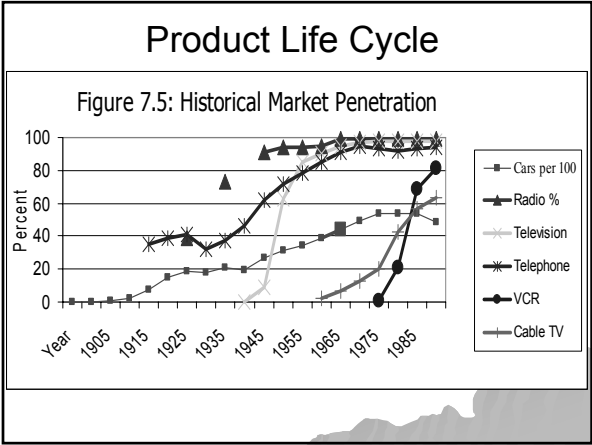
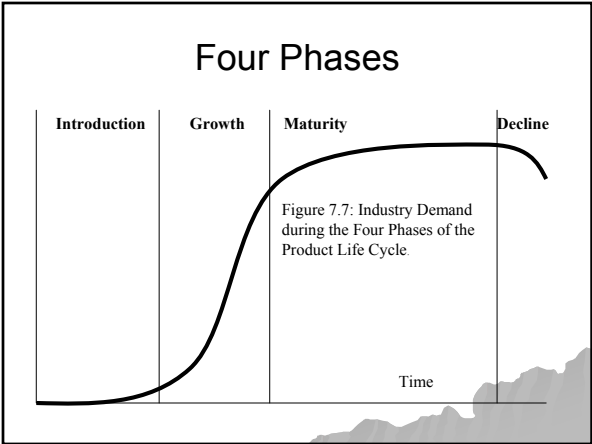


Product Life Cycle





Introduction

- ◆ Customer education and development
 - Total solution
 - Government, regulator education
 - Mom & Pops
 - Free samples
- ◆ First-mover advantages and disadvantages
 - + Early brand name building
 - + Learning curve
 - "Wrong" customer base
 - Obsolete technology

Growth

- ◆ High profits
- ◆ Brand name creation
- ◆ Efficient scale
- ◆ Mass market distribution starts
- ◆ Exports
- ◆ New varieties from outside industry

Maturity

- ◆ Non-durables converge upward
- ◆ Durables may crash (CB radios)
- ◆ Increasing importance of product variety
- ◆ Cost minimization
 - Plant size
 - Distribution
- ◆ Threat of "caught in the middle"
- ◆ Shakeout
- ◆ Imports

Decline

- ◆ Candy cigarettes, CFCs, lead paint
- ◆ Strategies
 - Switch to related products
 - Exit
 - Harvest
 - Consolidation
- ◆ First mover advantages in choosing strategy

Durable Goods

- ◆ Transition to Maturity
 - Non-durables (pharmaceuticals, bagels) have a "soft landing"
 - Durables (CB radio, Desktop PCs) may crash
- ◆ Over-capacity and shakeout for durables
- ◆ Positioning critical to survival

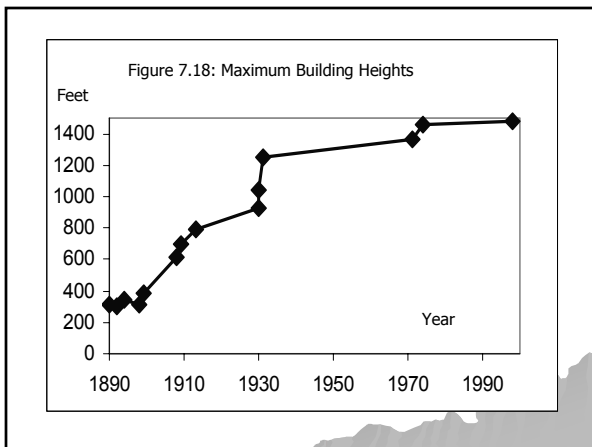
Major Life Cycle Characteristics

- ◆ Customers
- ◆ Number of firms
- ◆ Profits
- ◆ Product varieties
- ◆ Distribution
- ◆ Foreign trade
- ◆ Marketing

Table 7.2: Life Cycle Characteristics

	Industry Phase			
	Introduction	Growth	Maturity	Decline
Number Of Firms	Small, growing fast	Large	Shakeout, number stabilizes	Small, exit
Market Size	Small	Large	Large	Declining
Market Growth	Fast	Fast	Slow	Negative
Entry	Large	Medium	Low	Negative
Market Leader Characteristics	Existing Reputation Innovator, Educator, Flexible, Total solution	Existing Reputation Marketing, Quality production, Modular	Reputation for quality, Low cost production and distribution, specialization	Low cost, serves niche market
Profits	Negative	Low, but sharply increasing	High, then declining	Low, then negative
Product Varieties	Few and Growing	Increases, then declines to few dominant designs	Increasing specialization & segmentation	Declining

Distribution	One-stop shopping	Various outlets	Superstores, direct sales	Minimum cost
Investment	High	High	Low	Negative
Average Costs	High, falling	Medium, falling	Low	Low
Foreign Trade (US invention)	Low exports	Increasing exports	Initially exports, then imports	Imports
Customer Name	Innovator/ Early Adopter	Early Majority	Late Majority	Laggard
Customer needs	Sophistication, Features, Fit	Performance	Price/performance	Low price
Customer Knowledge	Low	Medium	High	High, declining
Product Complexity	High	Product simplified	Low: standardization & commoditization	Low
Information collection	Demand, Customer awareness and satisfaction, Repeat buying	Marketing, Relative performance, product improvement	Cost reduction, new markets, competitive threats	Capacity reduction, new uses, new features
Marketing Strategy	Promotion of brand and market	Build brand identity	Segment market; steal business	New promotion; bitter attacks



Otis Elevator

- ◆ Make or buy best technology
- ◆ Stay focused on one industry
- ◆ Commitment to be technological leader
- ◆ A century of successful innovation
