

Managing Product Lifecycles

Introducing the Boston Matrix

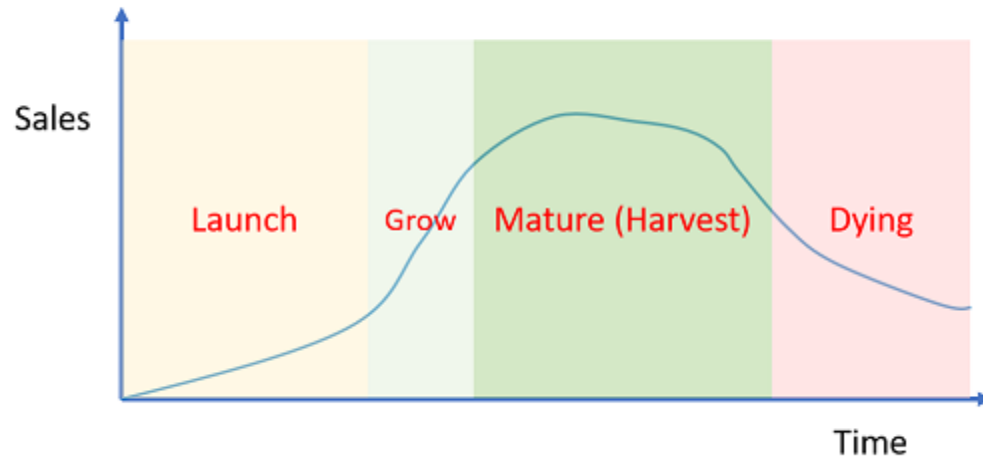


Serving Businesses in the Chilterns

Introducing Product Lifecycle

- ▶ Most products and services have a limited life
 - ▶ Knowing when to launch and when to retire is a key marketing function
 - ▶ Smaller companies can learn from larger ones
- ▶ Launch Timing
 - ▶ Beating your competitors to market allows you to set the scene, gain market share and benefit from premium pricing
 - ▶ Launching too early, if the market or the product isn't ready can lead to unrecoverable costs
- ▶ Retirement Timing
 - ▶ This should be set by business factors not sentiment. As sales decline, prices often follow leading to reduced profits even losses

Typical Product Lifecycle



- ▶ Launch
 - ▶ Controlled sales, modest volume, period of learning and tweaking, negative margins
- ▶ Growth
 - ▶ Sales take off, more investment in marketing, streamline logistics, shift to positive margins
- ▶ Harvest
 - ▶ Reach peak sales volumes, tweaking of offer to maintain sales, positive margins
- ▶ Dying
 - ▶ Sales and selling prices falling, margins may turn negative

Launch (Learning)

- ▶ A relatively short phase during which revenues are low and margins probably negative
- ▶ Sales may be carefully controlled whilst the offer is tweaked and the organisation prepared
 - ▶ Staff and dealers will need to be trained
 - ▶ Websites, brochures and social media updated
- ▶ Towards the end of the period, marketing activity will be ramped up
 - ▶ Advertising
 - ▶ Public Relations
 - ▶ Online Activity

Growth

- ▶ Sales volumes increasing
- ▶ Revenues and Margin improve
- ▶ Marketing activity needs ramping up
- ▶ Here the marketer needs to keep the momentum going
 - ▶ Training more staff, publishing success stories
 - ▶ Competitors are likely to react, so reaction and adjustment to the strategy may be needed
 - ▶ The crucial lesson is to keep your “foot on the gas,” don’t consider it’s job done after the launch.
- ▶ Time will be needed to answer queries, meet people and tweak things along the way.

Mature (Harvesting)

- ▶ This is where the real money is made!
- ▶ The aim is to make this phase last as long as possible
- ▶ Keep the product attractive and competitive
 - ▶ Minor redesigns, updating specifications, new colour schemes
 - ▶ Possibly new packaging or renaming
- ▶ Promotion
 - ▶ Maintain awareness as needed
 - ▶ Review your message to the market
- ▶ Don't get complacent

Mature (Harvesting) - 2

- ▶ Don't ignore changes in the market
 - ▶ Being ahead of the market allows you to set the scene and maintain premium pricing
 - ▶ Reacting or following competitors usually leads to loss of market share and price and margin erosion
- ▶ Handling Price Pressure
 - ▶ Instead of discounting your premium brand, consider introducing an “Economy” offer
 - ▶ Bundling or Packaging a product or service with other products is another option
 - ▶ For capital products, offering leasing or other finance deals can help
 - ▶ Remember, offering services is better for your overall margin than discounting

