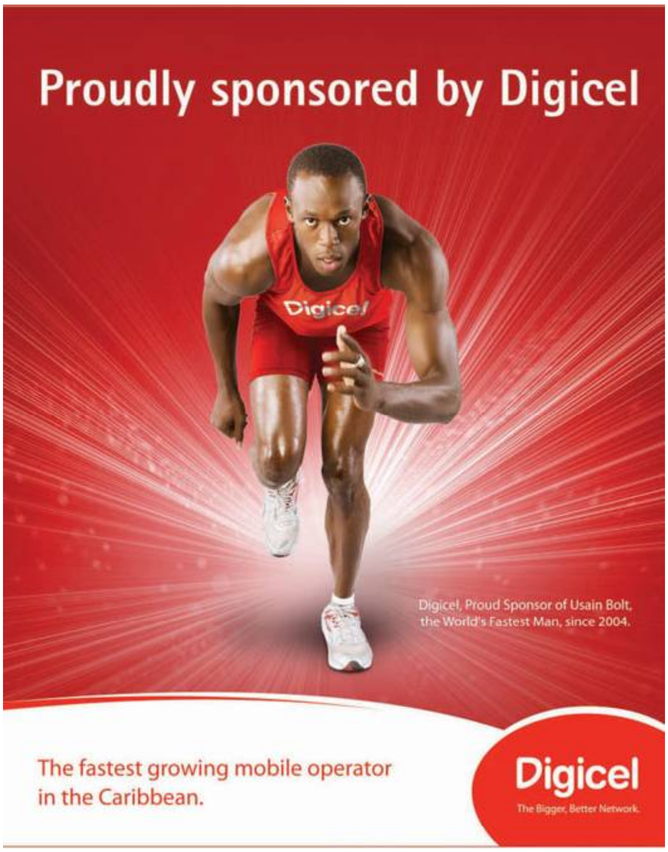


Digicel has captured a large segment of the mobile market in the Caribbean, using Jamaican world-record sprinter Usain Bolt as a spokesperson.

improved service. After eight years, Digicel has more than 8 million customers across its Caribbean and Central American markets, earning a reputation for competitive rates, comprehensive coverage, superior customer care, and a wide variety of products and services. Digicel has also moved into the Pacific in Fiji, Samoa, Papua New Guinea, and other markets. Back in Jamaica, it has become an active sponsor of sports and supporter of causes, befitting for its ascendance as a market leader in the region.[36]

Product Life-Cycle Marketing Strategies

A company's positioning and differentiation strategy must change as the product, market, and competitors change over the *product life cycle* (PLC). To say a product has a life cycle is to assert four things:

1. Products have a limited life.
2. Product sales pass through distinct stages, each posing different challenges, opportunities, and problems to the seller.
3. Profits rise and fall at different stages of the product life cycle.
4. Products require different marketing, financial, manufacturing, purchasing, and human resource strategies in each life-cycle stage.

Product Life Cycles

Most product life-cycle curves are portrayed as bell-shaped (see Figure 11.4). This curve is typically divided into four stages: introduction, growth, maturity, and decline.[37]

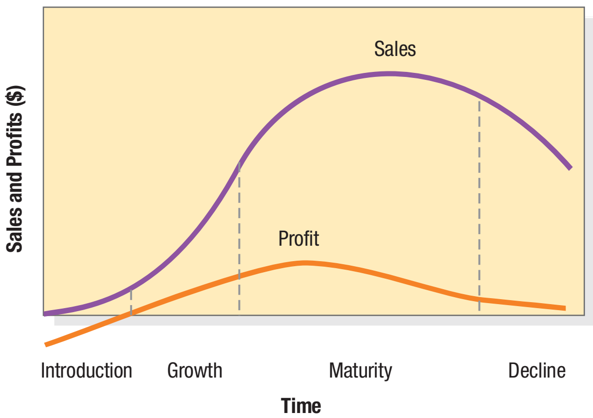
1. ***Introduction***—A period of slow sales growth as the product is introduced in the market. Profits are nonexistent because of the heavy expenses of product introduction.
2. ***Growth***—A period of rapid market acceptance and substantial profit improvement.
3. ***Maturity***—A slowdown in sales growth because the product has achieved acceptance by most potential buyers. Profits stabilize or decline because of increased competition.
4. ***Decline***—Sales show a downward drift and profits erode.

