

The YEBDC Small Business Information Column

by Sue Gingerich, Business Advisor

"The Business Life-Cycle"

The realization of a need for potential customers is the very beginning of a marketing strategy. Understanding where your business and your products or services are in their "life-cycle" is key to developing your marketing strategies. It is also important to understand all the external factors that can affect the course of a life cycle.

The four major phases to a business life cycle and the characteristics of each phase are:

Introduction

Consumer recognition and acceptance of your offering is low. Very little competition. Promotion usually focuses on awareness and educating. Costs are typically higher, profits and sales are lower. Selling price is usually high.

Growth

Gaining consumer recognition and acceptance. Greater competition. Promotion is informing and persuading. Costs are coming down, as might prices. Sales and profits are increasing.

Maturity

Consumer recognition and acceptance is high. Usually very competitive. Promotions may become more incentive-based (high persuasion). Most costs are at their lowest, except possibly promotional and selling costs. Price is usually at its lowest. Sales have topped out and profits are leveling off. Products can stay in the phase of the life cycle for many years as long as no substitute comes along.

Decline

Product has outlived its usefulness.

Factors that can affect the life cycle are consumer trends and lifestyles, legislation and regulations, technological advancements, environment factors especially those affecting supply and demand, the economy and of course the competition. Especially watch for new product development by competitors that can make your product or service obsolete.

Typically, the most profitable phase in is the growth phase. So you might ask yourself how you can move a new product or service into this phase more quickly and how can you keep it there longer. Some of the ways you can keep a product in the growth phase longer or move a product back to growth from the maturity or decline phase are:

1. Increase the frequency of use by present customers.
2. Find and add new users. (New age group, new location, new country,...)
3. Find new uses for the product. (A good example is Arm & Hammer Baking Soda.)

In order to achieve any of these you may also have to revamp the product or service by changing its size, packaging, labelling, quality, name or how you describe it. You may also have to change promotion of it, its price, the location where you sell from, even the method of how you sell it. Researching the external factors that affect the life cycle may give you clues as to which of the growth strategies you might try. Of course sometimes it may actually be best to abandon a product or a service altogether and replace it with something else.

Understanding the "life cycle" concept provides the business owner with the opportunity to adjust his marketing strategy BEFORE getting caught in the "decline" stage.

If you have a small business and have a question or problem that you think The YEBDC could help you with please call or write to: The Yellowhead East Business Development Corporation, Box 249, Sangudo, Alberta, T0E 2A0
1-800-556-0328 or 1-780-785-2900, e mail: yebdc@yebdc.ab.ca, or access our Website at: www.yebdc.ab.ca

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