

Field Guide to New Product Lifecycles

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Overview

In the current climate of economic uncertainty and downturn, many enterprises are finding surprisingly favorable situations in which new products can be launched at unusually low cost. When commercializing a new-to-the-world product, companies often have a choice of first entry, parallel entry and late entry. Each of these strategies carries a particular rationale that may an enterprise may optimize to fit the overall business model and the needs of the target market. Each of these strategies also may have long-term implications for the product's life cycle.

First entry:

Companies that adopt a first-in position often enjoy a natural advantage in exchange for the inherent risk they adopt with the decision. This type of move can establish a "jump to a new curve" ([Kawasaki, 2008](#)). The approach can establish a baseline of product recognition and visibility that competitors will have to overcome. First-to-market often occupies first place in consumers' minds. Key elements for success are to establish early consumer confidence and to leverage that confidence to capture dominant market share.

Parallel entry:

If firms are on similar R&D tracks with a new product or product category, a parallel entry can limit the advantages another firm might have gained by coming to market first. If intelligence indicates a race to market, late entry could concede the advantage to the competing company. However, first entry alone does not ensure a leadership position. Operations that can secure early market leader status through superior positioning and execution often ultimately enjoy success that mere pioneers (first-in) may not necessarily achieve. With superior strategic planning and execution, a more agile parallel-entry firm may be able to take the lead.

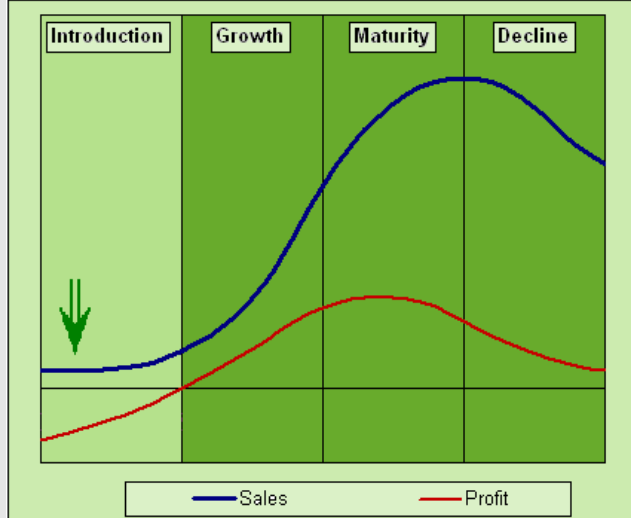
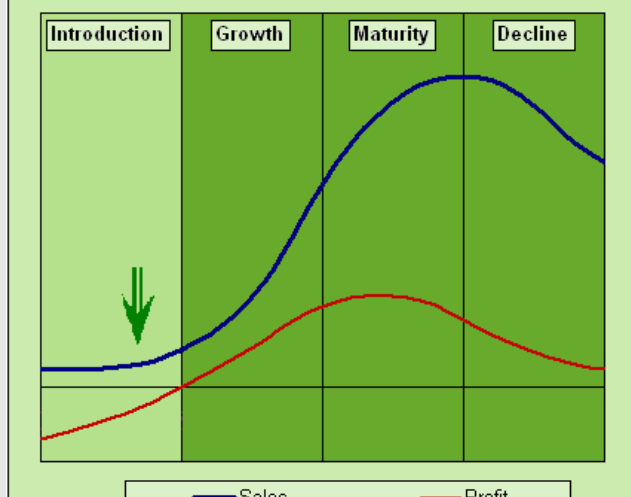
Late entry:

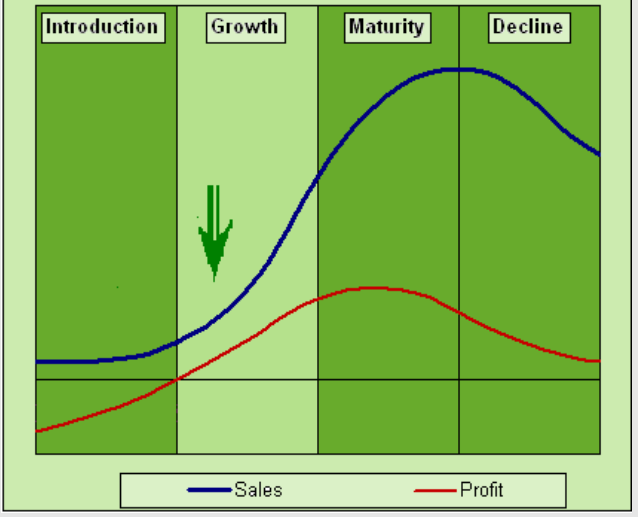
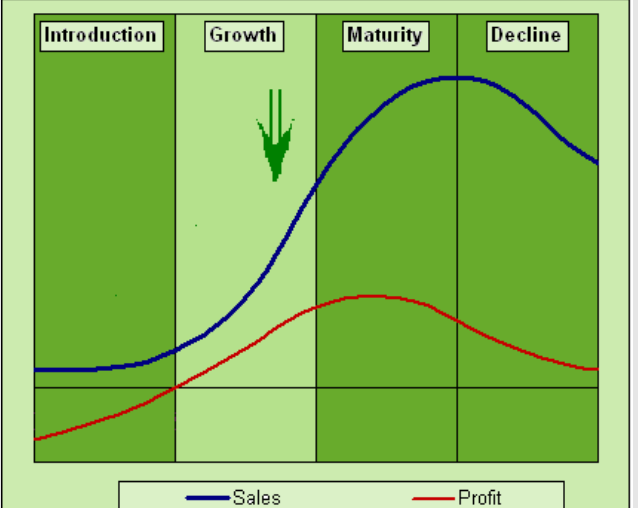
Even relatively low-risk product introductions may stumble if the launch strategy and [marketing mix](#) are seriously flawed. Even so, a firm may benefit from late entry by allowing another to incur all of the risk and cost associated with establishing a new market, then attempting to supplant the first-in firm with improved features and functionality, and by convincing potential customers that the late-entry product will better meet their needs, solve the given problem and offer a more satisfying [customer experience](#).

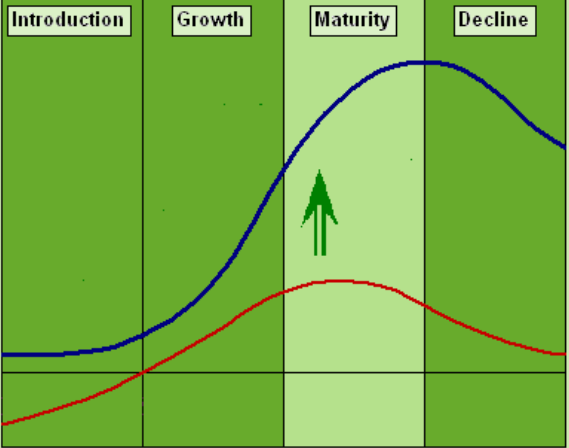
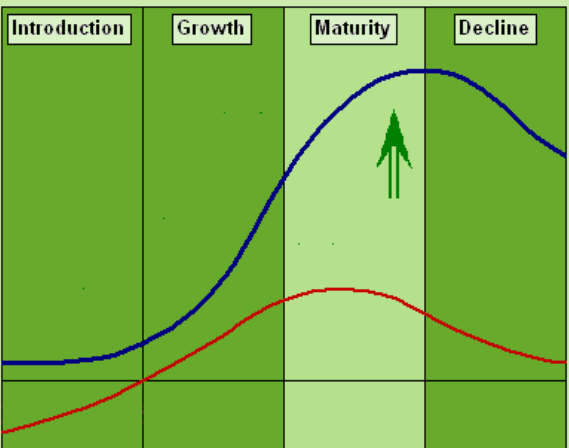
Product categories also may divide over time, as with Dannon Yogurt's Fruit on the Bottom and Whipped line extensions. When a category does divide, it can be a good time to adopt a still-later-entry approach and to differentiate the new offering from other existing products.

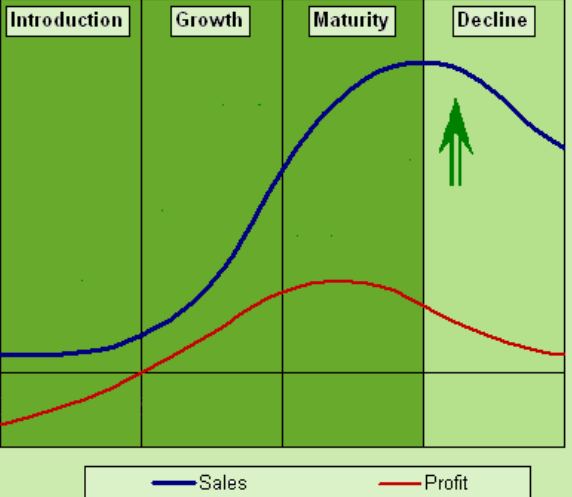
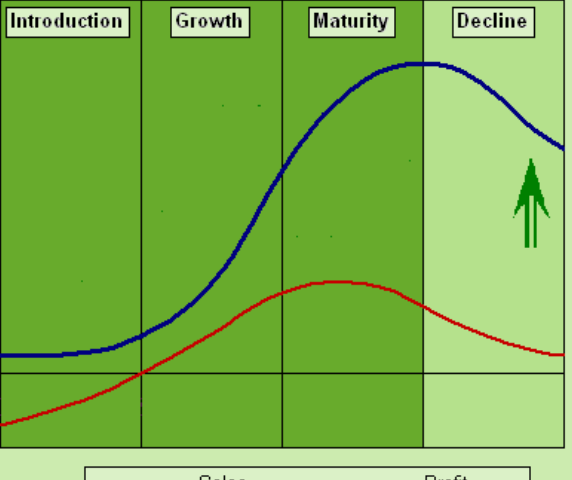
Sales and Profit Curves

The following tables and graphs (redrawn from Kotler, 2007) delineate the conceptual profit and revenue curves for each “half stage” of the product life cycle as well as underlying reasons for change in the curves.