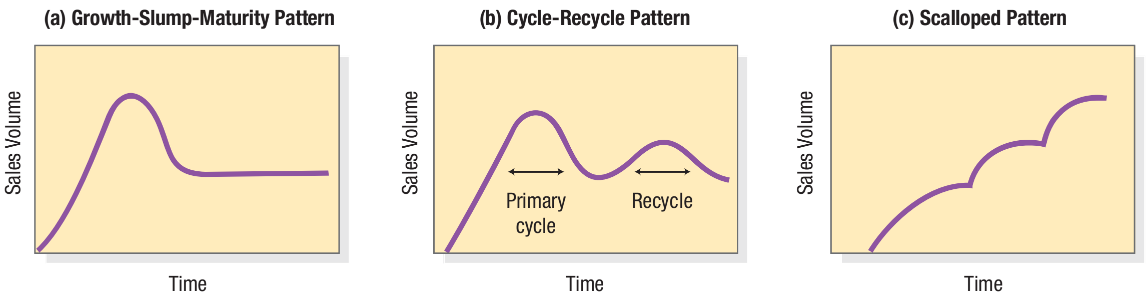
We can use the PLC concept to analyze a product category (liquor), a product form (white liquor), a product (vodka), or a brand (Smirnoff). Not all products exhibit a bell-shaped PLC.[38] Three common alternate patterns are shown in Figure 11.5.

Figure 11.5(a) shows a *growth-slump-maturity pattern*, characteristic of small kitchen appliances, for example, such as handheld mixers and bread makers. Sales grow rapidly when the product is first introduced and then fall to a "petrified" level sustained by late adopters buying the product for the first time and early adopters replacing it.

|Fig. 11.4|

Sales and Profit Life Cycles





|Fig. 11.5|

Common Product Life-Cycle Patterns

The *cycle-recycle pattern* in Figure 11.5(b) often describes the sales of new drugs. The pharmaceutical company aggressively promotes its new drug, producing the first cycle. Later, sales start declining, and another promotion push produces a second cycle (usually of smaller magnitude and duration).[39]

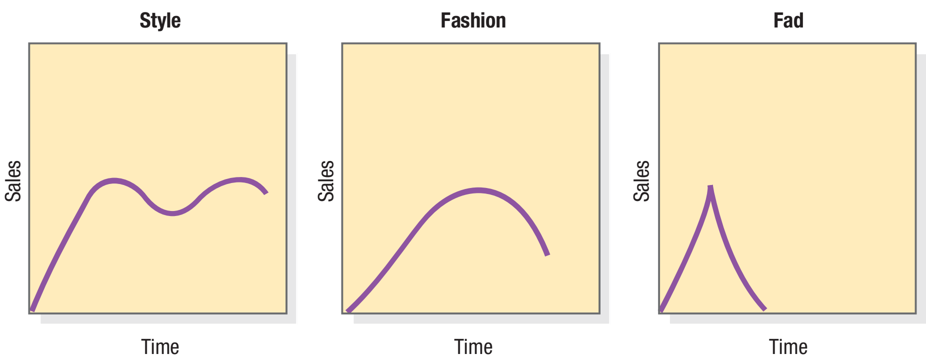
Another common pattern is the *scalloped PLC* in Figure 11.5(c). Here, sales pass through a succession of life cycles based on the discovery of new-product characteristics, uses, or users. Sales of nylon have shown a scalloped pattern because of the many new uses—parachutes, hosiery, shirts, carpeting, boat sails, automobile tires—discovered over time.[40]

Style, Fashion, and Fad Life Cycles

We need to distinguish three special categories of product life cycles—styles, fashions, and fads (Figure 11.6). A *style* is a basic and distinctive mode of expression appearing in a field of human endeavor. Styles appear in homes (colonial, ranch, Cape Cod), clothing (formal, business casual, sporty), and art (realistic, surrealistic, abstract). A style can last for generations and go in and out of vogue. A *fashion* is a currently accepted or popular style in a given field. Fashions pass through four stages: distinctiveness, emulation, mass fashion, and decline.[41]

The length of a fashion cycle is hard to predict. One view is that fashions end because they represent a purchase compromise, and consumers soon start looking for the missing attributes.[42] For example, as automobiles become smaller, they become less comfortable, and then a growing number of buyers start wanting larger cars. Another explanation is that too many consumers adopt the fashion, thus turning others away. Still another is that the length of a particular fashion cycle depends on the extent to which the fashion meets a genuine need, is consistent with other trends in the society, satisfies societal norms and values, and keeps within technological limits as it develops.[43]

