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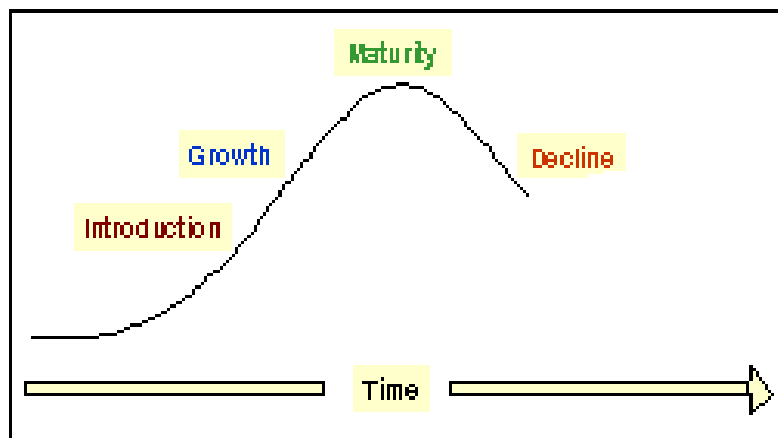


PRODUCT LIFE CYCLE AND MARKET ENTRY STRATEGIES

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Market entry¹

Market entry can be thought of as when, where and how a product is introduced to consumers. Prior to a product entering the market, a market entry strategy should be formulated. Market entry strategies are different from other business strategies such as promotional, pricing or positioning strategies. The difference is that market entry strategies are focused on where the product is in its life cycle. Products like living organisms have life cycles.



¹Scott Clark, Houston Business Chronicle, The Four Market Entry Strategies: How will You Get into Business? <http://houston.bcentral.com/houston/stories/2000/10/09/smallb3.html>

The first phase of a product life cycle (the introductory phase) is the creation and introduction of a new product. As consumers become familiar with the product and acceptance grows during the introductory phase, the product moves into the growth phase of the cycle. During the growth phase, the product category experiences a tremendous level of growth and competing products are introduced. Some competitors copy existing products while others try to improve the product and/or offer different product attributes to attract different target consumers. As a result of new market entry, product variety is greatly enhanced.

The third phase of the product life cycle is the maturity phase which is described as the stage where industry sales start leveling off. During the maturity phase, there is increased pressure from competing products and profits generally decline as promotional efforts increase and prices are reduced to attract business. New products can be introduced at this time but consumers are reluctant to switch to an unknown brand if they are satisfied with their current brand. Therefore, market entry during this stage puts new products in direct competition with established products which generally means higher costs and increased marketing efforts, i.e., have to entice consumers switch brands.

The final stage in the product life cycle is the sales decline phase. During this phase new products replace existing products. The introduction of DVD players has moved the home entertainment industry onward and VCRs might now be thought of as operating in the declining sales phase of the product life cycle. Some consumers are slow to change and prices of VCRs have declined so that the category is not totally dead.

Marketing and pricing strategies need to be implemented based on when the product is being introduced in the product life cycle. A product that enters the market at the beginning of a product life cycle is considered a pioneering entry strategy and is considered to be breaking new ground. Consumers are generally unaware of the product and it takes time for consumers to become familiar with and start purchasing the product. A different strategy is used when a product is introduced during the growth phase of the product life cycle. This strategy can be thought of as a follow-the-leader entry strategy. Typically companies that utilize this strategy have been monitoring the pioneering companies and have determined that the market is growing and profitable. The decision is then made to produce a copy or similar product and enter the market. Yet another strategy is the segmentation entry strategy. This strategy generally occurs in the latter part of the growth phase of the product life-cycle. Companies will introduce products with enhancements or product improvements that address specific market segment needs. Utilizing this strategy means that there are numerous competing products with numerous feature variations targeted at different consumer markets. The final strategy is the me-too entry strategy and is typically used during the maturity phase of the product life cycle. This strategy is developed to provide similar competing products focused on reduced manufacturing costs. This strategy relies heavily on marketing inexpensive products against the established brand name products, thus leading to less expensive products.

Given the product life cycle and the associated pricing and marketing strategies, it is important to determine the stage of the life cycle in which a new product will be introduced to the market. Determining where a product lies in the product life cycle will help determine the most appropriate market entry strategy. Price competitiveness appears to be more important during latter phases of the life-cycle where as innovation and differentiation are more important during the earlier phases.