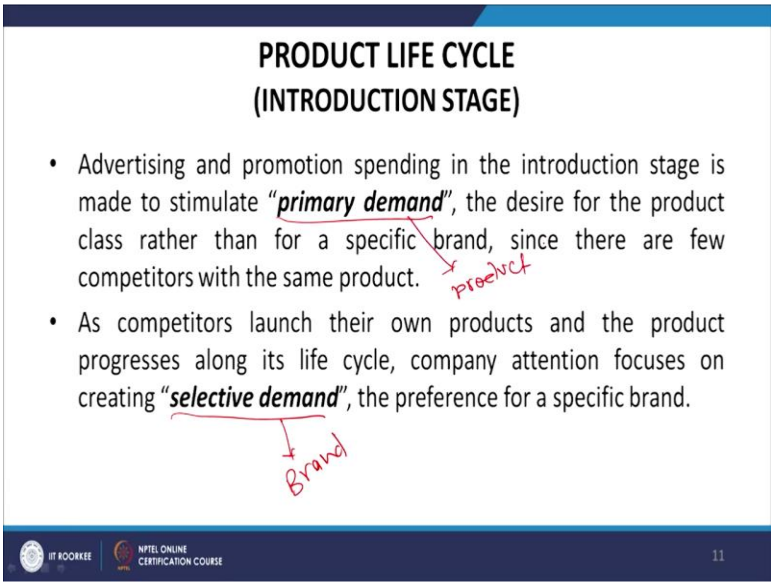

Since there are few competitors with the same product as competitors launch their own product and the product progress along its life cycle, company's attention focuses on creating selective demand that is that the demand for or the preference for a specific brand.

So, first there is a need to create primary demand, the demand for that product category and then selective demand the demand for that brand. So, selective is for the brand and this is for the product.

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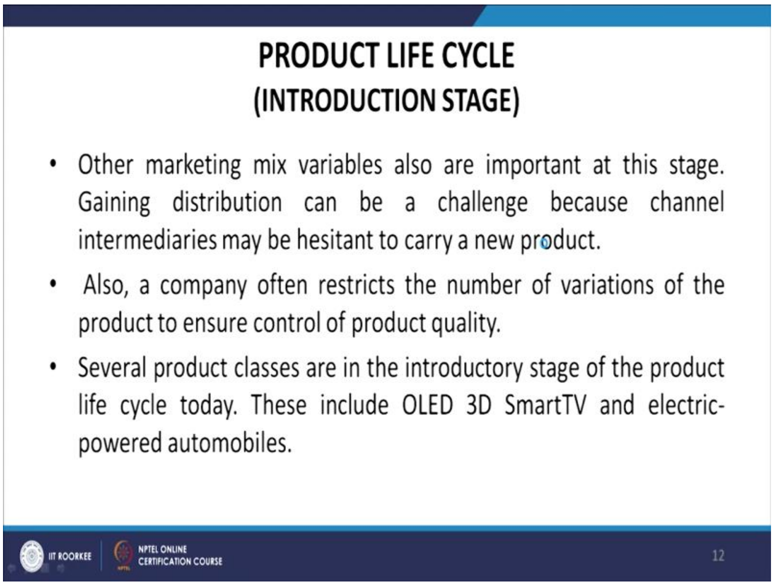

Other marketing mix variables also are important at this stage. Gaining distribution can be a challenge because channel intermediaries may be hesitant to carry a new product. Also, a company often restricts the number of variants of the product to ensure control of product quality. Several product classes are in the introductory stage of the product life cycle today. These includes OLED 3D Smart TV and electric powered automobiles.

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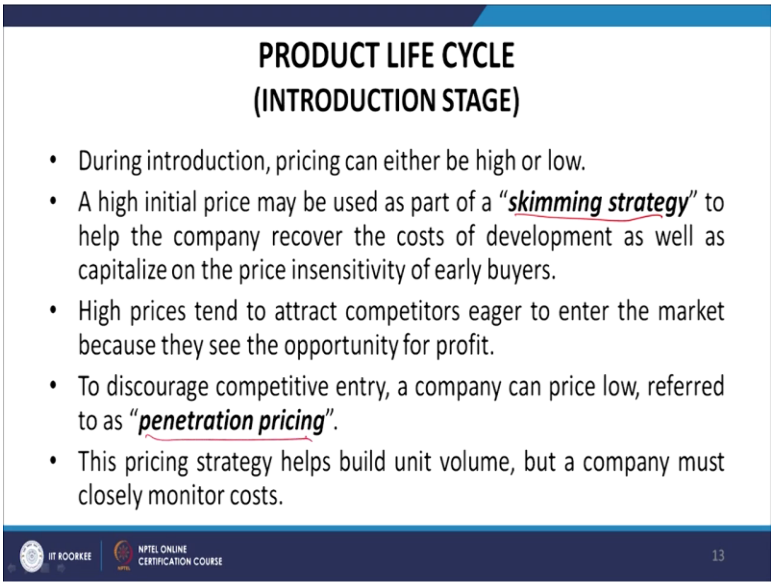

During introduction, pricing can either be high or a low initial high price may be used as part of a skimming strategy to help the companies recover the cost of development as well as capitalize on the price's insensitivity of early buyers. High prices tend to attract competitors eager to enter the market because they see the opportunity for profits. To discourage competitive entry a company can price low referred to as penetration pricing.

So, in the same stage the company can use two types of pricing strategy; one is skimming so, that they are able to take out the money that was invested in R and D and the second is a penetration that is low price so, that the competitors do not enter. So, this pricing strategy helps build unit volume, but a company must closely monitor the costs.

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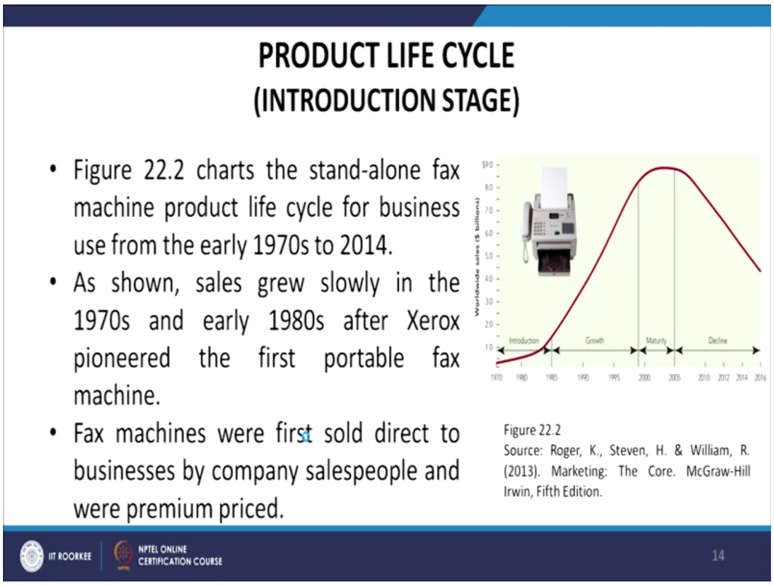

In this figure 22.2 this charts the standalone fax machine product life cycle for business users for the early 1970s to 2014. As shown sales grew slowly in the 1970s and early 80s after Xerox pioneered the first portable fax machine.