Fads are fashions that come quickly into public view, are adopted with great zeal, peak early, and decline very fast. Their acceptance cycle is short, and they tend to attract only a limited following who are searching for excitement or want to distinguish themselves from others. Fads fail to survive because they don't normally satisfy a strong need. The marketing winners are those who recognize fads early and leverage them into products with staying power. Here's a success story of a company that managed to take a fad and make it a long-term success story.



|Fig. 11.6|

Style, Fashion, and Fad Life Cycles

Trivial Pursuit Since its debut at the International Toy Fair in 1982, Trivial Pursuit has sold 88 million copies in 17 languages in 26 countries, and it remains one of the best-selling adult games. Parker Brothers has kept it popular by making a new game with updated questions every year. It also keeps creating offshoots—travel packs, a children's version, Trivial Pursuit Genus IV, and themed versions tapping into niches tied to various sports, movies, and decades—23 different versions in all. The game is available in a variety of platforms: as an interactive CD-ROM from Virgin Entertainment Interactive, online at its own Web site (www.trivialpursuit.com), and in a mobile edition accessible via cell phone. If you're having trouble making dinner conversation on a date—no problem: NTN Entertainment Network has put Trivial Pursuit in about 3,000 restaurants.[44]

Through countless variations, Trivial Pursuit has proven to be more than a passing fad.

Marketing Strategies: Introduction Stage and the Pioneer Advantage

Because it takes time to roll out a new product, work out the technical problems, fill dealer pipelines, and gain consumer acceptance, sales growth tends to be slow in the introduction stage.[45] Profits are negative or low, and promotional expenditures are at their highest ratio to sales because of the need to (1) inform potential consumers, (2) induce product trial, and (3) secure distribution in retail outlets.[46] Firms focus on buyers who are the most ready to buy. Prices tend to be higher because costs are high.

Companies that plan to introduce a new product must decide when to enter the market. To be first can be rewarding, but risky and expensive. To come in later makes sense if the firm can bring superior technology, quality, or brand strength to create a market advantage.

Speeding up innovation time is essential in an age of shortening product life cycles. Being early has been shown to pay. One study found that products coming out six months late—but on budget—earned an average of 33 percent less profit in their first five years; products that came out on time but 50 percent over budget cut their profits by only 4 percent.[47]

Most studies indicate the market pioneer gains the greatest advantage.[48] Campbell, Coca-Cola, Hallmark, and Amazon.com developed sustained market dominance. Nineteen of twenty-five market leaders in 1923 were still the market leaders in 1983, 60 years later.[49] In a sample of industrial-goods businesses, 66 percent of pioneers survived at least 10 years, versus 48 percent of early followers.[50]

What are the sources of the pioneer's advantage?[51] Early users will recall the pioneer's brand name if the product satisfies them. The pioneer's brand also establishes the attributes the product class should possess.[52] It normally aims at the middle of the market and so captures more users. Customer inertia also plays a role; and there are producer advantages: economies of scale, technological leadership, patents, ownership of scarce assets, and other barriers to entry. Pioneers can spend marketing dollars more effectively and enjoy higher rates of repeat purchases. An alert pioneer can lead indefinitely by pursuing various strategies.[53]

But the advantage is not inevitable.[54] Bowmar (hand calculators), Apple's Newton (personal digital assistant), Netscape (Web browser), Reynolds (ballpoint pens), and Osborne (portable computers) were market pioneers overtaken by later entrants. First movers also have to watch out for the "second-mover advantage."

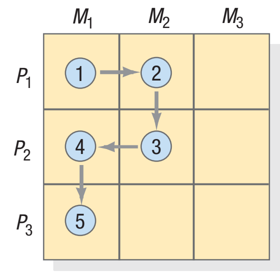
Steven Schnaars studied 28 industries where imitators surpassed the innovators.[55] He found several weaknesses among the failing pioneers, including new products that were too crude, were improperly positioned, or appeared before there was strong demand; product-development costs that exhausted the innovator's resources; a lack of resources to compete against entering larger firms; and managerial incompetence or unhealthy complacency. Successful imitators thrived by offering lower prices, improving the product more continuously, or using brute market power to overtake the pioneer. None of the companies that now dominate in the manufacture of personal computers—including Dell, HP, and Acer—were first movers.[56]

Peter Golder and Gerald Tellis raise further doubts about the pioneer advantage.[57] They distinguish between an *inventor,* first to develop patents in a new-product category, a *product pioneer,* first to develop a working model, and a *market pioneer,* first to sell in the new-product category.

