

# The Compressed Product Lifecycle... Challenges or Opportunities?

by Joan Fulton, Frank Dooley and Kathleen Erickson

Marketing is a constantly changing, challenging endeavor as well as an awesome opportunity for seed companies. Thanks to extensive efforts and successes of research and development efforts by the seed industry, we've seen incredible changes in seed products and the industry as a whole in the last five-10 years. Those changes are reflected in the host of attributes available to producers, as well as a compressed time schedule in which the product is viable in the marketplace.

*If you are feeling pressure by this compressed lifecycle, you're not alone!* But a review of some basics and a self-assessment of your company's offerings may help put this product lifecycle into perspective. We'll present some proven strategies and ask you to give consideration to just where and how your products fit your customers' needs.

## Product Lifecycle

The product lifecycle describes the profits and sales performance as the

product moves from product development through the introduction and growth to maturity and then decline. Each of these stages is characterized by different levels of sales, costs and profit. As a product progresses through its lifecycle, you must change your marketing objectives, pricing strategy, product line and distribution methods in order to maximize the product's lifetime profitability.

### Introduction

The goal during the introductory stage is to build customer awareness of the product. Advertising and promotion should focus on gaining attention of early adopters and other market influencers, such as dealers. Use a selective distribution system with only a few retailers or make the product available in specific regions. Sales are generally low during introduction, and profits will be negative or very low.

The introductory stage will typically involve a limited number of firms. All production occurs under contract,

with the terms dictating production practices to be used, limited approved genetics, strict quality requirements, close monitoring of production and high producer premiums.

### Marketing implications for the introduction stage:

- Requires a set of strengths that has the greatest difference from traditional grain handler strengths.
- Flexibility, management and physical assets, part of a responsive supply chain.
- Close, trust-based relationships with participants along the supply chain.
- Strong communications skills.
- Willingness to accept a different set of risks and to incur some losses before the product produces a positive return, possibly even into the growth stage of the lifecycle.

### Growth

The goal during the growth stage is to maximize market share, so advertising will continue building customer awareness and interest in the mass market. The basic product will be enhanced with product extensions, such as features, sizes, services and product guarantees – efforts that will help strengthen customer loyalty and generate repeat sales. The product will move through a more intensive distribution system, and be available in more stores or throughout the entire country. Product extensions, more intensive distribution and advertising generate rapidly rising sales. Since sales are increasing more quickly than per unit costs, profits are also increasing.

### Marketing implications for the growth stage:

- Still requires flexibility.
- Coordinate the activities and details in a responsive supply chain.

	Introduction	Growth	Maturity	Decline
<b>Sales</b>	Low	Rapidly rising	Peak	Declining
<b>Costs</b>	High per customer	Average per customer	Low per customer	Low per customer
<b>Profits</b>	Negative	Rising	High	Declining
<b>Marketing Objectives</b>	Create Product awareness & trial	Maximize market share	Maximize profit while protecting market share	Reduce expenditure, "milk the brand"
<b>Product</b>	Offer basic product	Offer product extensions, service, warranty	Diversify brand & models	Phase out weak items
<b>Price</b>	Cost-plus	Price to penetrate market	Price to match or beat competitors	Cut price
<b>Distribution</b>	Build selective distribution	Build intensive distribution	Build more intensive distribution	Selective, phase out of unprofitable outlets

Kotler, Philip and Gary Armstrong. *Principles of Marketing*, 10th ed. New York: Prentice Hall, 2003.

- Covey to partners you are working with the importance of segregating and testing accurately and efficiently.
- Market growth.

## Maturity

During maturity, you still want to maximize profit margin, but now you also have to defend existing market share. Your advertising promotion should stress differences from your competitors and benefits of using your product. Brands are more diverse, many models of the product are offered and they are also more widely available. Sales are highest during product maturity, while cost per unit is lowest. Since profits during maturity are at their highest, you want to extend this stage as long as possible.

### Marketing implications for the maturity stage:

- Effective management including attention to inventory control is key.
- Consider new uses, new audiences, and new approaches for a mature product.

## Decline

As products reach the end of their lifecycle, they enter the decline stage, which is often caused by the introduction of new, better products that perform the same function. Your goal is to reduce expenditure, and “milk the brand,” which can be a particularly profitable strategy for products with strong brand image and deep customer loyalty. No new investments are made in the product. Costs per unit are still low, but declining sales reduce the profit margin. A profitable strategy is to phase out weaker items in the product line. Advertising is only used to maintain sales to hard-core customers.

### Marketing implications for decline stage:

- Discipline.
- Make tough choices.
- Know when and where you want to win.
- Know when you will walk away.

## Key Product Lifecycle Considerations for Marketers

### Introduction

Start small, know your market, know key influencers, consider distributions systems.

### Growth

Be flexible, aggressive, anticipate and be prepared to avoid market pitfalls.

### Maturity

Make your money and bank it. Consider new uses, new audiences and new approaches for the product.

## Marketing Mix

As a manager, you have four tools, the four Ps, in your marketing mix for achieving your profit goals.



### Decline

How can you eek out more profits from this well-known product? Know when to walk away.

### Consider what this means to your firm

Take a look at your firm’s management and marketing strengths and skills. Consider how those strengths and skills match up with those listed for each stage of the product lifecycle. Are you flexible, with managers capable of building strong relationships with part-

ners along the value chain? Are you able to absorb some risk from being involved in this market? These are the skills associated with the introduction stage.

If you are prepared to operate efficiently and work flexibly in partnership with participants along the supply chain, your firm matches with the growth stage. If effective management with sound inventory control is your strength, your product fits in the maturity stage. Are you operating in the stage of the product lifecycle that its strengths and skills would suggest it should? If not, have you missed a strength that is an asset?

The compressed product lifecycle likely does present both challenges and opportunities to your product and your company. But keep in mind, how you manage the various stages of the product lifecycle is just as important to success as the products you develop.

*Joan Fulton, Ph.D. is Associate Professor in Agricultural Economics, and Frank Dooley, Ph.D. is Professor of Agricultural Economics at Purdue University. Kathleen Erickson is President of Erickson*

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Tel: 559-693-4001 / Fax: 559-693-0071  
P.O. Box 827  
San Joaquin, CA 93660 USA  
e-mail: [production@npseeds.com](mailto:production@npseeds.com)  
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