Fax machines were first sold directly to businesses by company salesman and were premium priced. So, this you see that this life cycle it is starts from 1970 and it moves on to two 2016 and now you see that not many people are now not many businesses are now using fax machines and this is about the worldwide sales.

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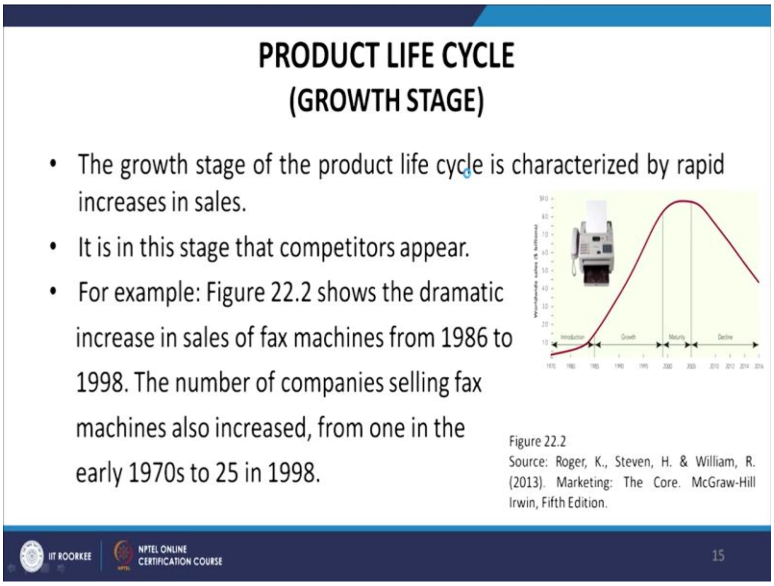

The growth stage of the product life cycle is categorized by rapid increase in sales. It is in this stage that competitors appear. Figure 22.2 shows the dramatic increase in sales of fax machine from 1986 to 1998. The number of companies selling fax machines also increased from one in the early 1970s to 25 in the 1998.

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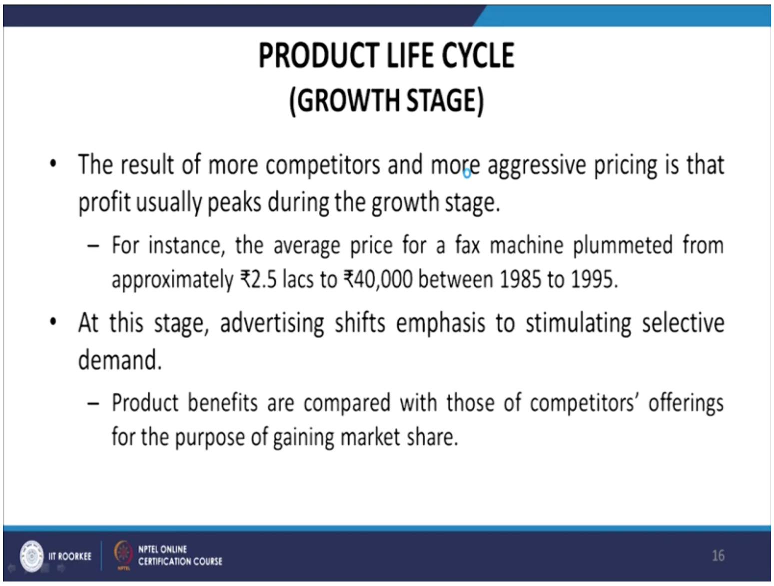

The result of more competition and more aggressive pricing is that profits usually peaks during the growth stage. For instance, the average price for a fax machine plummeted from approximately rupees 2.5 lakhs to rupees 40,000 between 1985 to 1995. At this stage, advertising shifts emphasis to stimulate selective demand. Product benefits are compared with those of competitors offering for the purpose of gaining market share.

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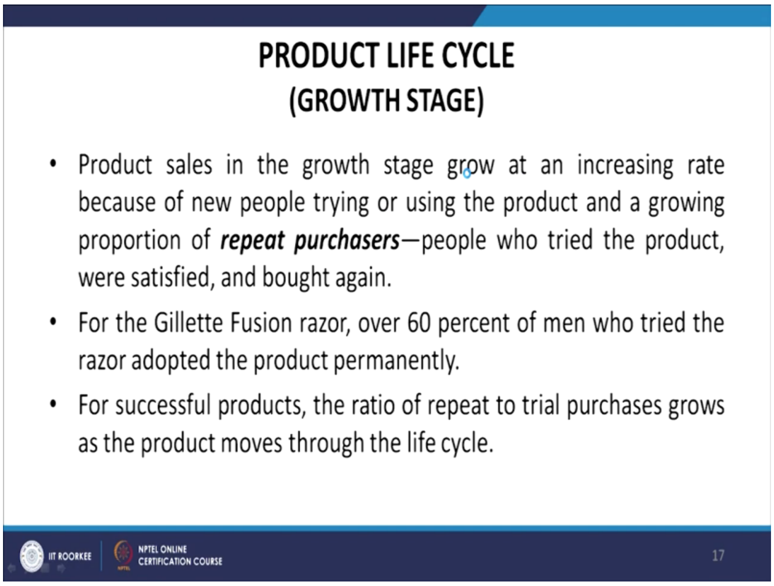

Product sales in the growth stage grow at an increasing rate because of new people trying or using the product and a growing proportion of repeat purchasers. People who tried the product were satisfied and brought the product again. For the Gillette fusion razors over 60 percent of the men who tried the razor adopted the product permanently. For successful products the ratio of repeat to trial purchases grow as the product moves through the life cycle stages.

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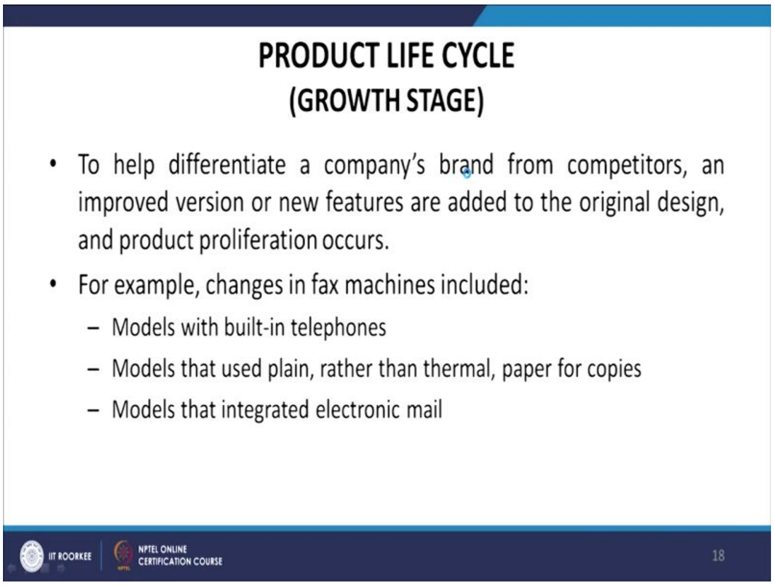

Now, to help differentiate a company's brand from competitors an improved version or new features are added to the original design and product proliferation occurs. For example, changes in the fax machine include models with built in telephones models that used plain rather than thermal paper for copies and models that integrated electronic mail.

