Features and implications of the different stages of the life cycle

	Introduction	**Growth**	**Maturity**	**Decline**
Sales	Low	Growing rapidly	At the highest	Falling
Costs per unit	High, no economies of scale	Falling; economies of scale	low	low
Competitors	few	growing	high	falling
Product	One basic model	Product modification and improvement	Diversify, new models	Remove weaker items
Promotion	Build awareness High level of promotion	Aim to generate interest; target: new market segments	Stress differences with competitors	Lower budgets to keep costs down
Distribution	Limited	Growing number of outlets	High level of distribution	Reduce unprofitable channels
Price	Maybe skimming or penetration strategy	May keep penetrating the market to push prices up	May use competitive pricing	May increase prices, exploiting the loyalty of regular customers

Portfolio analysis

Portfolio analysis: an analysis of the market position of a firm's existing products. It is used as part of the marketing planning process.

Cash cow: a product with a high share of a low growth market.

Dogs: products which have a low share of a low growth market.

Star: a product which has a high share of a fast growing market.

Problem child: a product with a small share of a fast growing market.

Marketing mix: the combination of variables through which the firm carries out its marketing strategy; for example: the product, the price, the place and the promotional mix.

Marketing strategy: the way in which a firm aims to fulfil its objective, for example a firm may pursue a niche market or mass market strategy.

Extension strategy: a strategy to prevent sales from declining

Essay questions

1. Consider the view that the decline stage of the product life cycle is inevitable.

2. To what extent can portfolio planning guarantee a firm's success?

3. 'The actual life cycles of products are all different. This makes the model of the product life cycle useless as a planning tool.' Do you agree with this view? Explain your answer.