Phase-out

- ▶ Once a product is no longer competitive for whatever reason, sales start falling
- ▶ Several decisions need to be taken
 - ▶ Is it still profitable to make and sell
 - ▶ Will stopping it damage customer relations
 - ▶ Is there a suitable alternative or replacement, if not market share may be lost
- ▶ Repositioning
 - ▶ By, this stage development and launch costs should be recovered, if profitability is there, consider a relaunch at a lower price position
 - ▶ Beware, make sure figures are studied thoroughly
- ▶ Re-engineer
 - ▶ Can costs be reduced to keep it competitive

Phase-out - 2

- ▶ Look at the consequences of killing off a product
 - ▶ How will customers react, do you risk losing them?
- ▶ Are there ongoing support costs to consider
 - ▶ Spare parts, training
 - ▶ Is there a replacement ready or can you source one
- ▶ Difficult Decisions
 - ▶ If a product is losing money and cannot be improved, it should be withdrawn unless it will cause severe damage to your market position
 - ▶ Sentiment should not rule your decision

The Roadmap

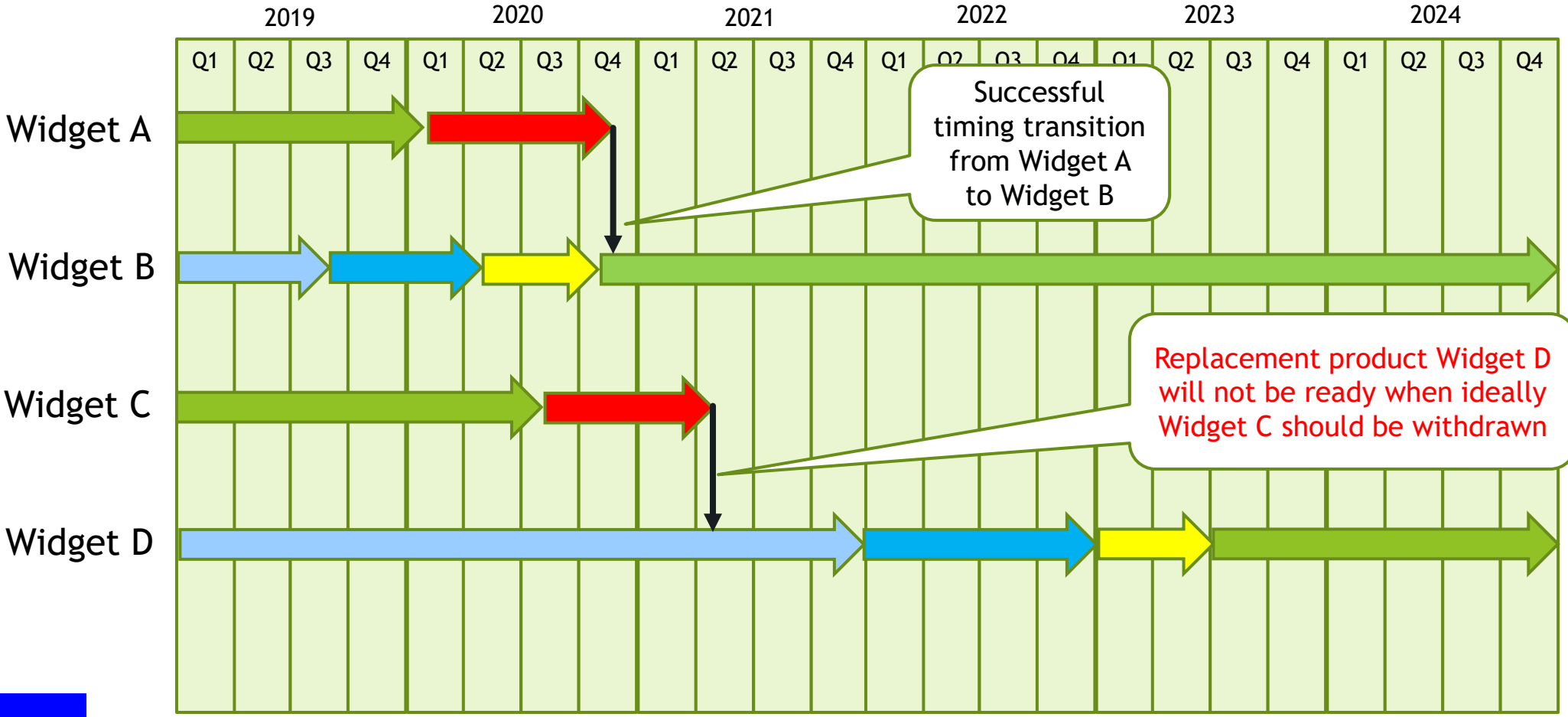


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Roadmap

- ▶ Corporations move slowly, so to remain competitive they need to be good at planning ahead!