Introduction Stage	Sales Curve	Profit Curve
 <p data-bbox="227 504 787 535">Introduction Growth Maturity Decline</p> <p data-bbox="308 955 755 987">— Sales — Profit</p>	<p data-bbox="852 483 1161 556">Initial sales are at a low level, with slow growth.</p> <p data-bbox="852 598 1161 1113">Customers need to learn about the product, its applications, and its benefits. Customers go through stages of awareness, knowledge, liking and preference before reaching a purchase decision. Early entry customers (innovators) begin the product’s sales momentum.</p>	<p data-bbox="1209 483 1437 514">Expect initial losses.</p> <p data-bbox="1209 556 1518 913">Large initial investments in product development, market research and building the distribution network have not been recovered yet. Pricing strategy may accelerate or mitigate losses at this point.</p>
 <p data-bbox="227 1144 787 1176">Introduction Growth Maturity Decline</p> <p data-bbox="308 1606 755 1638">— Sales — Profit</p>	<p data-bbox="852 1134 1161 1228">Later in the stage, sales begin to accelerate gradually.</p> <p data-bbox="852 1270 1161 1627">Once purchasing decisions are made, repeat buying behaviors may develop. As innovators’ influence spreads, early majority customers begin to make purchasing decisions, moving the curve into the early growth stage.</p>	<p data-bbox="1209 1134 1518 1323">Operations may begin to become profitable, but the initial investment probably has not been recovered yet.</p> <p data-bbox="1209 1365 1518 1617">The firm is still investing significantly in promotion and building the distribution network. Market research may still be a significant expense.</p>

Growth Stage	Sales Curve	Profit Curve
 <p>The graph shows four stages: Introduction, Growth, Maturity, and Decline. The Sales curve (blue) starts low and rises steeply through the Growth stage. The Profit curve (red) starts below the x-axis and rises more gradually, crossing the x-axis into the Maturity stage. A green arrow points down in the Growth stage.</p>	<p>Sales begin to accelerate gradually.</p> <p>Once purchasing decisions are made, repeat buying behaviors may develop. As innovators' influence spreads, early majority customers begin to make purchasing decisions, moving the curve into the early growth stage.</p>	<p>Operations may begin to become profitable, but the initial investment probably has not been recovered yet.</p> <p>The firm is still investing significantly in promotion and building the distribution network. Market research may still be a significant expense.</p>
 <p>The graph shows four stages: Introduction, Growth, Maturity, and Decline. The Sales curve (blue) has reached its peak and is beginning to decline. The Profit curve (red) has also reached its peak and is leveling off. A green arrow points down in the Growth stage.</p>	<p>Sales growth has probably peaked.</p> <p>Buying behaviors of the early majority may have peaked, and repeat buying behaviors are established. The late majority of the mass market is well into their learning curve and has begun to form buying behaviors.</p>	<p>Profits are leveling off.</p> <p>Product demand is beginning to level off; the firm should be evaluating pricing strategies that will maximize profit.</p>

Maturity Stage	Sales Curve	Profit Curve
 <p data-bbox="305 737 751 772">— Sales — Profit</p>	<p data-bbox="854 264 1146 373">Sales continue to grow, but at a decreasing rate of growth.</p> <p data-bbox="854 415 1146 562">Late majority adopters are buying the product, driving what may be the last strong growth push.</p>	<p data-bbox="1195 264 1471 331">Profits are leveling off, but should be stable.</p> <p data-bbox="1195 373 1471 478">The product is moving into the cash-cow category.</p>
 <p data-bbox="305 1255 751 1291">— Sales — Profit</p>	<p data-bbox="854 779 1146 846">Sales peak and level off, or begin to decline.</p> <p data-bbox="854 888 1146 1171">Late majority buyers are establishing repeat buying behaviors, but market penetration has essentially reached its peak – further growth possibilities are diminishing</p>	<p data-bbox="1195 779 1487 812">Profits begin to decline.</p> <p data-bbox="1195 854 1520 1001">The market has become saturated and competitive pressures have also matured.</p>