They also include nonsurviving pioneers in their sample. They conclude that although pioneers may still have an advantage, a larger number of market pioneers fail than has been reported, and a larger number of early market leaders (though not pioneers) succeed. Later entrants overtaking market pioneers include IBM over Sperry in mainframe computers, Matsushita over Sony in VCRs, and GE over EMI in CAT scan equipment.

Tellis and Golder more recently identified five factors underpinning long-term market leadership: vision of a mass market, persistence, relentless innovation, financial commitment, and asset leverage.[58] Other research has highlighted the importance of the novelty of the product innovation.[59] When a pioneer starts a market with a really new product, like the Segway Human Transporter, surviving can be very challenging. In the case of incremental innovation, like MP3 players with video capabilities, survival rates are much higher.

The pioneer should visualize the product markets it could enter, knowing it cannot enter all of them at once. Suppose market-segmentation analysis reveals the product market segments shown in Figure 11.7. The pioneer should analyze the profit potential of each product market singly and in combination and decide on a market expansion path. Thus, the pioneer in Figure 11.7 plans first to enter product market P_1M_1, then move the product into a second market (P_1M_2), then surprise the competition by developing a second product for the second market (P_2M_2), then take the second product back into the first market (P_2M_1), then launch a third product for the first market (P_3M_1). If this game plan works, the pioneer firm will own a good part of the first two segments and serve them with two or three products.



|Fig. 11.7|

Long-Range Product Market Expansion Strategy (P_i = product i; M_j = market j)

Marketing Strategies: Growth Stage

The growth stage is marked by a rapid climb in sales. Early adopters like the product and additional consumers start buying it. New competitors enter, attracted by the opportunities. They introduce new product features and expand distribution.

Prices stabilize or fall slightly, depending on how fast demand increases. Companies maintain promotional expenditures or raise them slightly, to meet competition and continue to educate the market. Sales rise much faster than promotional expenditures, causing a welcome decline in the promotion–sales ratio. Profits increase as promotion costs are spread over a larger volume, and unit manufacturing costs fall faster than price declines, owing to the producer-learning effect. Firms must watch for a change to a decelerating rate of growth in order to prepare new strategies.

To sustain rapid market share growth now, the firm:

- improves product quality and adds new features and improved styling.
- adds new models and flanker products (of different sizes, flavors, and so forth) to protect the main product.
- enters new market segments.
- increases its distribution coverage and enters new distribution channels.
- shifts from awareness and trial communications to preference and loyalty communications.
- lowers prices to attract the next layer of price-sensitive buyers.

By spending money on product improvement, promotion, and distribution, the firm can capture a dominant position. It trades off maximum current profit for high market share and the hope of even greater profits in the next stage.

Marketing Strategies: Maturity Stage

At some point, the rate of sales growth will slow, and the product will enter a stage of relative maturity. Most products are in this stage of the life cycle, which normally lasts longer than the preceding ones.

The maturity stage divides into three phases: growth, stable, and decaying maturity. In the first, sales growth starts to slow. There are no new distribution channels to fill. New competitive forces emerge. In the second phase, sales per capita flatten because of market saturation. Most potential consumers have tried the product, and future sales depend on population growth and replacement demand. In the third phase, decaying maturity, the absolute level of sales starts to decline, and customers begin switching to other products.

This third phase poses the most challenges. The sales slowdown creates overcapacity in the industry, which intensifies competition. Weaker competitors withdraw. A few giants dominate—perhaps a quality leader, a service leader, and a cost leader—and profit mainly through high volume and lower costs. Surrounding them is a multitude of market nichers, including market specialists, product specialists, and customizing firms.

The question is whether to struggle to become one of the big three and achieve profits through high volume and low cost, or pursue a niching strategy and profit through low volume and high margins. Sometimes the market will divide into low- and high-end segments, and market shares of firms in the middle steadily erode. Here's how Swedish appliance manufacturer, Electrolux, has coped with this situation.

