

PLC AND BCG MATRIX

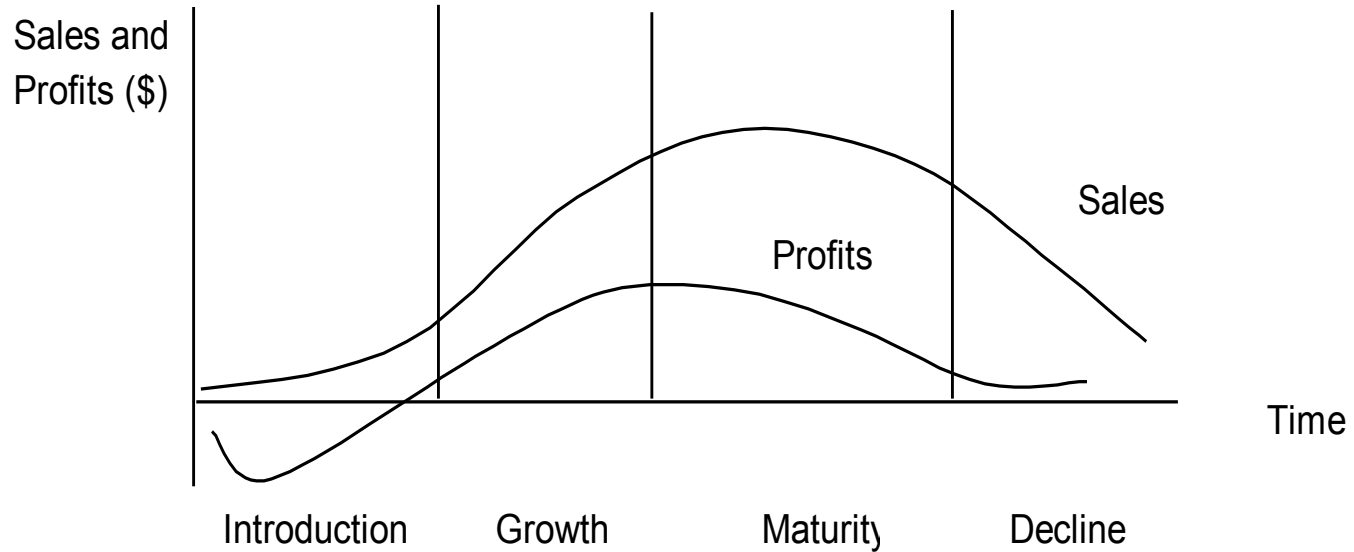
Product Levels

- Core Product – basic form of the product
- Peripheral Services – expand core offering
 - *Facilitating products* – enable customer to consume core product
 - *Supporting products* – additional services bundled with core product to increase value
- Augmented Product – core product and peripheral services

Product Life Cycle

- Introduction Stage
- Growth Stage
- Maturity Stage
- Decline Stage

Product Life Cycle



Developing Strategies for the Product Life Cycle

1. Compiling historical data
2. Identifying competitive trends
3. Determining changes in the product-service mix
4. Studying the product life cycles of similar products
5. Projecting sales
6. Locating current position on the life cycle
7. Developing strategies

Table 8.1 Characteristics and Strategies for Stages of the Product Life Cycle

	Stage I Introduction	Stage II Growth	Stage III Maturity	Stage IV Decline
Characteristics				
Sales	Low	Rapidly rising	Peak	Declining
Profits	Negative	Positive and increasing	High, starting to decline	Declining
Cash flow	Negligible	Moderate	High	Low
Customers	Innovators and some early adopters	Remaining early adopters and some early majority	Remaining early majority and late majority	Laggards
Competitors	Few Increasing in number and strength	Many	Declining in number	
Strategies				
Marketing objective	Create trial and awareness	Increase sales and maximize market share	Increase profits and maintain market share	Decrease market expenditures and maximize short-term profits
Product	Core product with some basic peripheral services	Minor product changes and extensions	Add attributes with positive differentiation	Core product and key attributes
Distribution	Selective	Becoming intensive	Intensive	Selective
Price	Set initial price based on costs and estimated demand	Price to penetrate market based on actual demand	Lower price to Increase market share	Reduce price to maintain volume
Promotion	Create trial and awareness through sales promotions	Build awareness and Interest and reduce sales promotions	Use to differentiate among major competitors	Reduce expenditures and focus on loyal customers

