PRODUCT MIX

SALES MIX

PRODUCT LIFE CYCLE

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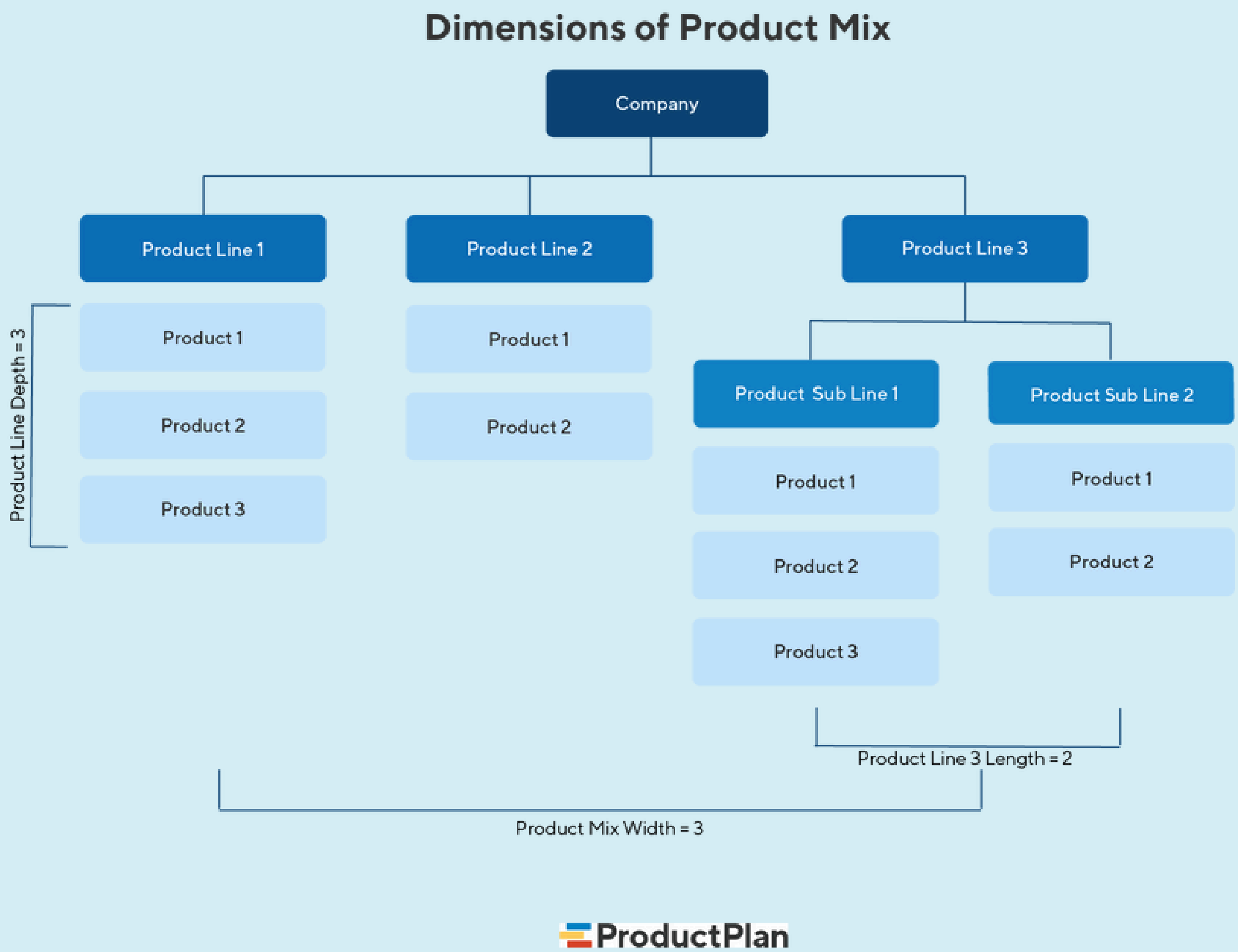
notes

Product mix, also known as product assortment, refers to the complete set of products and/or services offered by a company. It encompasses all the different product lines that a company offers. Managing a product mix effectively involves strategic decision-making to achieve a balance between meeting customer needs, maximizing profitability, and maintaining competitiveness in the market. Here are some key aspects of product mix management:

A product mix strategy has four dimensions:

Width - Total number of product lines a company offers.
Length - Total number of products in a company's product mix.
Depth - Total number of product variations in a product line.
Consistency - Indicates how product lines relate to one another.



