

Enterprise Marketing Strategy Research Based on Product Life Cycle

FANG Hong^{[a],*}

^[a]School of Business Administration, China University of Petroleum (Beijing), Beijing, China

*Corresponding author.

Received 11 September 2013; accepted 3 December 2013

Abstract

As an important concept, Product Life Cycle is directly related to an enterprise's marketing strategy. If an enterprise executes targeted marketing strategies for the four stages of the product's life cycle: introduction, growth, maturity and decline, marketing results will be optimized. The article analyzes and elaborates on successful marketing strategies that several classic domestic brands used for different stages in their product life cycle. We hope to help more domestic enterprises by providing options when selecting marketing strategies for different stages in product life cycle.

Key words: Product life cycle; Marketing strategy

FANG Hong (2013). Enterprise Marketing Strategy Research Based on Product Life Cycle. *Management Science and Engineering*, 7(4), 65-67. Available from: URL: <http://www.cscanada.net/index.php/mse/article/view/j.mse.1913035X20130704.3811>
DOI: <http://dx.doi.org/10.3968/j.mse.1913035X20130704.3811>

INTRODUCTION

Four years after the global financial crisis broke out, global economy is still fragile in 2013. China's economy growth has slowed down to 7.5% during Q2. An important notion proposed after the Third Plenary Session of Eighteenth CPC Central Committee is to actively slow down the economy in exchange for quality improvement. Under current situation, domestic enterprises need to respond to this opportunity and challenge in an affirmative matter. They would need to enhance strength and marketing capacity in order to avoid being eliminated by the market during fierce competition.

Hence, it appears to be essential to study marketing strategies based on Product Life Cycle in order to enhance competency of the enterprises.

1. SUMMARY OF PRODUCT LIFE CYCLE THEORY

The Product Life Cycle Theory was proposed by Raymond Vernon, a professor from Harvard University, US, in his paper "International Investment and International Trade During Product Life Cycle" in 1996. Product Life Cycle refers to a product's market life: the complete process from a new product entering the market to being eliminated by the market. It includes four stages: Introduction, growth, maturity and decline. Each stage displays distinctive features in terms of consumer groups, competitors, distributors and profits. Therefore, enterprises could choose targeted marketing strategies according to different stages in the product's whole life cycle, thereby winning customers and making continuous and considerable profit.

1.1 Introduction

It is the initial stage for a product to enter the market. During this stage, the enterprise is subject to conditions such as technology limitations and high promotion costs. Issues such as incomplete product category, low production output and low market recognition could persist, leading to limited sales, thin profit or even loss.

1.2 Growth

When a product has won customers' favor by technology improvement, advertisement and sales promotion, it has entered a period of growing demand, i.e., Growth stage. The characteristics of this stage include strong supply and demand, dramatically decreasing production costs and fast growing profit; at the same time, other competitors start entering the market, fighting for market share. Eventually, price gradually goes down and profit growth slows.

1.3 Maturity

Product enters a stage of standardized mass production. It has been sold to a wide range and different levels of consumer groups, and market demand has reached saturation. The characteristics of this period include fierce competition, slowed sales growth, raising cost of product improvement, after-sale services, and profit drop.

1.4 Decline

As technology advances and consumer behaviors change, any product would one day face its end: being eliminated by the market. When a product cannot meet customers' demand anymore in any aspect such as performance and price, its sales and profit will inevitably decline; eventually production will stop and the product will become history.

2. ENTERPRISE MARKETING STRATEGY RESEARCH BASED ON PRODUCT LIFE CYCLE

Product life cycle relates closely with the making of product marketing strategy. Designing targeted marketing strategy for different stages of a product's life cycle could prolong a product's sales cycle to the maximum, and eventually create profit far greater than cost of product R&D and market promotion.

2.1 Marketing Strategy During Introduction Stage

During Introduction stage, product uniqueness and establishment of correct business model are of utmost importance. It could help the enterprise seize market share in a short time before other potential competitors entering the market, thus shortening the introduction stage and lowering market risk. In this stage, enterprises should look at the market from customer's perspective, grasp the real demand in the market and build a complete and effective marketing model. We will now discuss "*Melatonin*", a dietary supplement product which became the legend of marketing in China, as an example. Since entering the market in 1998, *Melatonin* had made billions of RMB in sales in merely a few years. It succeeded by executing a new sales strategy called "Tracking Consumption Model". It replaced the traditional "Guided Consumption Model", and managed to succeed in the introduction stage. *Melatonin*'s marketing strategy is divided into product strategy and concept strategy. In terms of product strategy, it devoted a lot of research effort into the product's effect, naming, positioning, appearance and supporting theories, etc, and eventually created a highly unique product. By being unique, it established an initial competitive advantage. Then it executed the concept strategy to attract customer's attention and bring actual

sales. "Young Status" was a brand new concept *Melatonin* created. It catered to the desire of staying young and the fear of aging, and created a huge demand in senior customer group. Meanwhile, *Melatonin* was positioned as a gift, taking advantage of China's longstanding gift-giving tradition and targeting young people with stronger purchase power who would buy *Melatonin* for parents and older relatives. At last, by making use of advertorial, *Melatonin* successfully initiated its own market. The marketing strategy for *Melatonin* is worth other domestic enterprises learning from.

