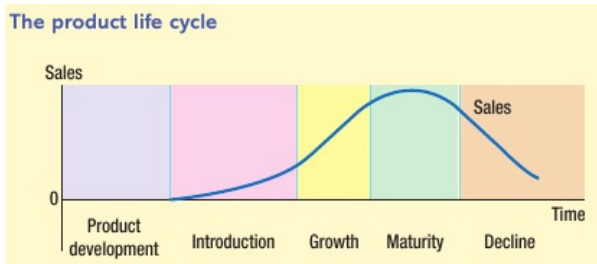

Marketing strategy

2017-18

THE PRODUCT LIFE CYCLE

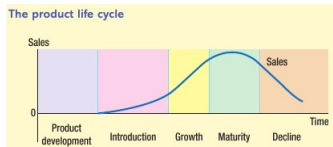
5 STAGES



THE PRODUCT LIFE CYCLE

5 STAGES

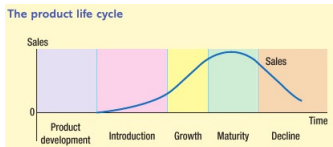
1. *Development: research and design* of product
→ high costs
 - ▶ *ideas* are developed
 - ▶ *prototype* is designed and built
 - ▶ *decision* is made whether to launch product
2. *Introduction: launch* the product
→ high costs and slow sales
 - ▶ spending on promotion
 - ▶ setting *high prices* to cover costs
or *low prices* to break into market



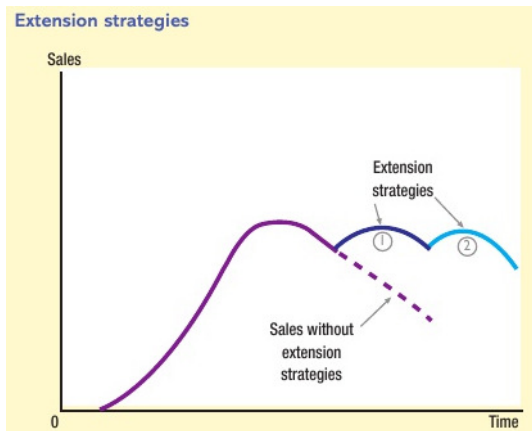
THE PRODUCT LIFE CYCLE

5 STAGES

- Growth: rapid growth and decreasing unit costs*
 - ▶ product is *profitable*
 - ▶ competitors launch own products → slowdown in sales
 - ▶ reconsider *prices* and *promotion*
- Maturity and saturation: sales level off*
 - ▶ established product → stable market share
 - ▶ sales have *peaked* → saturated market
 - ▶ some firms are *forced out of market*
- Decline: sales decline*
 - ▶ due to changing *consumer tastes*
 - ▶ *new technology* or *new products*



EXTENSION STRATEGIES



EXTENSION STRATEGIES

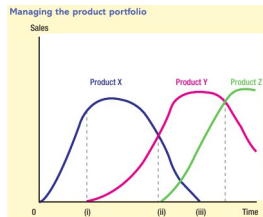
Extension strategies: ways to prolong the life of a product

→ generates more cash

- ▶ *Product adjustments*: improve, update, repackaging product
 - ▶ updating (e.g., car industry)
 - ▶ improvements (e.g., computer manufacturers)
 - ▶ extend product range (e.g., crisp manufacturers)
 - ▶ repackaging (e.g., soft-drinks, music industry)
- ▶ *Promotion*: invest in promotion campaigns
 - ▶ find new uses for product (e.g., WD40)
 - ▶ find new markets for products (e.g., Tesco, M&S)
 - ▶ invest in advertising campaign
 - ▶ encourage frequent use (e.g., cereal)

PRODUCT PORTFOLIO

- ▶ *Product portfolio*: made up of *product lines*
 - ▶ *product lines*: group of *similar* products (e.g., TV)
 - ▶ managing the product portfolio