Extending the Product Life Cycle

- Increasing sales to existing customers
- Increasing the number of users
- Finding new uses

Pros and Cons of the PLC

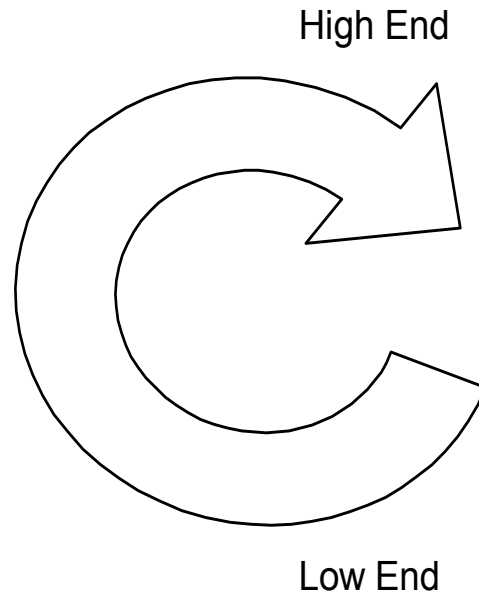
- Pros

- Use stage to improve marketing planning and strategy development
- Encourages firms to be more proactive
- Helps firms recognize potential threats and opportunities

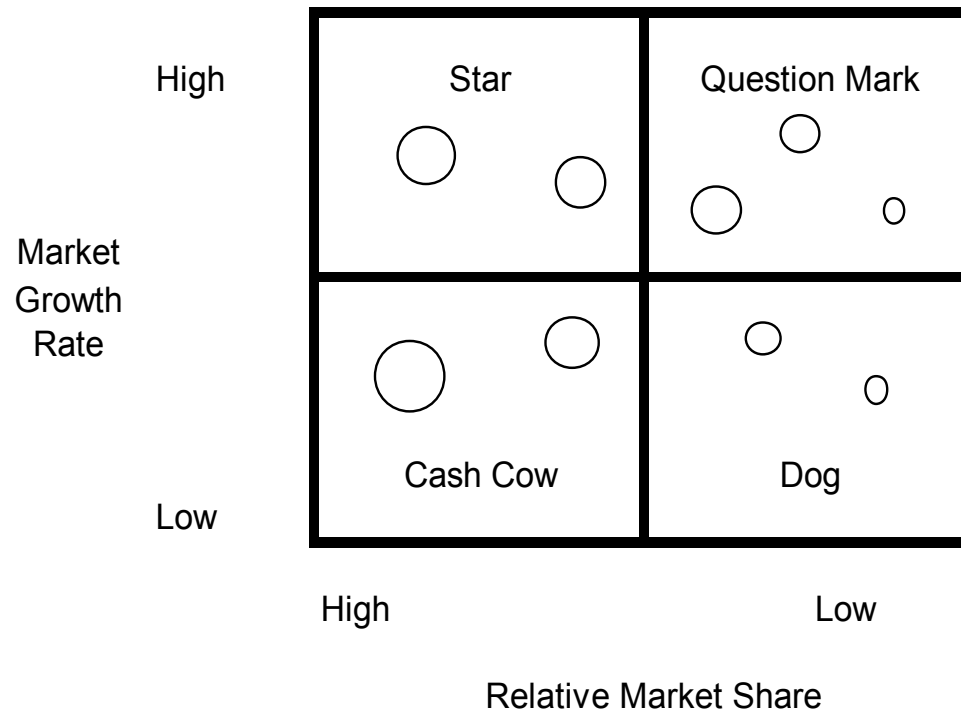
- Cons

- Doesn't apply to many products and services
- May become a self-fulfilling prophecy
- Hard to determine stage/predict changes
- May place too much faith in it; ignore other factors