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Product Width: Product width refers to the number of product lines that a company offers. A company with a wide product width offers a diverse range of product lines, while a company with a narrow product width focuses on a smaller set of product lines.

Product Length: Product length refers to the total number of products within all the product lines offered by a company. It reflects the depth of the product mix. Companies may expand their product length by introducing new variants, sizes, or versions of existing products.

Product Depth: Product depth refers to the variety of choices available within a particular product line. It includes different flavors, colors, sizes, or configurations of a product. Increasing product depth can cater to different customer preferences and increase market share within a specific product category.

Product Consistency: Product consistency refers to how closely related the various product lines are in terms of their use, production processes, distribution channels, and branding. A consistent product mix helps reinforce the company's brand identity and makes it easier for customers to understand and navigate the product offerings.

Product Mix Width: Product mix width refers to the total number of product lines within a company's product mix. It is the combination of product width and product length. A broader product mix width offers more diversity and potentially attracts a wider range of customers.

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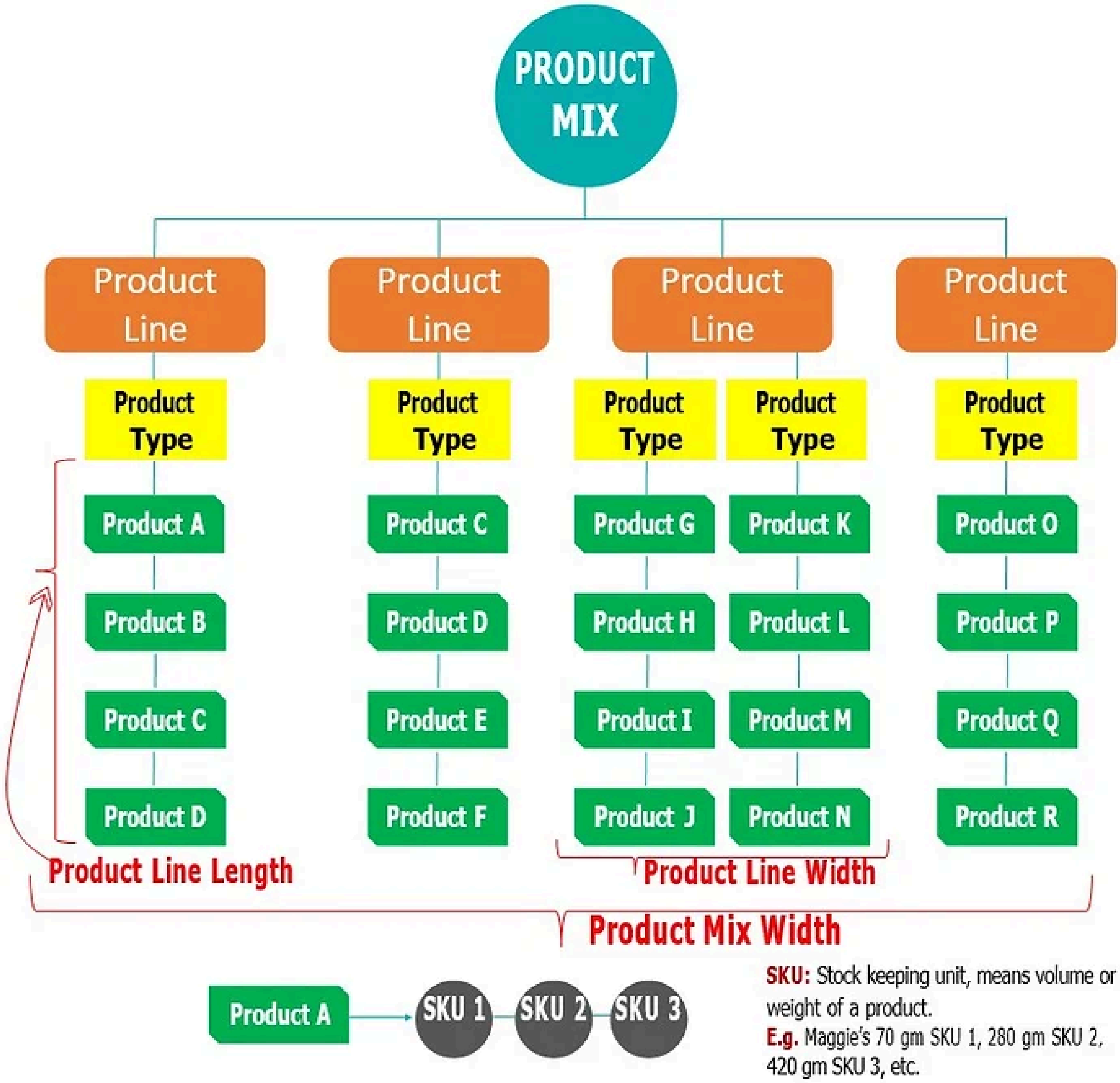

What is sales mix?