Electrolux AB In 2002, Electrolux faced a rapidly polarizing appliance market. Low-cost Asian companies such as Haier, LG, and Samsung were applying downward price pressure, while premium competitors like Bosch, Sub-Zero, and Viking were growing at the expense of the middle-of-the-road brands. Electrolux's new CEO Hans Stråberg decided to escape the middle by rethinking Electrolux customers' wants and needs. He segmented the market according to the lifestyle and purchasing patterns of about 20 different types of consumers. Electrolux now successfully markets its steam ovens to health-oriented consumers, for example, and its compact dishwashers, originally for smaller kitchens, to a broader consumer segment that washes dishes more often. To companies stuck in the middle of a mature market, Stråberg offers this advice: "Start with consumers and understand what their latent needs are and what problems they experience . . . then put the puzzle together yourself to discover what people really want to have. Henry Ford is supposed to have said, 'If I had asked people what they really wanted, I would have made faster horses' or something like that. You need to figure out what people really want, although they can't express it."[60]

Electrolux uses an elaborate segmentation plan and an expansive product line to make sure its brand is not stuck in the middle of a shrinking market.

Some companies abandon weaker products to concentrate on new and more profitable ones. Yet they may be ignoring the high potential many mature markets and old products still have. Industries widely thought to be mature—autos, motorcycles, television, watches, cameras—were proved otherwise by the Japanese, who found ways to offer customers new value. Three ways to change the course for a brand are market, product, and marketing program modifications.

MARKET MODIFICATION A company might try to expand the market for its mature brand by working with the two factors that make up sales volume: Volume = number of brand users × usage rate per user, as in Table 11.1, but may also be matched by competitors.

PRODUCT MODIFICATION Managers also try to stimulate sales by improving quality, features, or style. *Quality improvement* increases functional performance by launching a "new and improved" product. *Feature improvement* adds size, weight, materials, supplements, and accessories that expand the product's performance, versatility, safety, or convenience. *Style improvement* increases the product's esthetic appeal. Any of these can attract consumer attention.

MARKETING PROGRAM MODIFICATION Finally, brand managers might also try to stimulate sales by modifying nonproduct elements—price, distribution, and communications in particular. They should assess the likely success of any changes in terms of effects on new and existing customers.

Marketing Strategies: Decline Stage

Sales decline for a number of reasons, including technological advances, shifts in consumer tastes, and increased domestic and foreign competition. All can lead to overcapacity, increased price

TABLE 11.1 Alternate Ways to Increase Sales Volume

Expand the Number of Users	Increase the Usage Rates Among Users
• *Convert nonusers.* The key to the growth of air freight service was the constant search for new users to whom air carriers can demonstrate the benefits of using air freight rather than ground transportation.	• *Have consumers use the product on more occasions.* Serve Campbell's soup for a snack. Use Heinz vinegar to clean windows.
• *Enter new market segments.* When Goodyear decided to sell its tires via Walmart, Sears, and Discount Tire, it immediately boosted its market share.	• *Have consumers use more of the product on each occasion.* Drink a larger glass of orange juice.
• *Attract competitors' customers.* Marketers of Puffs facial tissues are always wooing Kleenex customers.	• *Have consumers use the product in new ways.* Use Tums antacid as a calcium supplement.

cutting, and profit erosion. The decline might be slow, as for sewing machines and newspapers, or rapid, as for 5.25 floppy disks and eight-track cartridges. Sales may plunge to zero or petrify at a low level. These structural changes are different from a short-term decline resulting from a marketing crisis of some sort. "Marketing Insight: Managing a Brand Crisis," describes strategies for a brand in temporary trouble.

As sales and profits decline over a long period of time, some firms withdraw. Those remaining may reduce the number of products they offer, withdrawing from smaller segments and weaker trade channels, cutting marketing budgets, and reducing prices further. Unless strong reasons for retention exist, carrying a weak product is often very costly.

Besides being unprofitable, weak products consume a disproportionate amount of management's time, require frequent price and inventory adjustments, incur expensive setup for short production runs, draw advertising and sales force attention better used to make healthy products more profitable, and cast a negative shadow on company image. Failing to eliminate them also delays the aggressive search for replacement products, creating a lopsided product mix long on yesterday's breadwinners and short on tomorrow's.