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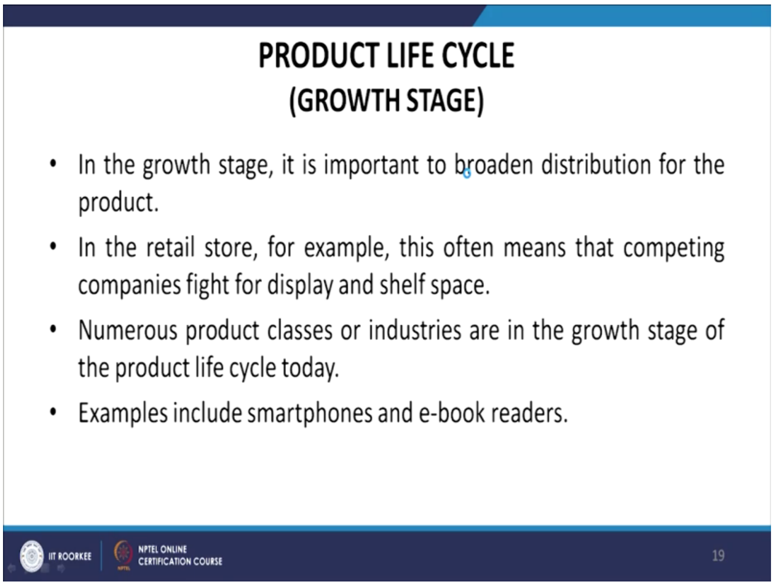

In the growth stage it is important to broaden distribution for the product. In the retail store for example, this often means that competing companies fight for display and shelf space. Numerous product classes or industries are in the growth stages of the product life cycle today and that includes smartphones and e-book readers.

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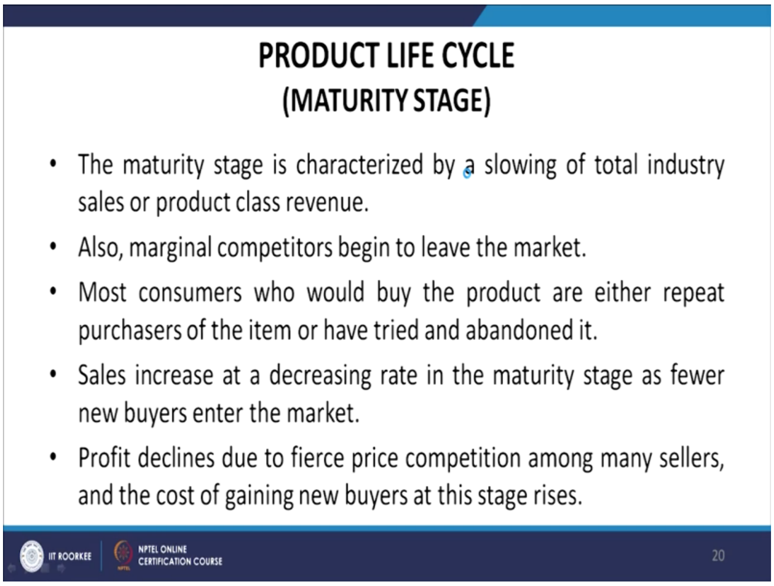

The next stage of this product life cycle is the maturity stage, the maturity stage is characterized by a slowing of total industry sales or product class revenue. Also, marginal competitors begin to leave the market.

Most consumers who would buy the product are either repeat purchasers of the item or have tried and abandoned it. Sales increase at a decreasing rate in the maturity stage as lesser number of new buyers enter the market. Profit declines due to fierce price competition among many sellers and the cost of gaining new buyers at this stage rises dramatically.

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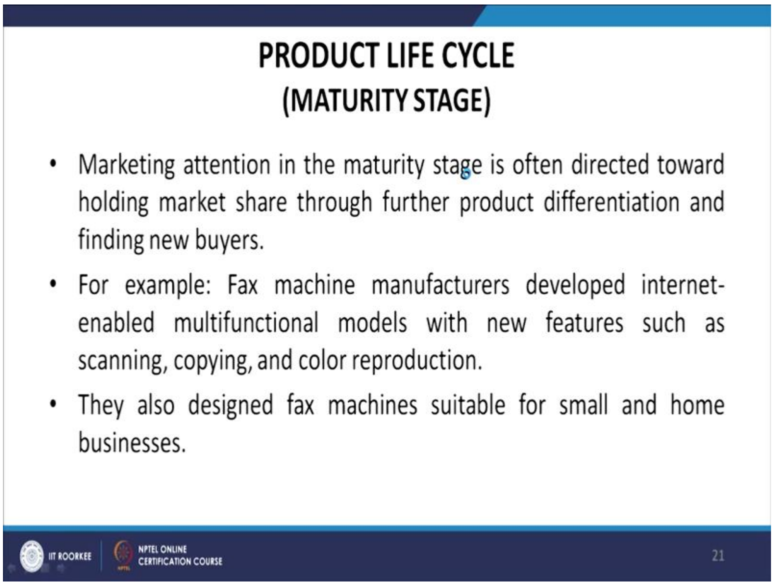

Marketing attention in the maturity stage is often directed towards holding market share through further product differentiation and finding new buyers for that. For example, fax machine manufacturers developed internet enabled multifunctional models with new features such as scanning copying and color reproduction. They also designed fax machine suitable for small and home businesses.

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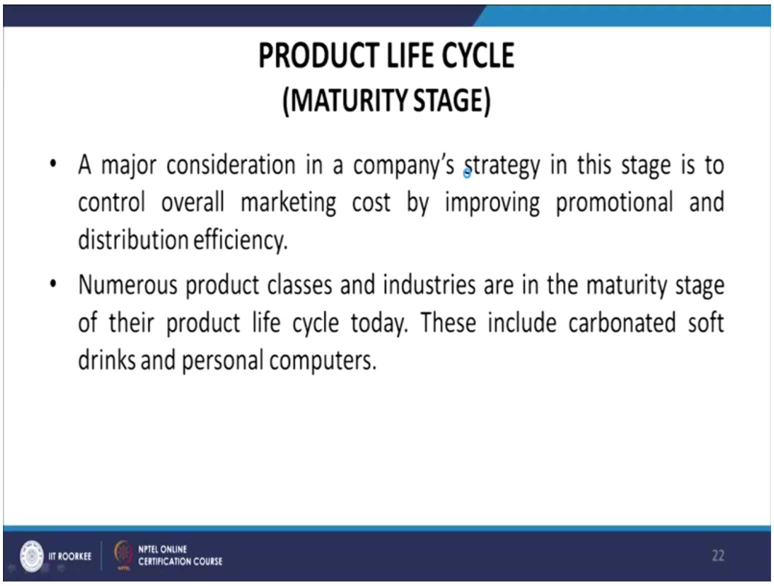

A major consideration in a company's strategy in this stage is to control overall marketing cost by improving promotional and distribution efficiency. Numerous product classes and industries are in this maturity stage of the product life cycle today and they include carbonated soft drinks like coca cola and Pepsi and personal computers.