Sales mix is the proportion of each type of product sold in a business compared to the business's total sales. The purpose of calculating sales mix is to understand how the sales of different types of products impact profits.

CALCULATION OF SALES MIX TO BE DONE IN CLASS - VERY IMPORTANT

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The product life cycle (PLC) describes the stages a product goes through from introduction to withdrawal from the market. Here's a detailed breakdown of each stage:

Introduction Stage:

This is the phase when a new product is launched into the market.
Sales are typically low due to limited consumer awareness and distribution.
Marketing efforts focus on creating awareness and stimulating demand.
Companies often invest heavily in promotion to attract early adopters.

Growth Stage:

In this stage, sales and profits begin to increase rapidly.
Consumer awareness grows, and word-of-mouth referrals contribute to sales.
Competitors may enter the market, leading to increased competition.
Companies may invest in product improvements and expanding distribution channels.

Maturity Stage:

Sales growth slows down as the market becomes saturated.
Competition intensifies, leading to price competition and decreased profitability.
Companies focus on differentiating their product through branding, features, or marketing.
Marketing efforts may shift towards customer retention and increasing market share.

Decline Stage:

Sales and profits begin to decline as consumer demand decreases or shifts to newer products.
Companies may choose to:
Maintain the product with minimal investment for loyal customers.
Harvest the product by reducing marketing support and cutting costs.
Discontinue the product if it's no longer profitable.
Some products may experience a resurgence through repositioning or finding new uses.

It's important to note that not all products follow the same trajectory or timeline through these stages. The duration of each stage can vary greatly depending on factors such as market trends, competition, technological advancements, and changes in consumer preferences. Additionally, effective marketing strategies and product innovation can sometimes prolong the growth and maturity stages or revive products in decline.

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What Is Product Life Cycle?

The product life cycle is a powerful administrative tool to understand the different phases that a product goes through. It maps a product's journey from its launch until its discontinuation.

The tool has wide-reaching implications in marketing and sales but it can also aid in the design and decision-making process for the product.

The original product life cycle had five phases: **Development, Growth, Maturity, Saturation and Decline. It was developed by Raymond Vernon in 1966.**

Over the years, the saturation stage was discarded and some added a different fifth stage known as the **introduction stage.**

But in today's modern world, the development and introduction stages are highly interdependent as it is possible to get real-time feedback and bring effective changes in both of them.

Product Life Cycle Stages
Thus we will be studying the first two stages (development and introduction) and make our product life cycle a four-stage process. It will then consist of the following four stages:

- Development and introduction stage
- Growth stage
- Maturity stage
- Saturation Stage
- Decline stage