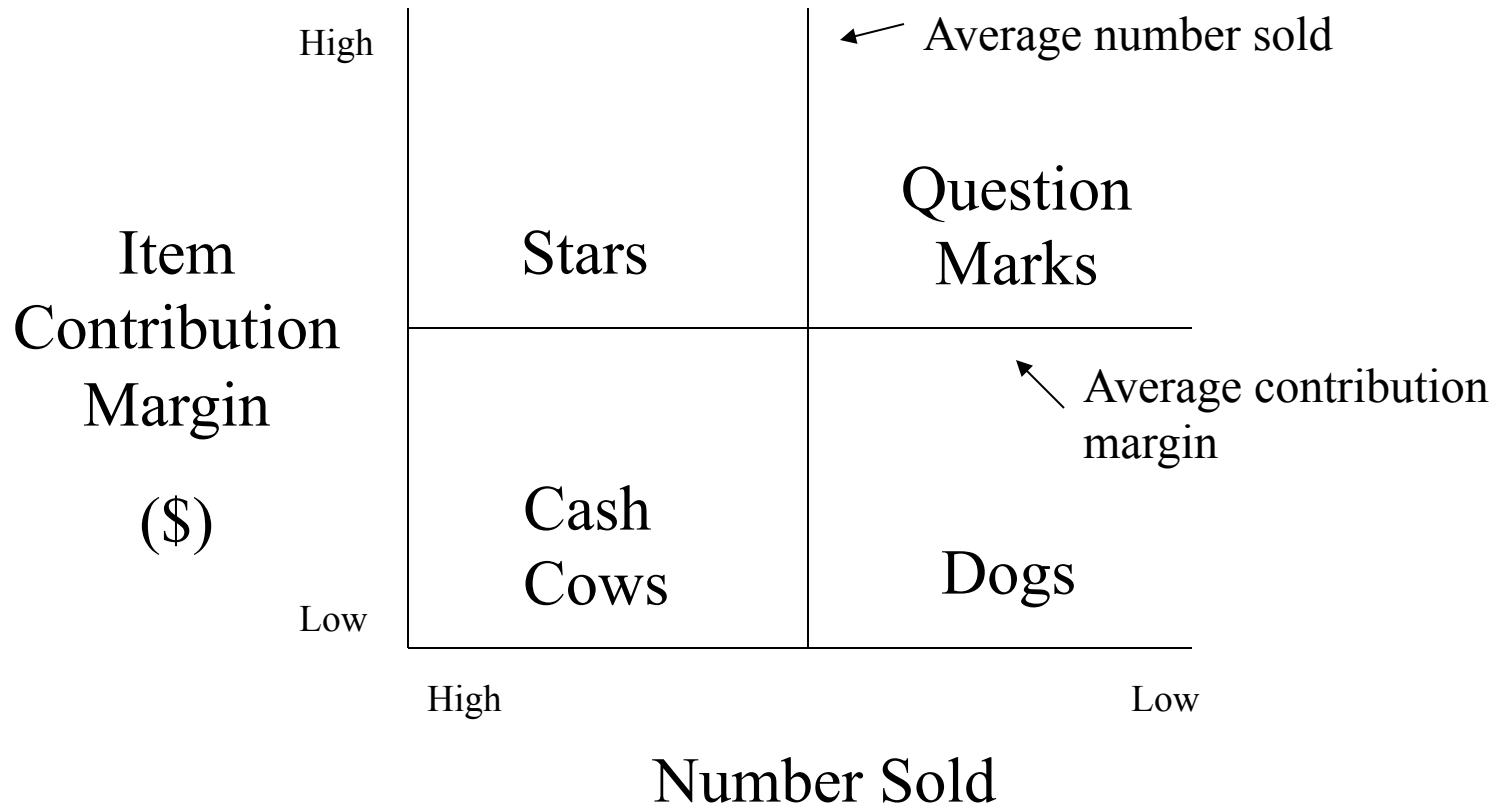
Wheel of Retailing



Boston Consulting Group Matrix



Menu Sales Mix Analysis



Conflict between Operations and Marketing

- Marketing
 - Revenue driven
 - Like variety and options
 - Evaluated on quotas and revenue
- Operations
 - Cost driven
 - Like standardization
 - Evaluated on lowering costs and quality control

Avoiding Conflict between Operations and Marketing

- Transfer managers across functional areas
- Create cross-functional teams
- Cross-train associates to perform a wider variety of tasks
- Delegate authority to individual units
- Institute gain-sharing programs

Strategies for Managing Supply and Demand

- Modify price
- Develop programs to boost volume during non-peak demand periods
- Shift demand through reservations
- Increase personnel efficiency
- Increase customer involvement in self-service aspects of service delivery