 - ▶ Five and even ten year plans are key tools of marketers and controllers
 - ▶ Another widely used tool is “The Roadmap”
- ▶ The Roadmap is a useful tool for any size of business
 - ▶ The purpose is to plot against time, your product line showing the various phases of its product life
 - ▶ Replacement, upgrade paths, transitions to newer technologies should be included
- ▶ What - Ifs
 - ▶ Include “unexpected” that you can think of, to see the effect

The Roadmap - 2



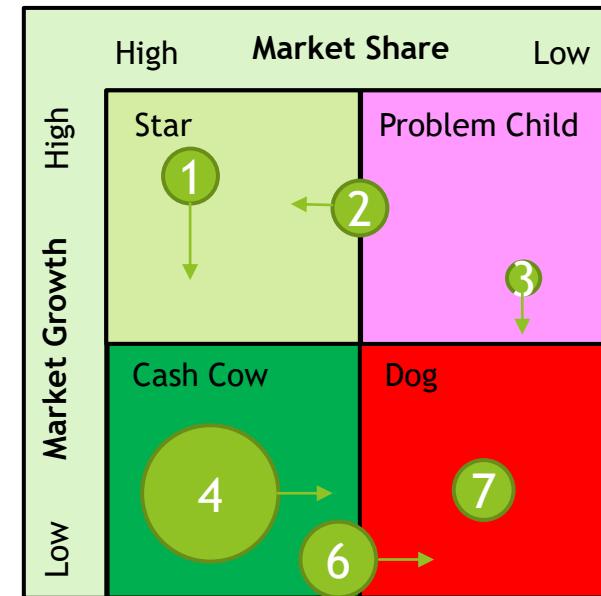
The Boston Matrix



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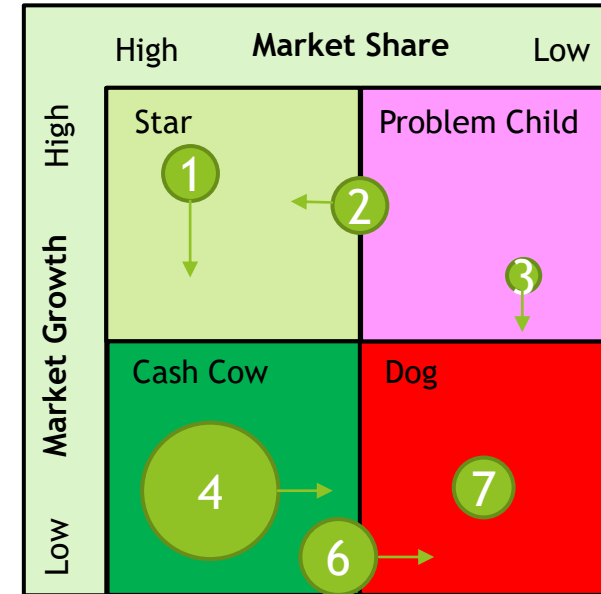
The Boston Matrix - Introduction

- ▶ This is another widely used tool, it enables at a glance to compare the phases of several products and services at once, it was developed by the well regarded Boston Consulting Group
- ▶ You can find, plenty about is online, here we will keep to its basic implementation
- ▶ There are four key zones
- ▶ Stars - High market shares in a high growth market
- ▶ Cash Cows - High market share but in a mature or declining market
- ▶ Problem Childs - Low market share in market with high growth
- ▶ Dogs - Poor market share in a mature or declining market



