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**The Linking Process: Product Life Cycle, Diffusion Process, Competitive Market
structures and Nature of the Market**

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ABSTRACT

The purpose of this conceptual pedagogical thought piece is to elicit responses from the readers with regards to how the concepts of Product Life Cycle, the Diffusion Process and the various competitive market structures as they relate to formulating marketing strategies.

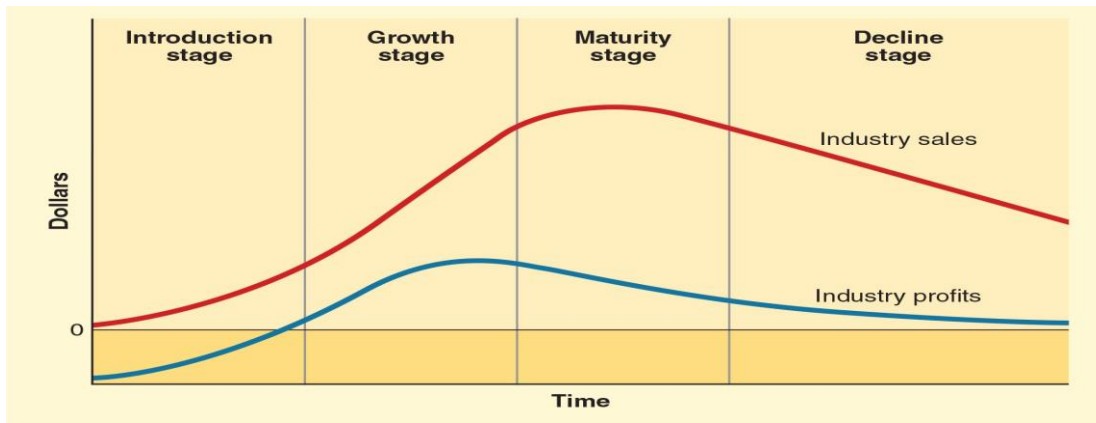
INTRODUCTION

The concepts of Product Life Cycle, the New Product Diffusion Process, Competitive Market Structures and the nature of the market are often dealt with independently in the marketing literature. These four concepts are very highly intertwined. It is the objective of this essay to link these concepts in a manner that gives the reader a means to convey the connections and relationships between these concepts to students in a pragmatic way.

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Product Life Cycle (PLC)

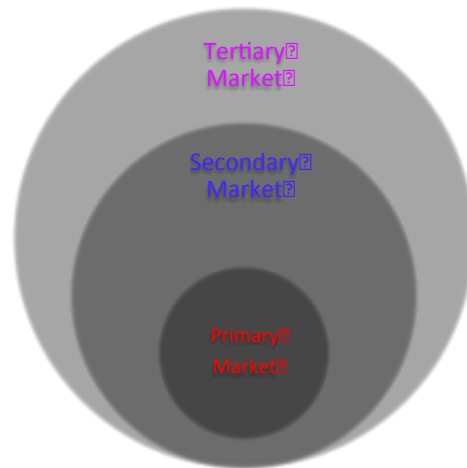


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The Product Life Cycle (PLC) is a descriptive tool that allows marketers to comprehend the industry sales and profit histories over the life of a class of products. The two elements that help identify current positions of products in the PLC are the nature of the market and competitive structure in that market.

In the introductory stage of the PLC the target market can be described as the primary market, where in, the needs and desires of the consumers in that market are congruent with the features and benefits that are offered by the product.. An example of this might be, for the microwave oven industry, in the introductory stage of the PLC, the primary market for the product was the restaurant market. The growth stage of the PLC dealt with the secondary markets where satisfaction of the consumer needs and desires needed more augmentations to the basic product features and benefits and thus product modifications were necessary to appeal to this market.

Market Configuration



The competitive structure in the introductory stages of the product life cycle is primarily monopolistic in nature. In this stage, the industry profits may be small, sometimes even negative, due to increased investment costs. As the sales growth accelerates in the industry, more competitors enter the market and the now the competitive structure evolves into a monopolistically competitive mode. Many sellers enter the market and product differentiation becomes the norm. The industry profits tend to increase during the early and middle part of the growth stage due to lower production cost realizations and increase in the market and sales potentials.