Decline Stage	Maturity	Maturity
 <p data-bbox="305 741 751 772">— Sales — Profit</p>	<p data-bbox="849 268 1092 300">Sales are declining.</p> <p data-bbox="849 342 1166 615">Late adopters' buying behaviors are tapering off; laggards, which typically represent a small fraction of buyers, are entering the market. Substitute products may have been introduced.</p>	<p data-bbox="1190 268 1474 331">Profits are declining or low but stable at best.</p> <p data-bbox="1190 373 1507 468">Few new potential buyers remain; substitute products have matured.</p>
 <p data-bbox="305 1266 751 1297">— Sales — Profit</p>	<p data-bbox="849 789 1157 852">Sales are declining at an increasing rate.</p> <p data-bbox="849 894 1166 1136">Only laggards are still buying at this point. Innovators and majority buyers have moved on. Substitute products may be in the growth phase or may be maturing.</p>	<p data-bbox="1190 789 1474 852">Profits are declining or low but stable at best.</p> <p data-bbox="1190 894 1507 989">Few new potential buyers remain; substitute products have matured.</p>

Marketing Mix

In addition to sales revenue and profits, each element in the marketing mix necessarily changes throughout the product life cycle: product, price, promotion and placement all tend to take different strategic forms as life cycles evolve.

	Introduction	Growth	Maturity	Decline
Product	New product: some aspects may still be under development	<ul style="list-style-type: none"> • Refine the product • Improve product quality • differentiate from competitors' products 	Retooling and redesign may be appropriate	Consider introducing new applications or product adaptations
Price	Skimming or penetration strategy	<ul style="list-style-type: none"> • Use economies of scale to achieve cost savings • Decrease or stabilize prices to counter competitive entries 	<ul style="list-style-type: none"> • Product classes tend to stretch (both upward and downward) • Alter the pricing mix 	Consider decreasing prices (and potentially profits) to extend the product's life – and make it a cash cow
Promotion	Build general demand by educating potential customers and distribution partners	<ul style="list-style-type: none"> • Increase investments in promotions that are most effective for sustaining sales growth • Evaluate which other promotions may increase sales • Differentiate the product from significant competitive entries 	<ul style="list-style-type: none"> • Upward and downward product class stretches can expand potential market <ul style="list-style-type: none"> – Downward stretches bring new entrants – Upward stretches extend the lifetime of other buyers • Promote secondary demand growth 	<ul style="list-style-type: none"> • Promote alternative and complementary • Innovate and promote secondary demand
Placement	Aggressively build the distribution network	Reinforce productive distribution channel partners	Class stretches will open new placement possibilities based on where target market participants will be exposed to the product	<ul style="list-style-type: none"> • Available placement options may narrow as the product enters decline • Specialty markets may be the last (but possibly lasting) avenue for continuing sales

Buyer Behavior

Two major buyer behavior processes tend to drive successful new product penetration into the market place: early adoption and diffusion.

What's the difference?

Early adoption tends to involve innovators (consider the 'cool' factor, e.g. early iPhone buyers) and to some extent, to early majority buyers (e.g. the Nintendo Wii during the 2008 Christmas retail season). Diffusion indicates that buying behaviors have spread from early adopters to other segments of the potential market.

Why does it matter?

Early adopters (innovators) comprise a special group that can yield significant rewards if handled well. Their societal position and opinions about products can either reinforce or undermine a new product's position in the minds of other potential buyers (the diffusive market).

What product characteristics drive quick adoption and diffusion?

- Successful use of branding, image and promotion
- Ease of use
- Obvious utility to fulfill an unmet need
- Attractive pricing (more with diffusion than adoption)

Extending the Maturity Stage

Most products in the U.S. are in the maturity stages of the product life cycle. Some basic strategies can effectively extend the life of a product:

- Redesign
- Examine use patterns to find new applications and valuable adaptations or modifications
- Introduce complementary products that renew the product's utility
- Exploit upward and downward product class stretches to discover new placement options

Dealing with Decline

A handful of key strategies are available for firms that find their product in the decline stage of the product life cycle. A few of these can extend a product's value lifespan, but companies also should carefully consider the need for an ultimate exit.

- Life extension strategies as listed above
- Niche (specialize)
- Maintain or Harvest (cash cow)
- Divest (kill it or sell it off)

Limitations of the Concept

Despite the practical approach taken here, the idea of a product life cycle is nevertheless conceptual, and not necessarily a reality for many products.

- Lifecycles vary significantly from product to product, to the extent that the model can be difficult to apply in a general manner.
- Consumer needs change, as do secondary influences such as connections to other products. These factors may drive many products through multiple growth, maturity and decline stages.
- Often, it may be difficult to determine a given product's lifecycle stage – this also depends on secondary influences.

References

Kotler, Philip. *A Framework for Marketing Management, 3rd edition*. Pearson Education Inc. Upper Saddle River, New Jersey. 2007

Kawasaki, 2008. http://www.1000advices.com/guru/innovation_art_9truths_gk.html