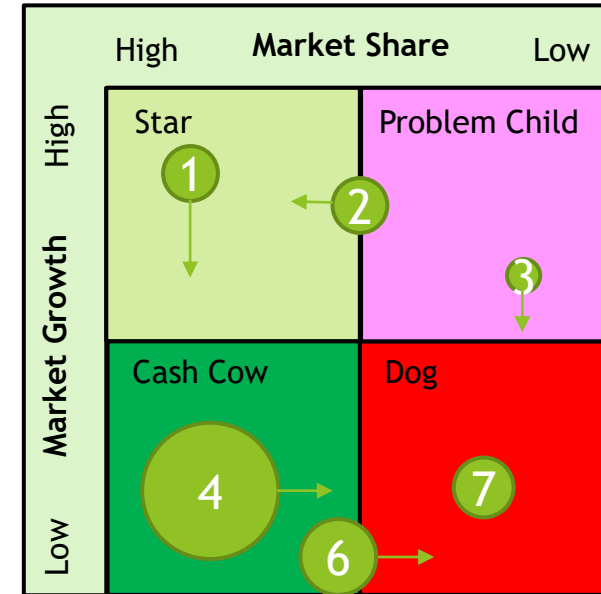
The Boston Matrix - Introduction 2

- ▶ The size of the circles represent the relative value of turnover compared to others
- ▶ The arrows show the expected trend over time. Several versions can be made for what is expected in 1,2 or more years
- ▶ The Matrix is useful tool because it allows you, in one view to see where revenue is coming from now and in the future
- ▶ It also indicates your market share and importantly illustrates gaps in your portfolio



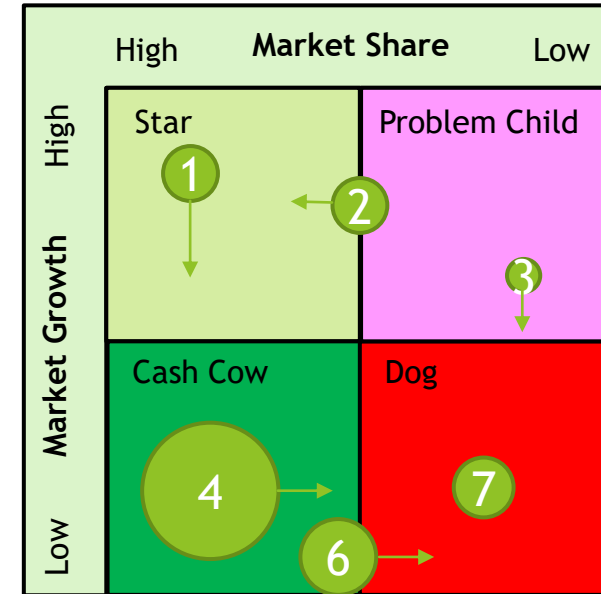
The Boston Matrix - Transitions

- ▶ Typically a new product starts as a Problem Child (2)
- ▶ If successful, as sales and market share increase it moves to a Star (1)
- ▶ Some new products fail to take off (3)
 - ▶ They may be late to the market, not competitive or poorly promoted, these will end up as Dogs unless remedial action can be taken
- ▶ Over time, as a market matures, Stars will mostly migrate to Cash Cows (1)
- ▶ Cash Cows (4,6) over time will move to Dog as they lose competitiveness and lose market share



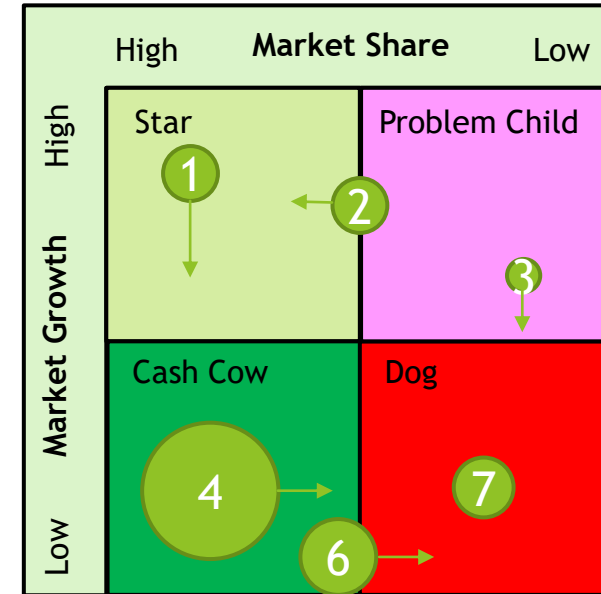
The Boston Matrix - Health Check

- ▶ The Boston Matrix is a useful way of seeing at a glance what is right, and more importantly wrong with your product portfolio
- ▶ Ideally
 - ▶ Products for the future in Problem Childs
 - ▶ Stars and some Cash Cows to pay the bills
 - ▶ No Dogs