2.2 Marketing Strategy During Growth Stage

When demand and sales of a product accelerate, the Growth stage has arrived. The main focus during this period is to conquer market and strengthen its position. In terms of marketing strategy selection, the enterprise should follow the rule of maintaining market growth rate as well as prolonging time period for gaining maximized profit. For example, the key product of Luzhou Liquor, *GuoJiao 1573*, faced its Growth stage from 2004 to 2006. Luzhou's marketing strategy was to increase the numbers of sales channels, open new market segments, enhance product uniqueness and gain support from distributors. By doing so, Luzhou maintained a strong market growth. It was ranked as number one in China in 2005 high-end liquor sales, selling more than 800 ton of Chinese liquor at a total sales of close to 500 million RMB.

2.3 Marketing Strategy During Maturity Stage

A product's maturity stage is again divided into three sub-stages: growing, stabilizing and descending maturity. It concludes the complete process from sales growth slowing, reaching maximum sales, to sales slowly descending. The strategy during this stage should include keeping market share, increasing sales and prolong on-sale time by all means, or innovating on technology to restart the life cycle, in order to maximize sales revenue. Take commercial refrigerators as example. Commercial refrigerator product is at the growing maturity stage in the refrigerator market segment, and market is much more concentrated. Haier commercial refrigerator, the leader of the market segment, attempted to maintain its leading position by bringing forward a new concept: "Full Life Cycle Service". The strategy included three levels: product, service and user's full life cycle. It explored different aspects such as end-user interaction, market research, design and development, as well as cost optimization. While satisfying users and helping clients grow, the strategy also created a win-win situation for the whole industry chain. Its competitor, Aucma, on the other hand, made effort in enhancing user experience through technology innovation. Numerous beverage companies have favored Aucma upright refrigerator freezer's appearance due to its unique industrial design.

2.4 Marketing Strategy During Decline Stage

When sales slip further and profit is extremely low, it means that the product has reached its Decline stage. The guiding principle of market strategy selection in this stage is to treat laggard products effectively. However, it is not necessarily the best choice to stop production immediately, as the enterprise would risk losing clients of its other products by doing so. Prolonging a product's discontinuation period at the right moment allows the enterprise to receive clients of other similar products sold by competitors who have exited the market, thus maintaining sales and avoiding loss. In addition, it will eventually win customer loyalty, so that more customers would choose more advanced products of the same company. For example, "Listening to the clients" is the core value of Fairchild Semiconductor, a renowned manufacturer of electrical components. After listening to clients' opinions adequately, the company launched non-stop-production products and life cycle supply policy, in order to guarantee users to receive long-term support when using the company's components and solutions in their system design, even if the specific component products have reached Decline stage. This reassured clients of the company's future commitment so that they continued buying other types of products from the company out of trust.

CONCLUSION

Today, in a buyer's market which is almost saturated of all kinds of goods, the life cycle of the products shrinks

day by day, and new products replace old ones faster and faster. Therefore, it is a proven effective method to design and execute a company's specific marketing strategies based on Product Life Cycle Theory.

REFERENCES

- Guo, X. D. (2010). *Strategic marketing: An essential guide to managers*. Beijing: Peking University Publishing House. (In Chinese).
- Li, Z. (2007). The marketing strategy of the rural market in the information age. *Management Science and Engineering*, 1(2), 93-98.
- Lin, C. Y. (2006). Selection of new product channel strategy based on product life cycle theory. *Popular Science and Technology*, (01), 120-121. (In Chinese).
- Sun, J. (2012). Studies on chinese enterprise management mode and marketing channel reform under the network economy circumstance. *International Business and Management*, 4(2), 28-32.
- Utkarsh, S., Gaurav, D., Savita, D., & Malika, R. (2011). Extreme value analysis for record loss prediction during volatile market. *Management Science and Engineering*, 5(1), 19-25.
- Yang, B. Z. (2011). Corporate marketing strategy innovation. *Enterprise Economy*, 05, 76-78. (In Chinese).
- Zhang, S. X. (2008). Discussion on rational choice of liquor marketing mode. *Liquor Making*, 35(5), 99-101. (In Chinese).
- Zhang, J. (2012). China green marketing under the low carbon economy. *Management Science and Engineering*, 6(4), 61-64.