Unfortunately, most companies have not developed a policy for handling aging products. The first task is to establish a system for identifying them. Many companies appoint a product-review committee with representatives from marketing, R&D, manufacturing, and finance who, based on all available information, makes a recommendation for each product—leave it alone, modify its marketing strategy, or drop it.[61]

Some firms abandon declining markets earlier than others. Much depends on the height of exit barriers in the industry.[62] The lower the barriers, the easier for firms to leave the industry, and the more tempting for the remaining firms to stay and attract the withdrawing firms' customers. Procter & Gamble stayed in the declining liquid-soap business and improved its profits as others withdrew.

The appropriate strategy also depends on the industry's relative attractiveness and the company's competitive strength in it. A company in an unattractive industry that possesses competitive strength should consider shrinking selectively. A company in an attractive industry that has competitive strength should consider strengthening its investment. Companies that successfully restage or rejuvenate a mature product often do so by adding value to it.

Strategies for harvesting and divesting are quite different. *Harvesting* calls for gradually reducing a product or business's costs while trying to maintain sales. The first step is to cut R&D costs and plant and equipment investment. The company might also reduce product quality, sales force size, marginal services, and advertising expenditures, ideally without letting customers, competitors, and employees know what is happening. Harvesting is difficult to execute, yet many mature products warrant this strategy. It can substantially increase current cash flow.[63]

When a company decides to divest a product with strong distribution and residual goodwill, it can probably sell the product to another firm. Some firms specialize in acquiring and revitalizing

Marketing Insight

Managing a Brand Crisis

Marketing managers must assume a brand crisis will someday arise. Whole Foods, Taco Bell, JetBlue, and toy and pet food brands have all experienced potentially crippling brand crises, and AIG, Merrill Lynch, and Citi were rocked by investment lending scandals that eroded consumer trust. Widespread repercussions include (1) lost sales, (2) reduced effectiveness of marketing activities for the product, (3) increased sensitivity to rivals' marketing activities, and (4) reduced impact of the firm's marketing activities on competing brands.

In general, the stronger brand equity and corporate image are—especially credibility and trustworthiness—the more likely the firm can weather the storm. Careful preparation and a well-managed crisis management program, however, are also critical. As Johnson & Johnson's nearly flawless handling of the Tylenol product-tampering incident suggests, the key is that consumers see the firm's response as both *swift* and *sincere*. They must feel an immediate sense that the company truly cares. Listening is not enough.

The longer the firm takes to respond, the more likely consumers can form negative impressions from unfavorable media coverage or word of mouth. Perhaps worse, they may find they don't like the brand after all and permanently switch. Getting in front of a problem with PR, and perhaps ads, can help avoid those problems.

Consider Perrier. In 1994, Perrier was forced to halt production worldwide and recall all existing product when traces of benzene, a known carcinogen, were found in excessive quantities in its bottled water. Over the next weeks it offered several explanations, creating confusion and skepticism. Perhaps more damaging, the product was off shelves for over three months. Despite an expensive relaunch featuring ads and promotions, the brand struggled to regain lost market share, and a full year later sales were less than half what they had been. With its key "purity" association tarnished, Perrier had no other compelling points-of-difference. Consumers and retailers had found satisfactory substitutes, and the brand never recovered. Eventually it was taken over by Nestlé SA.

Second, the more sincere the firm's response—a public acknowledgment of the impact on consumers and willingness to take necessary steps—the less likely consumers will form negative attributions. When consumers reported finding shards of glass in some jars of its baby food, Gerber tried to reassure the public there were no problems in its manufacturing plants but adamantly refused to withdraw products from stores. After market share slumped from 66 percent to 52 percent within a couple of months, one company official admitted, "Not pulling our baby food off the shelf gave the appearance that we aren't a caring company."