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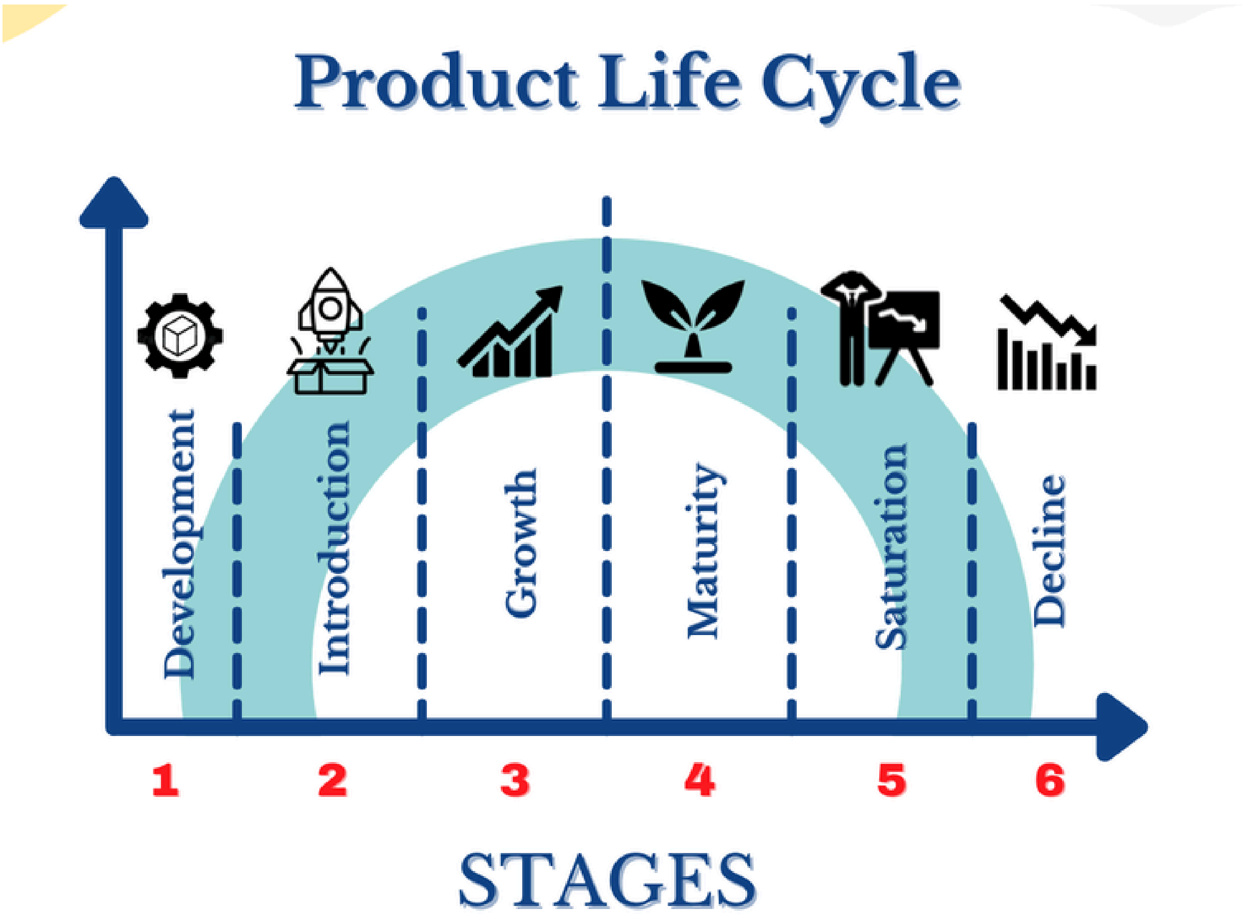
Product Life Cycle - Stages

1. Development and introduction stage
2. Growth stage
3. Maturity stage
4. Saturation stage
5. Decline stage



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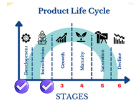
Stage 1. Development and Introduction Stage ....



The development stage is where the product life cycle starts. Before this stage, we have already identified a market for the product and ensured that the production is feasible.

For innovative products, a market may not be presently available but we know there is potential. It is prudent to start developing the product after the market studies.

High costs are involved in this stage as there is very little or no revenue and a lot more costs related to the development and introduction of the product.

The product may struggle with brand recognition. As a result, we need very specific marketing and advertising strategies.

This is especially true if the product is innovative or has new features that are not currently available in the market. Reaching out to influential personalities in your product's ecosystem is one way to boost product awareness.

In addition to the above costs, you may find it difficult to find a supplier who is willing to stock your product during this stage.

You may also need to extend a credit line to the willing suppliers/retailers which is an additional cost as no revenue is generated until a sale takes place.

Some great sales strategies to succeed in the market introduction stage are:
·Free trials/samples
·Moneyback guarantee
·Discounts for early buyers

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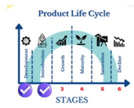
Stage 1. …….Development and Introduction Stage



For the marketing strategy during the introduction phase, the management may choose from one of the following options:

- ·Rapid skimming (high price, high-level promotion)
- ·Slow skimming (high price, low-level promotion)
- ·Rapid penetration (low price, high-level promotion)
- ·Slow penetration (low price, low-level promotion)

The choice depends upon factors such as the type of product, industry and existing competition.