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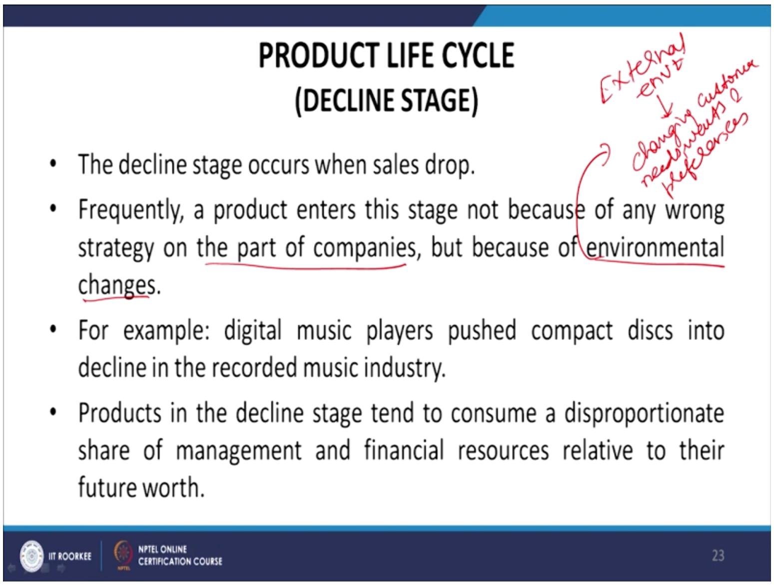

The last stage of this life cycle is the decline stage. That decline stage occurs when sales drop. Frequently a product enters this stage not because of any wrong strategy on the part of companies, but because of the environmental changes. So, this decline does not happen because of the fault of the companies, but because of the environmental changes that is the changes happening in the external environment.

So, I will not talk about the external environment here, but its effect will be on changing customer needs wants and preferences. So, because of this external environment and environmental changes happening, the customer needs and wants the change that is why this decline not is there for every kind of product because that happens not because of the company’s strategy, but because of the external environment. For example, digital music players pushed compact discs into decline in the recorded music industry.

So, then you now you see that we have moved from those of walkmans to iPods and then now we have those mobile phones and every mobile phone now has music in that. So, product in the decline stage tend to consume a disproportionate share of management and financial resources relative to their future worth.

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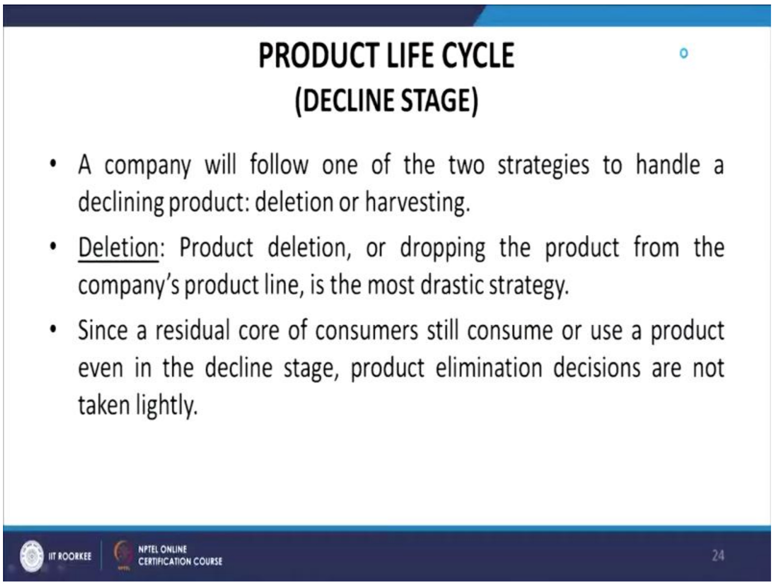

A company will follow one of the two strategies to handle a declining product one is deletion another is harvesting.

In deletion there that can be product deletion or dropping the product from the company's product line is the most drastic strategy. Since a residual core of consumers still consume or use a product even if it is in the decline stage. So, product elimination decisions are not taken lightly. So, these consumers they feel bad if the product is discontinued finally.

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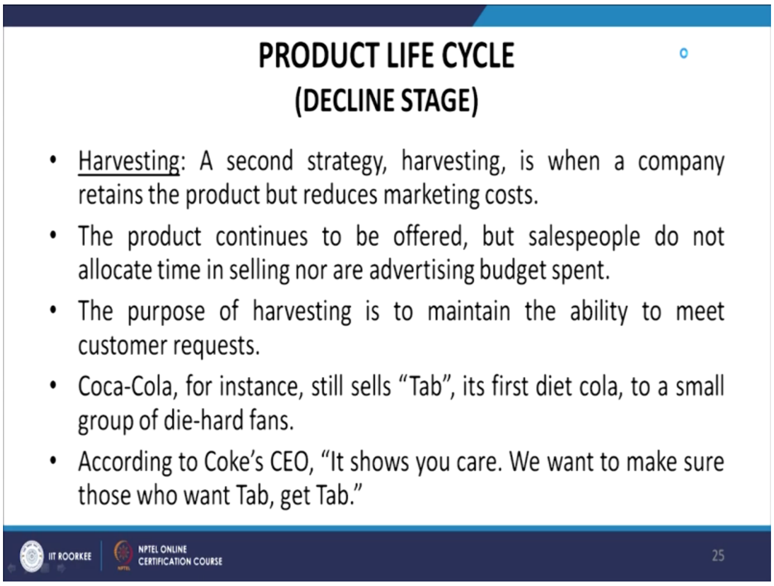

So, the second step strategies harvesting is when a company retains the product, but reduces marketing cost the product continues to be offered, but salespeople do not allocate time in selling nor are advertising budget spent.

The purpose of harvesting is to maintain the ability to meet consumer requests. For example, Coca Cola is still selling tab its first diet cola to a small group of diehard fans. According to Cokes CEO it shows you care we want to make sure those who want tab get tab.

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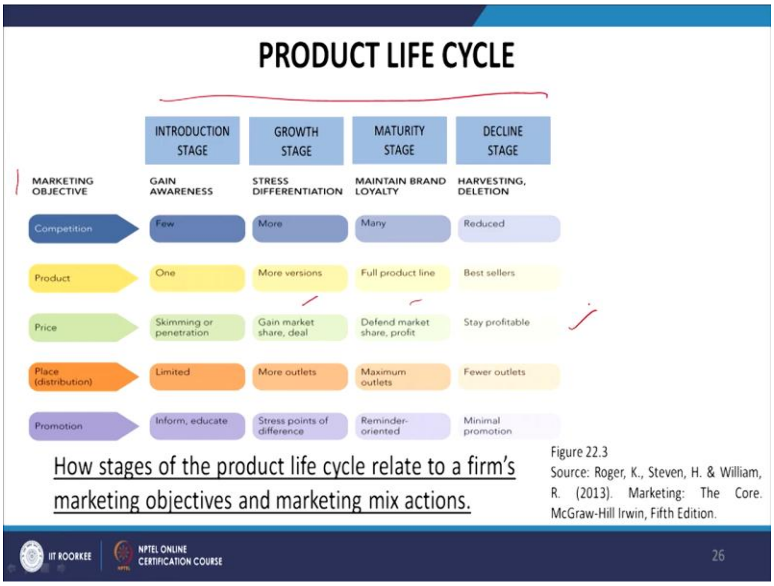

Now, let us look at this figure 22.3, it shows how the stages of the product life cycle relate to a firm marketing objectives and marketing mix decision.

