

Chapter 3
The Life of the Product: Building the Product Experience
CLASS NOTES

Objectives:

- Briefly describe new product development.
- Explain the stages of Product Life-Cycle
- Describe how marketing strategies are developed and change during the life cycle.

I. New product development— due to the rapid changes in consumer tastes, terminology, and competition, firms must develop a steady stream of new products and services to remain competitive and replace outdated products.

- New product development is extremely costly.
- Failure rate exceeds 19 of 20 new ideas.
- Average new product life is less than 5 years.

II. Product Life-Cycle — estimation of a product's revenues and profits over the course of its life. This is another "tool" to assist a marketer in product/service strategies. Provides a perspective to understand the aspects of the product. The five stages are: (Exhibit 3.1)

- *Product* development begins when the company finds a new product. Sales are \$0 and heavy investment. (This phase precedes going to market and generally includes substantial market research.)
- *Introduction* provides a period of slow growth with nonexistent profits due to extensive promotional costs.
- *Growth* is a period of rapid market acceptance and developing profits.
- *Maturity* is a period of slow growth, level profits, and increasing marketing expenditures to defend the product's position against competitors.
- *Decline* is a period of falling sales and profits.

III. Summary of Product Life-Cycle considerations

Aspect	Introduction	Growth	Maturity	Decline
Sales	Low	Rapidly rising	Peaking sales	Declining
Costs	High/customer	Average/customer	Low/customer	Low/customer
Profits	Negative	Rising	High, then lower	Declining
Marketing objectives	Create product awareness & trial	Maximize market share	Maximize profits while defending market share	Reduce expenditure & "milk" brand
Product	Offer basic	Offer new features, extensions, service, & warranty	Diversify brand & models	Phase out weak items
Price	Usually high; use cost +	Market penetration	Match or lower than competitors	Cut price
Distribution	High expenses	Increase number of outlets	Intensify distribution	Very selective
Promotion	Build awareness among early adopters	Build awareness & interest in mass market	Stress brand differences & benefits	Reduce level to maintain loyal customers