Types of Competitive Structures in the Market

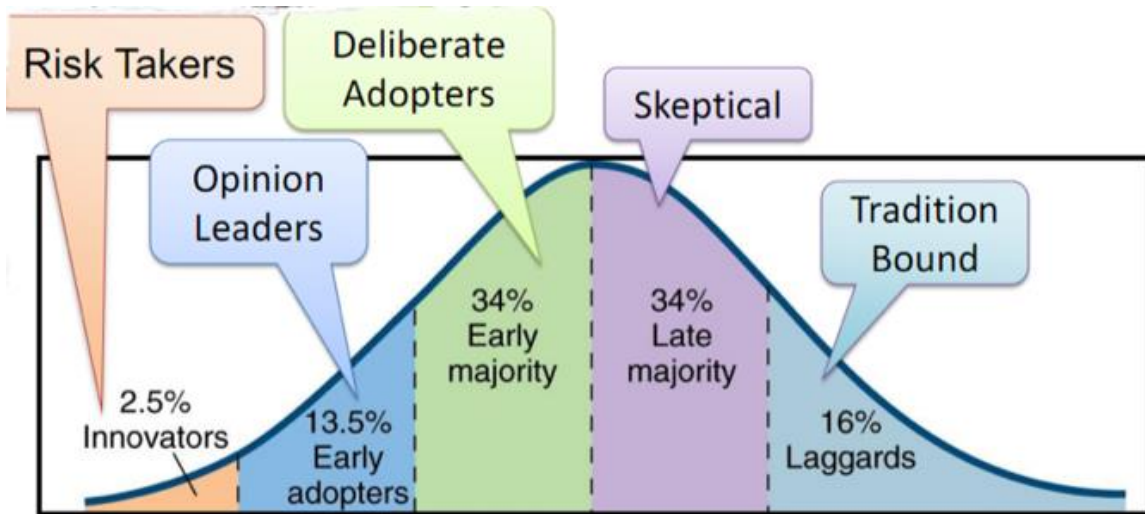


Toward the latter part of the growth stage, due to the intensely competitive market structure, the industry profits tend to decline and marginal competitors start to drop off thus indicating transition into the maturity stage. During the maturity stage, marketers are investigating the possibilities of extending the PLC by reinvesting in further product modifications and establishing stronger brand identities. The competitive market structure resolves itself into more of an oligopoly structure. Few producers dictate larger shares of the market by adhering to multi-branding strategies, thus garnering a greater share of sales and profits. Once again, the market reflects customers in the secondary market for the product where augmentations to the basic product characteristics are germane.

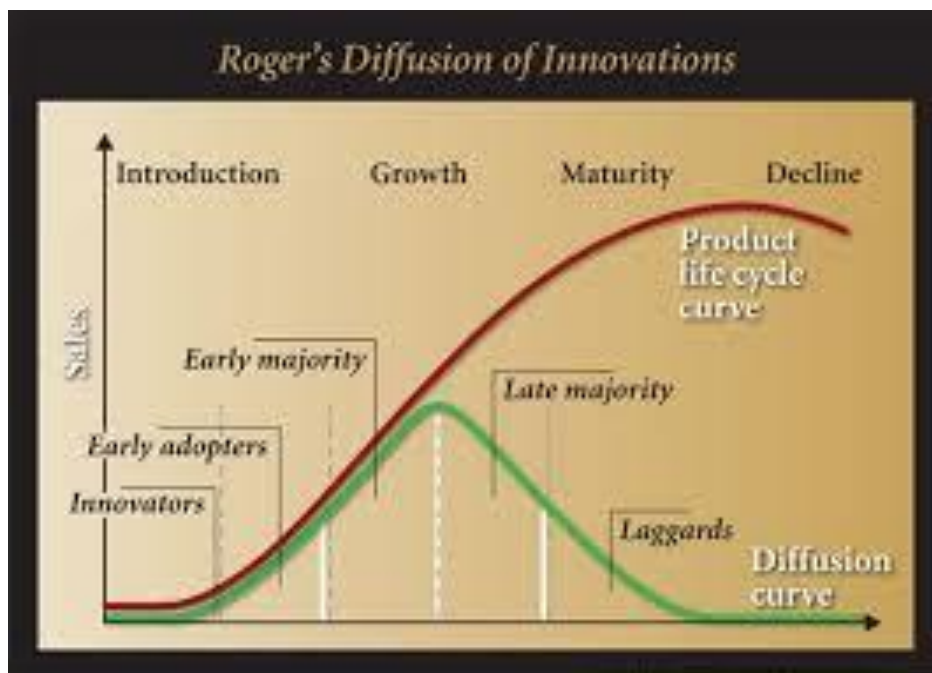
PRODUCT DIFFUSION PROCESS

The Product diffusion process allows a marketer to understand the nature of the market place in terms of the needs and desires of the target market. This process classifies the target market as to its dominant market characteristics and allows a marketer to tailor the most effective strategy to fulfill the market needs and desires. The Product diffusion process combined with the PLC

allows total control over the marketing mix and target market variables in designing a highly effective marketing strategy.



The interfacing of the Product Diffusion Process and the Product Life Cycle provides an excellent explanation of the adaptation of the competitive structures as they relate to the market characteristics, as the PLC matures in a particular class of products.



BASIC MARKETING STRATEGY OPTIONS

Based on Ansoff's Product/Market Expansion grid, the fundamental strategy options for a firm are four-fold. These options are Market Penetration, Product Development, Market Development and Diversification strategies. The nature of the competition in the environment dictates the selection and evolution of a firm's marketing strategy evolution. A firm may select one or more of these strategies depending upon the competitive structure in the market place. For example, in the introductory stage of the PLC, a firm may opt to embrace product and market development strategies, while in the maturity stage of the PLC, a firm may opt to engage in market penetration strategy.



It is important to realize that the PLC, the Diffusion Process and the nature of the market place truly dictate the competitive nature of the market. From an economic standpoint, the profitability in the industry is dictated by the nature and intensity of the competition in the market. Therefore, a thorough understanding of the evolution of competition is essential for planning a successful marketing strategy and plan. The PLC, albeit historical and the Diffusion Process being in real time, need to be viewed together to assess the nature of the competition in the marketplace, for better design and execution of pro-active and re-active marketing strategies and plans. The ultimate result of such scrutiny will be increased market shares and profits for firms.

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