So, these are the four stages that as we as we have seen these are the four stages in the product life cycle, the introduction stage, the growth stage, the maturity stage and the declining stage now on the y axis look at this marketing objective. So, in the introduction stage the marketing objective is to gain awareness while in the growth stage it is to stress differentiation between products and brands, in the third stage that is maturity stage it is to maintain brand loyalty and in the last stage it is about harvesting or deletion.

What does competition look like at this in these various stages of product life cycle? In the introduction stage there are only few competitors in growth stage there are many more competitors now come into the market. In maturity stage even more number of competitors they have come inside the market and in declining stage because the profits have now reduced drastically so, the number of competitors they have reduced.

Now, another thing to look at is the product. So, what happens to the product in the introduction stage? There is one product in growth stage there are many versions of the same product, in maturity stage this full product line is developed and in declining stage only the best settlers they remain and the other they have gone outside the market. What happens to prices at these four stages? In the introduction stage the price as we have seen can be skimming or penetration pricing, in the growth stage the pricing is to gain market share in the maturity stage it is to defend market share and profits.

So, you see that in growth stage we are talking of gaining market share and increasing profits. So, while in maturity stage we are trying to defend the market share and defend the profits and in the declining stage the only objective of pricing is that the company remain profitable. Another marketing objective is place or distribution. In introduction stage the distribution is limited as the product pass through to the next stage that is the growth stage, now more outlets they start selling this product, in maturity stage maximum number of outlets they are selling the product.

While again in declining stage because of the profits going down there are only few outlets that are selling this product now. Now, let us look at what happens to promotion as the product process through the various stages of a life cycle.

In the first stage the promotion is focused on informing and educating the consumers. In growth stage this promotion is on is stressing points of differences between the brands. In maturity stage it is about reminding the consumers of this product while in declining stage this promotion is minimal because the cost is to be reduced.

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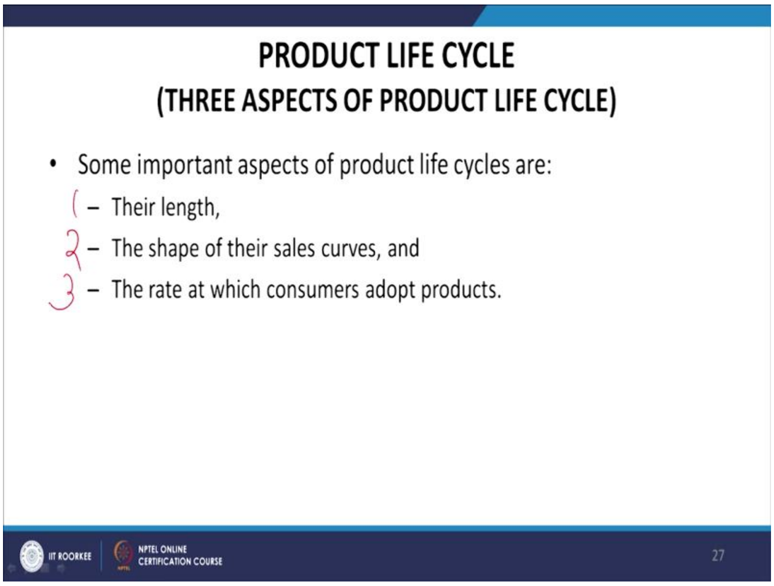

Now, there are three aspects of product life cycle. So, some important aspect of this product life cycle is their length of the product life cycle the shape of their sales curve and the rate at which consumers adopt product. So, these are the three important issues related with the product life cycle.

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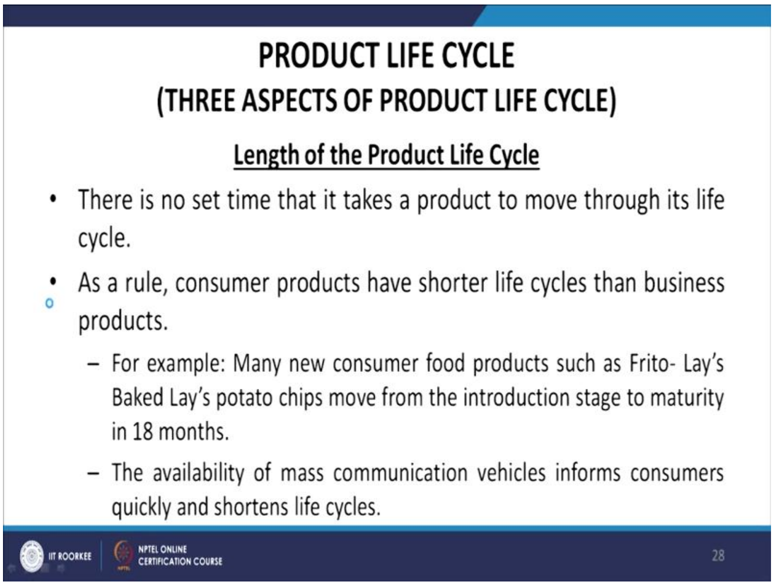

Now, let us look at what does this length of the product life cycle means. There is no set time that it takes a product to move through its life cycle. So, no one can tell how much time it will take in the introduction, how much time it will take in the growth maturity and decline. So, there is no set time limits for that. As a rule, consumer products have a shorter life cycles than business products.

For example, many new consumer food products such as Frito lays, baked lays potato chips move from the introduction stage to maturity stage in just 18 months. The availability of mass communication vehicles informs consumers quickly and it shortens the life cycle.

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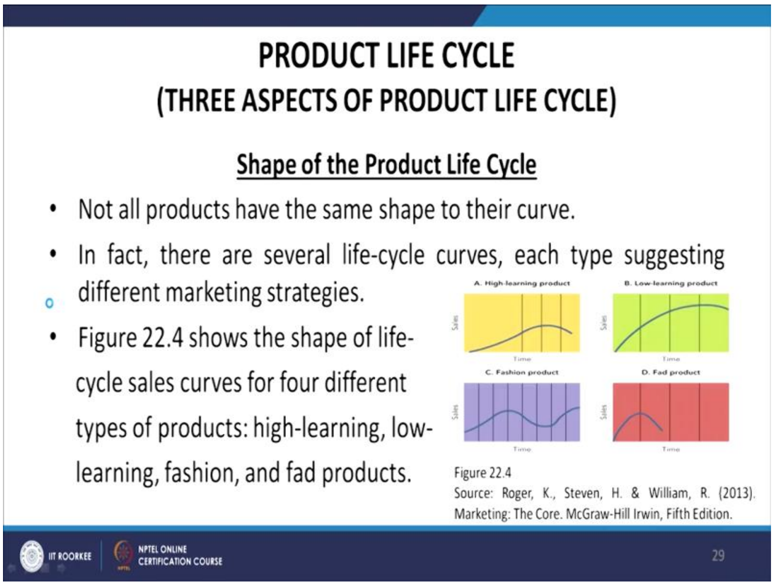

Now, another thing is to look at is the shape of the product life cycle. Not all products have the same shape of their curve. In fact, there are several life cycles curves each type suggesting different marketing strategies. This figure on the right that is figure 22.4, it shows the shape of life cycle sales curve for four different types of product high learning, low learning, fashion and fad products.

