

Exploring Product Life Cycle

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Product Life Cycle – what is it, and how do I, as a small business owner, figure it out? How do I know when a product or service has reached a saturation point? When do I need to find something new to offer, when do I stay the course and do more advertising?

This group of questions comes up a lot, these days. Maybe it's because we've headed into summer, and are evaluating plans for fall and winter growth, and are starting to plan for 2006. Maybe it's because the buying marketplace has heated up for some of us – I'm getting lots of reports that more business is being transacted this year, as compared to last year, this time. In any case, as entrepreneurs and business owners, we need to realize our success is at least as dependent on our ability to answer these questions well, as it is on coming up with a good idea in the first place.

As an entrepreneur, and developer of the product or service you offer, you might ask, "Why should I care about saturation points and market stages? After all, I have only a small share of a market. I'm not big enough to influence the market in any significant way. I have enough customers to support my business. I don't have the time, dollars, or inclination to launch multiple offers. I just have to ride things out." Stubbornly defending sticking with a product or service because you know it,

love it, are comfortable with it, will not make you money. Taking product/service life cycles into consideration, as you plan the next few years of your business, will net you more money, protect you from losses, and help you get better payoff. It's all about netting a better bottom line.

Let's take a look at the stages of a product/service lifecycle. Next week, we'll take a look at developing a reasonably accurate forecast of sales, using that knowledge. We'll end up with better answers to one of the tough questions we all face as owners and developers of products or services – when to keep expanding, and when to pull the plug, and move on to something new.

Classically, a product/service life cycle is defined as having 4 stages: early/development, growth/expansion, maturity/late, and decline/exit. All stages are bound by three realities: competition, saturation, and change. A typical life cycle is similar to a bell curve. Graph out revenue on the "y" axis, and time on the "x" axis, and you'll find the only true variation between products and markets is due to height and length of the curve. No market is infinite. Competitors will always want a slice of your pie, buyers reach a limit of what they will buy, and someone is always likely to come along with a better mousetrap. If anyone tries to tell you differently, beware!

Each stage of the product/service lifecycle has distinct attributes, which should influence your decisions about how to grow your business. Doing a little homework upfront will help you avoid classic problems like not enough customers, not enough income. Don't spend years chasing an opportunity that never delivers to its full potential. Know what the opportunity is worth, and go after it deliberately.

Market research, at its best, is practical. Use available data to figure out which stage a product is entering, leaving or passing through, at any given time. Market data is available everywhere around you. The internet is a great resource, as are industry specific guides, available in most business libraries.

Here are some questions you can use to figure out your product / service's likely stage of development.

- How many competitors are there? A lot of competitors indicates maturity; a few indicates either early or late stage, as competitors either experiment with the market, or milk the market for all its worth and prepare to give up and move on
- Is there a product leader? How strong is that leader? How many other players? Early stage usually has one or several small, experimental leaders

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- emerging, who are overtaken by stronger players in the growth/expansion stage. In the maturity/late stage, the low cost provider is usually the winner, and in the decline stage few, if any, suppliers win, unless the provider is sticking around to support customers who are buying something else, in another growth stage.
- How many suppliers are entering the market? Competitors flowing in indicates that transition from stage one to stage two. Time to stop innovating and start marketing to grab share. Competitors flowing out indicate that the product is past maturity and heading to consolidation and low cost provider. Time for you to launch additional products or services to offer, with higher price points. In this stage, don't hang on too long to your current offer, as decline in profits is likely.
 - What are potential buyers thinking about buying? Are they looking for the current product or service, or are they starting to focus on something new? How much R&D is being done by your competitors, relative to the current product or service, vs. new ones? Be sure that the market doesn't shift forward and move out from under you.
- How big is the market? How much share do you have now? How much share can you reasonably expect to sell / provide? Got a lot of potential = keep going. Fighting like a dog to pick up a few more clients = think about finding the next generation of products or services to offer.
 - How long is the life cycle of similar products/services? A long life cycle curve gives you more time to capture clients, make money, and recover from mistakes. A short life cycle requires a lot of spending on advertising to quickly capture share, with little time to recover.

Doing your homework on these questions sets you up to work on a sales forecast that is believable. It helps you to see the opportunities, and caution flags. A little research can go a long way to picking the most profitable way to proceed with your business.

Looking for a good book? Try *The Tipping Point, How Little Things Can Make a Big Difference* by Malcolm Gladwell, 2002, by Little, Brown and Company. This book talks about the early stage of product development and launch – and why you should hang in waiting for momentum to build. You can also try *Don't Jump to Solutions, Thirteen Delusions that Undermine Strategic Thinking*, by William Rouse, published by

Jossey-Bass. This book is focused at the late stage, when change is necessary, but the right choices are not yet clear. In the middle is *The Definitive Guide to Marketing Planning, a Fast Track to Intelligent Marketing Planning and Implementation for Executives*, by Angela Hatton, published by Prentice Hall. The book has a lot of great exercises you can adopt for your planning process.

Business owners regularly turn to Ask Andi and Strategy Leaders for advice on how to grow profitable, successful companies. They find what they need time after time. Specific advice is available at www.AskAndiBlog.com. Ask Andi is also published weekly in the Westchester and Fairfield County Business Journals and Hudson Valley Business. Written by Strategy Leaders President, Andi Gray, the Ask Andi column is a rich source of advice for owners of established, privately held businesses.

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