Sources: Norman Klein and Stephen A. Greyser, "The Perrier Recall: A Source of Trouble," Harvard Business School Case #9-590-104 and "The Perrier Relaunch," Harvard Business School Case #9-590-130; Harald Van Heerde, Kristiaan Helsen, and Marnik G. Dekimpe, "The Impact of a Product-Harm Crisis on Marketing Effectiveness," *Marketing Science* 26 (March–April 2007), pp. 230–45; Michelle L. Roehm and Alice M. Tybout, "When Will a Brand Scandal Spill Over and How Should Competitors Respond?" *Journal of Marketing Research* 43 (August 2006), pp. 366–73; Michelle L. Roehm and Michael K. Brady, "Consumer Responses to Performance Failures by High Equity Brands," *Journal of Consumer Research*, 34 (December 2007), pp. 537–45; Alice M. Tybout and Michelle Roehm, "Let the Response Fit the Scandal," *Harvard Business Review*, December 2009, pp. 82–88; Andrew Pierce, "Managing Reputation to Rebuild Battered Brands, *Marketing News*, March 15, 2009, p. 19; Kevin O'Donnell, "In a Crisis Actions Matter," *Marketing News*, April 15, 2009, p. 22.

"orphan" or "ghost" brands that larger firms want to divest or that have encountered bankruptcy such as Linens n' Things, Folgers and Brim coffee, Nuprin pain reliever, and Salon Selective shampoos.[64] These firms attempt to capitalize on the residue of awareness in the market to develop a brand revitalization strategy. Reserve Brands bought Eagle Snacks in part because research showed 6 of 10 adults remembered the brand, leading Reserve's CEO to observe, "It would take $300 million to $500 million to recreate that brand awareness today."[65]

If the company can't find any buyers, it must decide whether to liquidate the brand quickly or slowly. It must also decide how much inventory and service to maintain for past customers.

Evidence for the Product Life-Cycle Concept

Table 11.2 summarizes the characteristics, marketing objectives, and marketing strategies of the four stages of the product life cycle. The PLC concept helps marketers interpret product and market dynamics, conduct planning and control, and do forecasting. One recent study of 30 product categories unearthed a number of interesting findings concerning the PLC:[66]

- New consumer durables show a distinct takeoff, after which sales increase by roughly 45 percent a year, but they also show a distinct slowdown, when sales decline by roughly 15 percent a year.
- Slowdown occurs at 34 percent penetration on average, well before most households own a new product.

- The growth stage lasts a little over eight years and does not seem to shorten over time.
- Informational cascades exist, meaning people are more likely to adopt over time if others already have, instead of by making careful product evaluations. One implication is that product categories with large sales increases at takeoff tend to have larger sales declines at slowdown.

Critique of the Product Life-Cycle Concept

PLC theory has its share of critics, who claim 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 PLC pattern is the self-fulfilling result of marketing strategies, and that skillful marketing can in fact lead to continued growth.[67]

Market Evolution

Because the PLC focuses on what's happening to a particular product or brand rather than the overall market, it yields a product-oriented rather than a market-oriented picture. Firms also need to visualize a *market's* evolutionary path as it is affected by new needs, competitors, technology, channels, and other developments and change product and brand positioning to keep pace.[68] Like products, markets evolve through four stages: emergence, growth, maturity, and decline. Consider the evolution of the paper towel market.

TABLE 11.2 Summary of Product Life-Cycle Characteristics, Objectives, and Strategies

	Introduction	Growth	Maturity	Decline
Characteristics				
Sales	Low sales	Rapidly rising sales	Peak sales	Declining sales
Costs	High cost per customer	Average cost per customer	Low cost per customer	Low cost per customer
Profits	Negative	Rising profits	High profits	Declining profits
Customers	Innovators	Early adopters	Middle majority	Laggards
Competitors	Few	Growing number	Stable number beginning to decline	Declining number
Marketing Objectives				
	Create product awareness and trial	Maximize market share	Maximize profit while defending market share	Reduce expenditure and milk the brand
Strategies				
Product	Offer a basic product	Offer product extensions, service, warranty	Diversify brands and items models	Phase out weak products
Price	Charge cost-plus	Price to penetrate market	Price to match or best competitors'	Cut price
Distribution	Build selective distribution	Build intensive distribution	Build more intensive distribution	Go selective: phase out unprofitable outlets
Communications	Build product awareness and trial among early adopters and dealers	Build awareness and interest in the mass market	Stress brand differences and benefits and encourage brand switching	Reduce to minimal level needed to retain hard-core loyals

Sources: Chester R. Wasson, *Dynamic Competitive Strategy and Product Life Cycles* (Austin, TX: Austin Press, 1978); John A. Weber, "Planning Corporate Growth with Inverted Product Life Cycles," *Long Range Planning* (October 1976), pp. 12–29; Peter Doyle, "The Realities of the Product Life Cycle," *Quarterly Review of Marketing* (Summer 1976).