Now, you see that in this high learning product that is A this is somewhat like a bell shaped while in the second one that is low learning product, it is a plain simple curve in the third that is fashion product.

Now, you see that sales they are going up coming down and then going up that is because the fashion keeps on coming in and going out over a period of time and in fad that is fashion for a limited time period, this product is moved through all the stages it moves to the second stage so, quickly and the shape is different.

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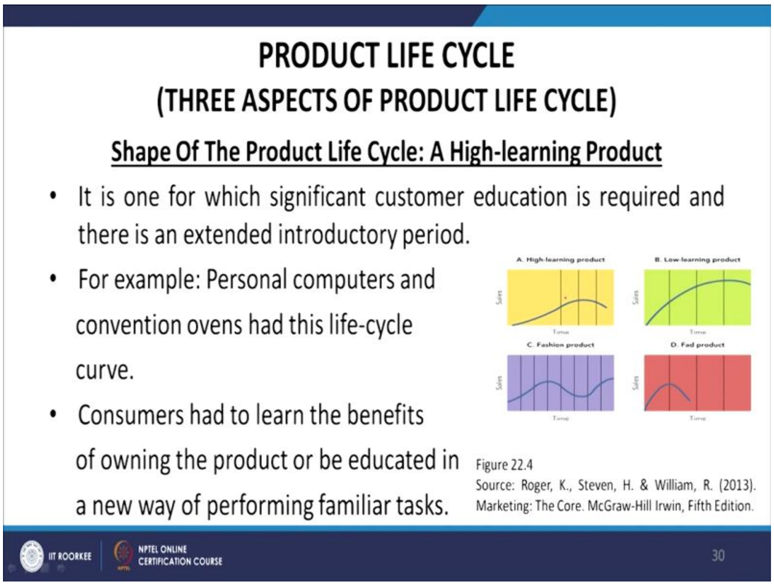

Now, let us look at the shape of the product life cycle that is a high product high learning product that is A. It is one of which significant consumer education is required and there is an extended introduction period. So, you see that introduction period is so, long. For example, personal computers and convention ovens had this life cycle curve. Consumers had to learn the benefit of owning the product or be educated in a new way of performance familiar tasks.

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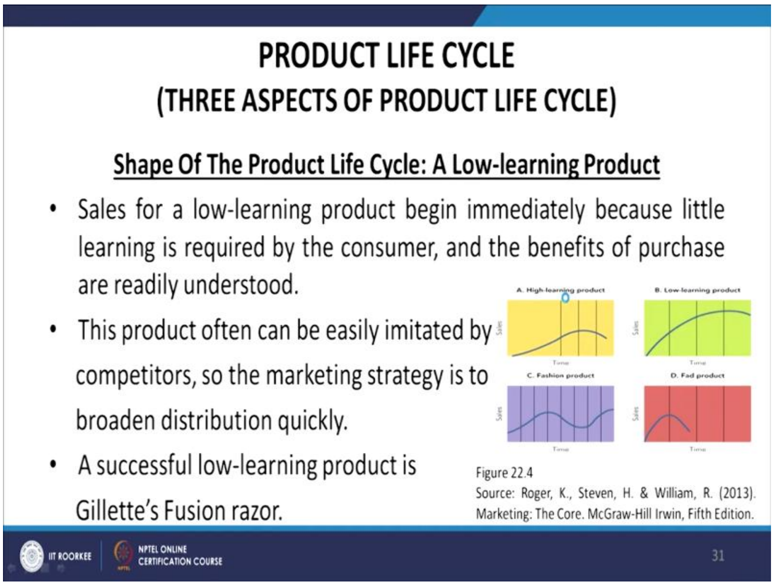

Now, let us talk about the shape of the product life cycle in low learning product where whereby this low learning or high learning means that the amount of time and efforts consumer have to spend in learning to use this product. So, sales for a low learning product begins immediately because little learning is required by the consumers and the benefit of purchase are readily understood. The product often can be easily imitated by competitors so, the marketing strategy is to broaden distribution quickly a successful low learning product is Gillettes, Fusion Razor.

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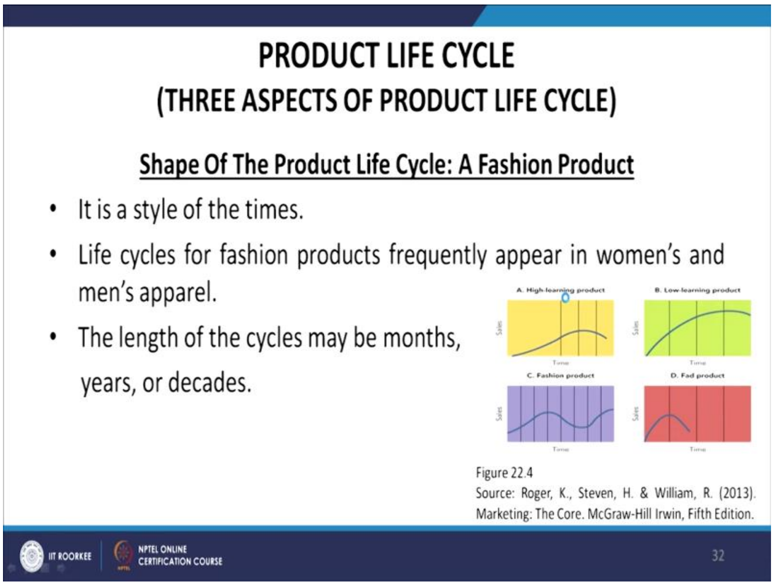

Now, let us talk about the shape of the product life cycle for a fashion product. It is a style of the times life cycle of fashion products frequently appear in women and men apparel. The length of the cycle maybe months, year or even decades.

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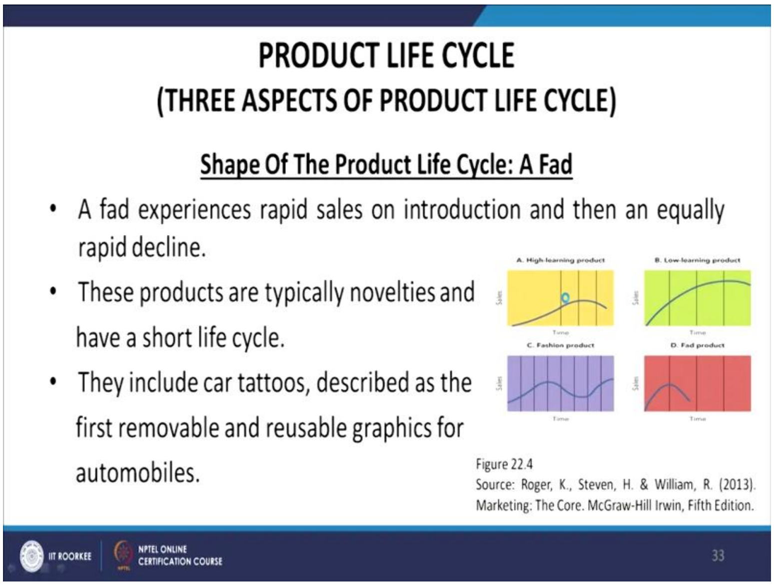

But what happens in fad a fad experience rapid sale on introduction and then an equally rapid decline. These products are typically novelties and have a short life cycle they include car tattoos described as the first removable and reusable graphics for automobiles.