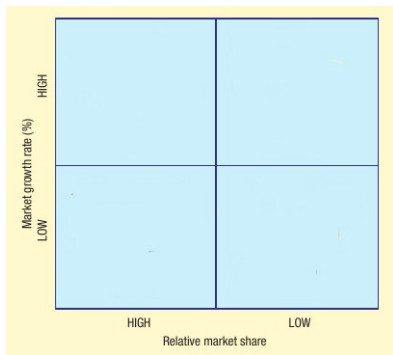


- ▶ Examples of *successful managements*: sweet manufacturers

BOSTON MATRIX

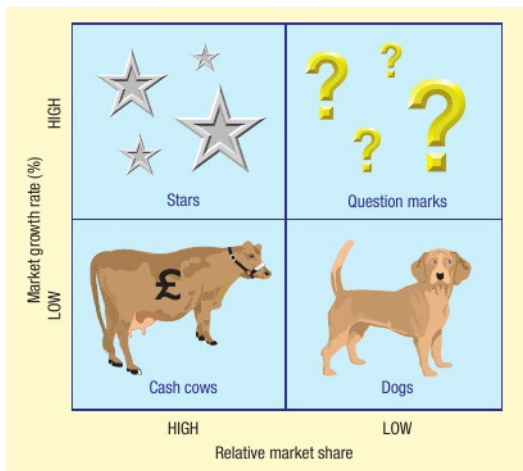
Difficulty to identify the stage of life cycle.

→ Boston Matrix: useful tool for analysing product portfolios



- ▶ x-axis: **relative market share** (high → low !!!)
- ▶ y-axis: **market growth rate** (low → high)

BOSTON MATRIX



BOSTON MATRIX

- ▶ The Boston Matrix

1. *Stars*: high market growth + high market share
 - ▶ product is likely to be *profitable*
 - ▶ further *investment* required
(e.g., production facilities, promotion)
2. *Cash cows*: weak growth + high market share
 - ▶ product is likely to be *profitable*
 - ▶ little investment needed
 - ▶ strong *positive cash flow*

BOSTON MATRIX

- ▶ The Boston Matrix

- 3. *Question marks*: fast-growing market + low market share

- ▶ weak performance → *not profitable*

- ▶ *investment* will be needed

- ▶ *net cash flow* zero or negative

- 4. *Dogs*: low market growth + low market share

- ▶ poor prospects for future sales → low profits

- ▶ needs little investment

BOSTON MATRIX

- ▶ *Balancing product lines*: see book !!!
 - ▶ product portfolio should not contain exclusively same items
 - ▶ not only items that will use lots of resources
- ▶ *Taking decisions*:

product	action
stars	build the brand
cash cows	milk for cash
question marks	build product, harvest product, divest
dogs	divest or harvest

MARKETING STRATEGIES

Marketing strategy: set of plans that aim to achieve a specific marketing objective

- ▶ Strategies for *mass markets*
 - ▶ *Product*: differentiate product (e.g., USP)
 - ▶ *Price*: charge the *going rate*
 - ▶ *Promotion*: invest in *advertising* and *promotion*
 - ▶ *Place*: use multiple channels (e.g., retailer, internet, ...)
- ▶ Strategies for *niche markets*
 - ▶ *Product*: designed to meet specific customer's need
 - ▶ *Price*: *flexible pricing*
 - ▶ *Promotion*: advertising on *specialized* publications
 - ▶ *Place*: selective when choosing distribution channels

STRATEGIES FOR B2B AND B2C MARKETS

- ▶ *Outbound marketing strategies*: direct marketing (disadvantages?)
- ▶ *Inbound marketing strategies*:
 - attract potential customers to websites (challenges?)

Method	Description
Blogging	Provide content on company blogs to help draw in potential customers
Social media marketing	Develop a following on social media, such as Twitter, LinkedIn and Facebook
Search engine optimisation	Increase website traffic by getting a high-ranking placement in searches
Free e-books	Offer useful, in-depth information for website visitors to download
Video marketing	Produce short and informative video clips for website visitors
Targeted email marketing	Send personalised emails targeted to people – for example, those who who have downloaded a free e-book

- ▶ *Hybrid strategies*: combination of inbound and outbound

DEVELOPING CUSTOMER LOYALTY

- ▶ Communication
- ▶ Customer service
- ▶ Customer incentives
- ▶ Personalisation
- ▶ Preferential treatment

KEY TERMS

- ▶ **Boston Matrix:** A 2x2 matrix model that analyses a product portfolio according to the growth rate of the market and the relative market share of products within the market
- ▶ **Extension strategies:** Methods used to prolong the life of a product
- ▶ **Marketing strategy:** A set of plans that aim to achieve a specific marketing objective
- ▶ **Product lines:** A group of products that are very similar
- ▶ **Product portfolio:** The collection of products a business is currently marketing