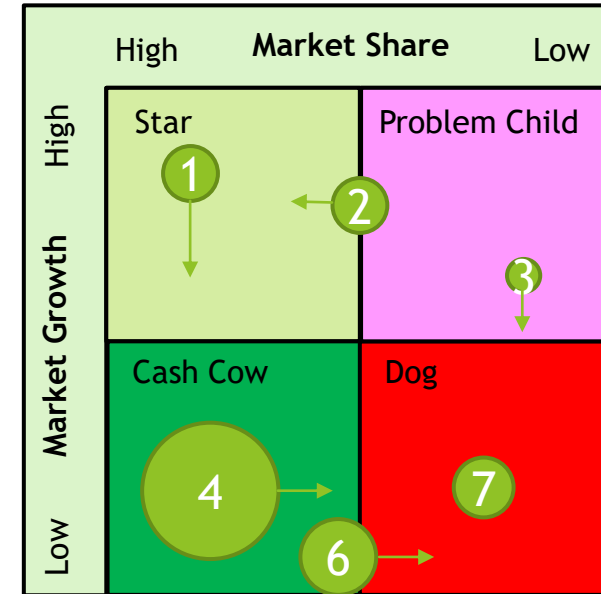
The Boston Matrix - Danger Signs

- ▶ Most products are Problem Childs
 - ▶ Whilst the future may look bright, you could be facing cash flow issues if there are insufficient Cash Cows to pay the bills
- ▶ All Stars and no Cash Cows
 - ▶ If turnover is low, cash may be tight, but you are much nearer to turning a profit as these grow
- ▶ Cash Cows but few Stars and Problem Childs
 - ▶ A classic problem, and the reason many businesses fail, business is good today, but there are no products for the future



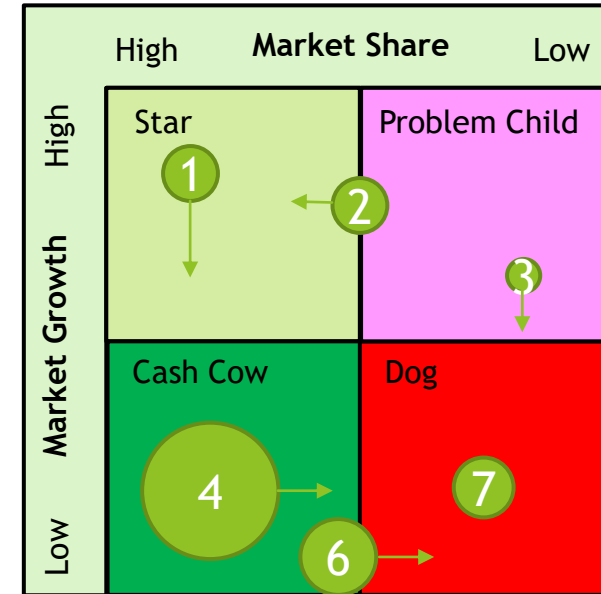
The Boston Matrix - Danger Signs 2

- ▶ Development budgets are often trimmed when money is tight. The result isn't felt immediately but down the line when Cash Cows become Dogs and there is nothing to replace them
- ▶ Once a product is a Dog, it's likely to be heavily discounted, volumes falling and it's production may be causing manufacturing inefficiencies. Too many Dogs demonstrates something needs urgent action



The Boston Matrix - Managing your Portfolio

- ▶ The tool can give advance warnings that action needs to be taken
- ▶ Undertake this process at least once a year along with SWOT
- ▶ Look at your product trends
 - ▶ If a product is sticking too long as a Problem Child, it needs attention
 - ▶ If Cash Cow turnover is falling, can action be taken to reverse it
 - ▶ Stars should gain not lose share, if they are to become future Cash Cows



Summary

- ▶ When you are making money, life can seem easy!
 - ▶ Unfortunately, the business market moves quickly, if you don't keep up, it's all too easy to fall behind, just look at former High Street giants now consigned to history!
- ▶ All businesses, whatever size or market need to look and plan ahead