Examples of products in the development and introduction stage
Some of the most popular products in the development and introduction phase today are:

1. Self-driving cars
2. Artificial intelligence applications
3. Smart glasses
4. Foldable and rollable smartphones and TVs

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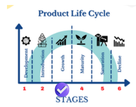
Stage 2. Growth Stage



We enter this stage after successfully introducing the product to the target market.
If the product is appealing, mass-scale adoption begins. The adoption may be slow at the start but as compounding takes over, the sales volume starts increasing fast during the growth phase.

More and more people sign up for the product/service as early buyers and promotional offers start bringing in more traffic. More suppliers are willing to stock the product and ready to pay cash as the demand increases.

The management may take the step to approach bigger supermarkets besides small retailers. It may also strive to enter new markets and transition from a niche to a more diverse group of buyers.

The goal is to have as much market penetration as possible to reach full sales potential. Collecting customer feedback and implementing it is crucial to further improve the product and meet this goal.

The growth stage is also the stage where competitors will usually enter the market. This is because, many times, companies wait for a market to be established to bypass some of the costs associated with the introduction phase.

But once your product creates that market, competitors will almost always come up with products that are either a direct copy or very similar to your offering with some added features.
Examples of products in the growth stage
Some of the most relatable examples of products in the growth stage are as follows:

1. Electric vehicles
2. Cloud storage
3. Online education
4. Smartwatches
5. Bluetooth wireless earphones

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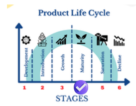
Stage 3. Maturity Stage



As the product grows further through research and customer feedback, it enters the maturity stage.

In the maturity stage, the product has become its best version and enjoys peak market penetration. The demand plateaus and the product sales increase at a slower rate than the growth stage.

This stage is the most profitable but also the most competitive.

If there are few competitors, the company could sell the product at higher prices to increase profit margins. But in the face of stiff competition, it may be wiser to keep prices low to protect your market share.

Ideally, you want to hold your product in this stage for as long as possible. Working on product differentiation and brand value are some ways to do that.

The company may strive to modify the product for a wider market based on users' demographics, feedback and geography. This strategy can also help extend the maturity stage for your product.

The introduction of product extensions can prolong the maturity stage of a product.

Examples of products in the maturity stage

Some common products that have reached the maturity stage are as follows:

1. Smartphones
2. Streaming services
3. Laptops
4. Coca-Cola

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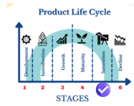
Stage 4. Saturation Stage



The saturation stage in the product life cycle is marked by a plateau in sales growth as the product reaches widespread market acceptance.

At this point, the market is saturated, with most potential customers having already purchased the product, leading to a slowdown in new customer acquisition.

Intense competition characterizes this stage, as numerous competitors vie for market share, often resulting in price wars and the need for product differentiation.

Companies experience decreasing profit margins due to these competitive pressures and must focus on optimizing operational efficiencies to maintain profitability.

Retention of existing customers becomes a priority, necessitating strong customer service, loyalty programs, and engagement initiatives.

To sustain interest and competitiveness, companies invest in incremental innovations and product enhancements.

Marketing efforts are concentrated on highlighting unique selling points and maintaining the product's visibility in a crowded market. Understanding and effectively managing the saturation stage is crucial for companies to prolong profitability and market presence before entering the decline stage.

Flat-Screen Televisions
Flat-screen TVs, including technologies like LED and OLED, have reached high market penetration. Most households in developed countries already own one or more high-definition TVs, and the market growth has significantly slowed. Manufacturers now emphasize advancements like 4K and 8K resolution, smart TV capabilities, and better connectivity to differentiate their products.

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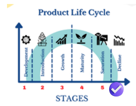
Stage 5. Decline Stage



Most products enter the market decline stage at some point.

In this stage, the product advances towards obsolescence. This may be due to market saturation or alternative products that deliver greater value.

The user base of your existing product will fall as newer, more efficient technology takes its place.

For example, the entry of sustainable electric vehicles has affected the sales of fossil fuel based vehicles.

In such a situation, companies have two options.

Either discontinue their own product and reinvest into emerging trends or update their product if feasible to match their new competitors.

However, if your existing product cannot compete with these emerging alternatives, you will end up losing your revenue, market share and profitability.