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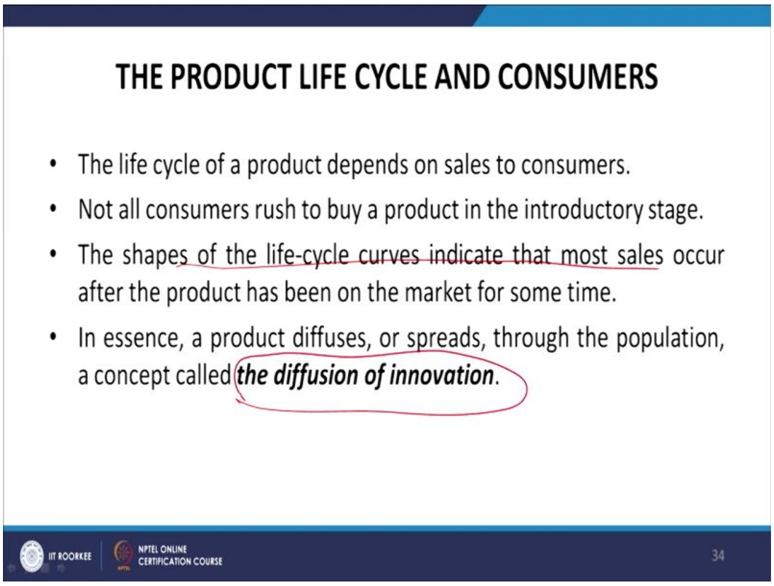

Now, what is the relationship between the product life cycle and the consumers? So, the life cycle of a product depends on sales to consumers not all consumers, rush to buy a product in the introductory stage. The shape of the life cycle curves indicate that most sales occur after the product has been on the market for some time.

Now, in essence a product diffuses or spreads through the population and this concept is called as diffusion of innovation. So, now, you see that the shape of this life cycle curve indicate that the most sales occur after the product has been in the market for the for some time.

So, it is not that they everybody start buying’s a product as soon as it is launched, but that concept is dealt with in this that is the diffusion of innovation how quickly the people will buy this product. So, this figure 22.5 it shows the consumer population divided into five categories of product adopters based on when they adopt a new product.

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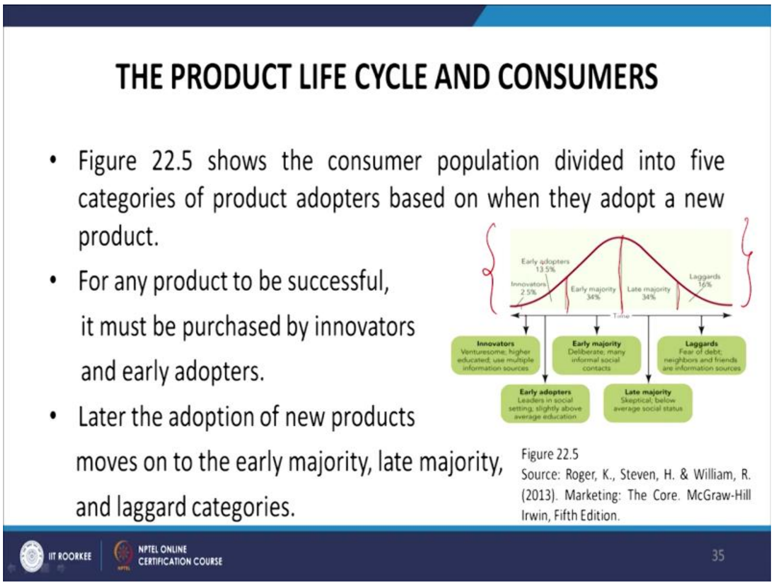

For any product to be successful it must be purchased by innovators and early adopters. Later the adoption of new product moves on to the early majority the late majority and the laggard categories.

So, now you see that we have this plain simple life cycle here the regular kind of life cycle that is the bell-shaped curve, now here at this stage who is buying it they are called as innovators. These innovators they are venture some higher educated use multiple information sources to search for information on this product. After the innovators they then come early adopters. So, these are leaders in social settings, and they have slightly above average education. So, now, this stage is of early majority. Early majority means that they are deliberate many informal social contacts to be followed by late majority. So, you see that innovators are only 2.5 percent while adopters now you see that more number of people are getting in.

Innovators are only 2.5 percent while early adopters are 13.5 percent. Early majority is 34 percent and again the late majority is again 34 percent this late majority includes a skeptical and below average social status people and then in the last comes laggard that is about 16 percent that is this is about equal to the innovators and early adopters. These people they have fear of debt neighbors and friends are un information sources. These people are these people have fear of debt their neighbors and friends are information sources for them.

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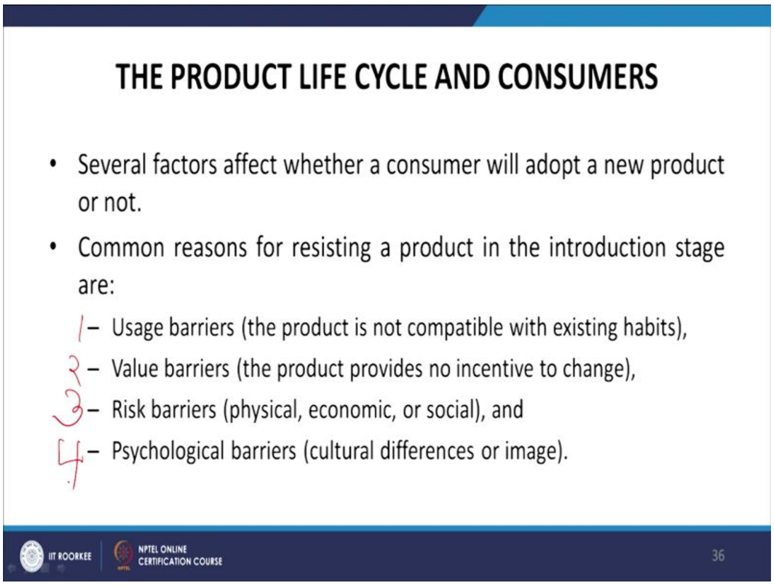

Several factors affect whether a consumer will adopt a new product or not. Now common reasons for resisting a product in the introduction stage maybe first is the usage barrier that is the product is not compatible with existing habits. So, the person think that I will have to change my habits.

So, let us not use this product. The second reason is value barriers that is the product provide no incentives to change. Why should I change my habits? The third is risk barriers that is physical economic and social risk and the fourth one is the psychological barriers that is the cultural differences or the image. So, these are the four reasons because of which people they do not start buying the product as soon as it is introduced.

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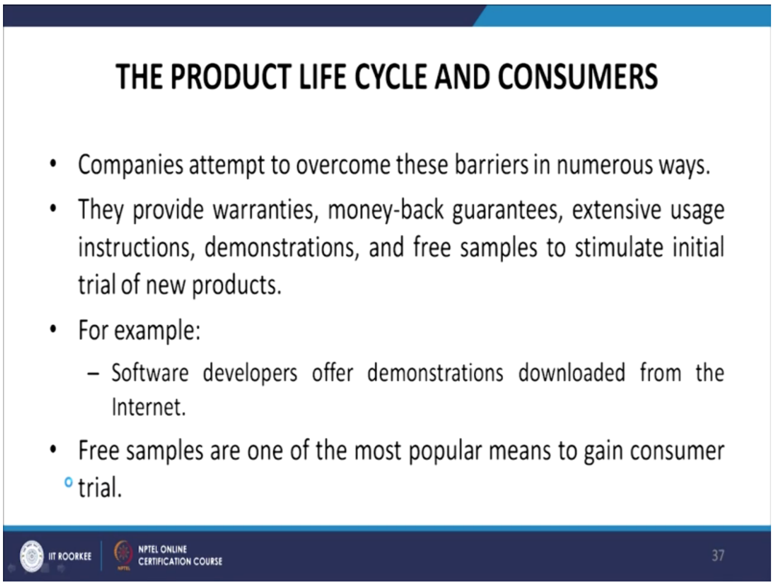

So, companies attempt to overcome these barriers in numerous ways for that they provide warranties, money back guarantees, extensive usage instructions, demonstrations and free samples to stimulate initial trial of a new product. For example, software developers offer demonstration downloaded from the internet. Free samples are one of the most popular means to gain consumer trial now there are several shortcomings of this product life cycle concept.

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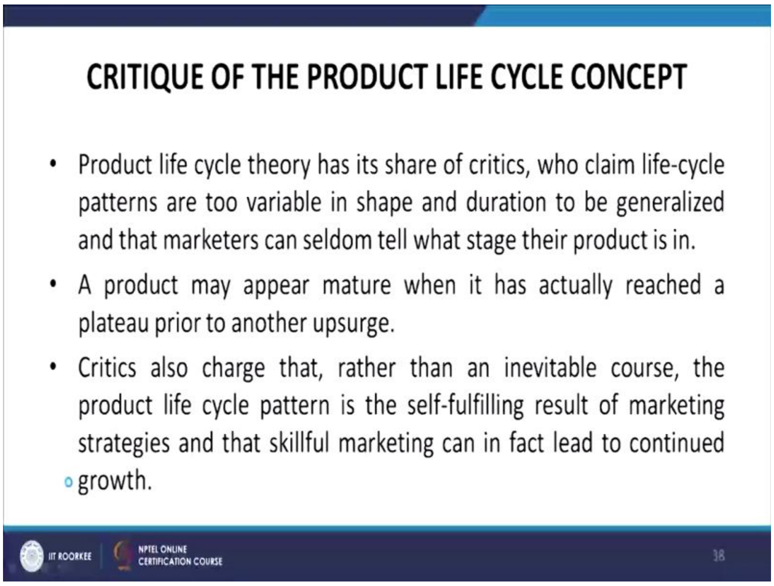

So, let us see what are those. So, product life cycle theory has its share of critics who claims life cycle patterns are too variable in shape and duration to be generalized and that marketers can seldom tell what stage their product is in. A product may appear mature when it has actually reached a plateau prior to another upsurge. Critics also charge that rather than an inevitable course the product life cycle pattern is the self-fulfilling result of marketing strategies and that skillful marketing can in fact, lead to continued growth.

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Now, let us look at what is this market evolution. Since the product life cycle focuses on what is happening to a particular product or brand rather than the overall market. It yields the product oriented rather than a market-oriented picture. Firms also need to visualize a markets evolutionary path as it is affected by new needs, competitors, technology and other developments and change product and brand positioning to keep pace.

Similar to products market evolves through four stages emergence growth maturity and decline. So, now, you see that the markets they also evolve over these four stages the products they also pass through these four stages.

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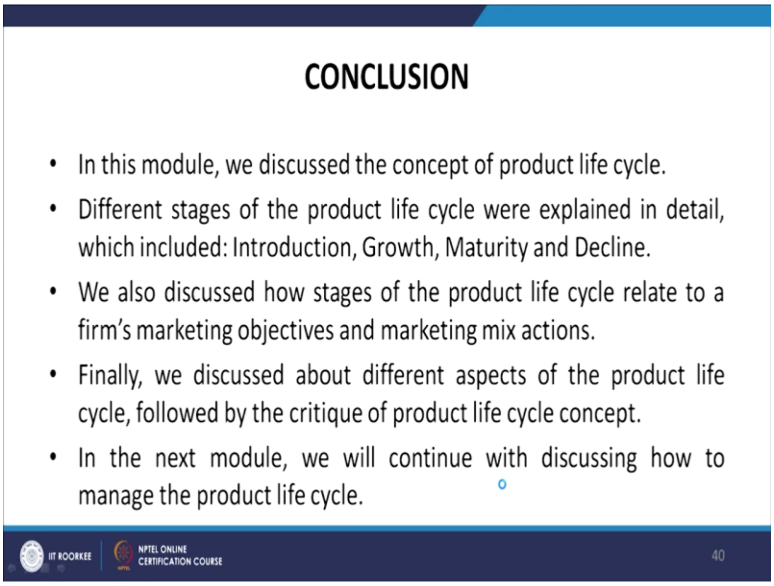

So, to conclude in this module we had discussed the concept of a product life cycle and the different stages of the product life cycle are explained in detail and that includes introduction, growth, maturity and decline.

We also discussed how stages of the product life cycle relate to a firms marketing objectives and marketing mix actions. Finally, we discussed about different aspects of the product life cycle followed by a critique of product life cycle concept. Now, in the next module we will continue with discussing how to manage the product life cycle.

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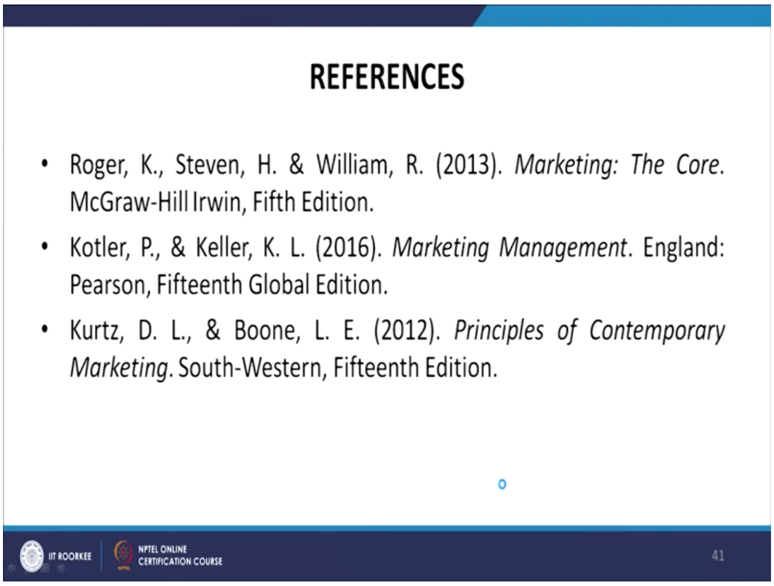

These are the three books from which the material for this module was taken.

Thank you.