Examples of products in the Decline stage

Some products that are already in the decline phase are as follows:

1. **Diesel vehicles**
2. **Personal computers**
3. **Wired earphones/headphones**
4. **Hoverboards**
5. **Apple iPod and other dedicated MP3 players**
6. **CD/DVD players**

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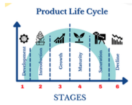
Benefits of Implementing Proper PLC Strategies



- **Maximized Profits**: Effective PLC strategies allow businesses to capitalize on different stages of a product's life cycle, maximizing profits at each stage. For instance, skimming strategies during the introduction phase can generate high initial profits, while penetration pricing during the growth phase can capture market share and increase revenue.

- **Improved Resource Allocation:** By understanding where a product stands in its life cycle, businesses can allocate resources more effectively. During the growth phase, for example, companies may invest heavily in marketing and production to capitalize on increasing demand. In contrast, during the decline phase, resources can be reallocated to more promising products or services.

- **Enhanced Market Understanding**: PLC strategies require businesses to continuously monitor market trends, consumer preferences, and competitive dynamics. This ongoing analysis provides valuable insights into market needs and helps businesses adapt their strategies accordingly, leading to better decision-making and a stronger competitive position.
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- **Innovation and Differentiation**: Proper PLC management encourages businesses to innovate and differentiate their products to maintain relevance throughout the life cycle. Whether through product enhancements, new features, or repositioning, innovation keeps products competitive and addresses evolving customer demands.

- **Customer Satisfaction and Loyalty:** Meeting customer needs at each stage of the product life cycle enhances customer satisfaction and fosters loyalty. By understanding changing customer preferences and adapting product offerings accordingly, businesses can retain customers across multiple life cycle stages and build long-term relationships.

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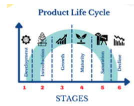

Benefits of Implementing Proper PLC Strategies

- **Risk Mitigation:** By diversifying their product portfolios and investing in products at different stages of the life cycle, businesses can mitigate risks associated with market fluctuations, technological advancements, or changes in consumer behavior. A well-balanced portfolio reduces dependency on any single product or market segment.

- **Extended Product Life:** Effective PLC strategies can extend the life of a product by identifying opportunities to rejuvenate or reposition it in the market. Through strategies such as product line extensions, rebranding, or targeting new market segments, businesses can prolong the maturity phase and continue generating revenue from established products.

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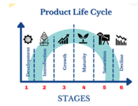
Conclusion



Some of the key takeaways from analysing the product life cycle model are as follows:
Product lifecycle is a management discipline that maps out the entire journey of a product from the cradle to the grave, i.e. from its development to when the product is finally withdrawn from the market.

The four stages are development and introduction, growth, maturity and decline.

The time to advance through the stages varies with the product and the industry.

As we go through the stages, a successful execution leads to market growth. This reduces costs and increases profits until the product reaches the decline stage.

With the understanding of product life cycles, we can avoid/delay the decline stage and stretch the market maturity stage for products thereby increasing profitability.

We may extend the maturity phase by means of improving the features of the current product or introducing a successor and discontinuing the current product. Software products and services (SaaS) are a good example of the first strategy. Apple's iPhone line is a great example of the second one.

With both of these strategies, there is no need for a development and introduction phase and the updated or new product enters the maturity phase right away.

At every stage, it is important to keep an eye out for customer feedback to maintain the relevancy and profitability of the product throughout the different stages.

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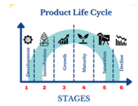
Conclusion



The advantages of using a product's life cycle for decision-making far outweigh its disadvantages.
Combining the PLC approach with other project management methods, such as lean manufacturing, can increase the positive effects of adaptive management even further.

Through efficient product life cycle management, products like Nintendo, Kellogg's, and iPhones have been able to extend their maturity phase into decades. Their products are constantly updated to make them appear fresh to consumers.

Thus, PLC strategies can keep the competition at bay and extend the maturity phase and profitability well beyond expected durations.

comparative chart

Strategies	Introduction	Growth	Maturity	Decline
Product	Offer a basic product	Offer product extensions, service, and warranty	Diversify brand and models	Phase out weak items
Price	Use cost-plus	Price to penetrate market	Price to match or beat competitors	Cut price
Distribution	Build selective distribution	Build intensive distribution	Build more intensive distribution	Go selective: phase out unprofitable outlets
Advertising	Build product awareness among early adopters and dealers	Build awareness and interest in mass market	Stress brand differences and benefits	Reduce to level needs to retain hard-core loyals
Sales Promotion	Use heavy sales promotion to entice trial	Reduce to take advantage of heavy consumer demand	Increase to encourage brand switching	Reduce to minimal level