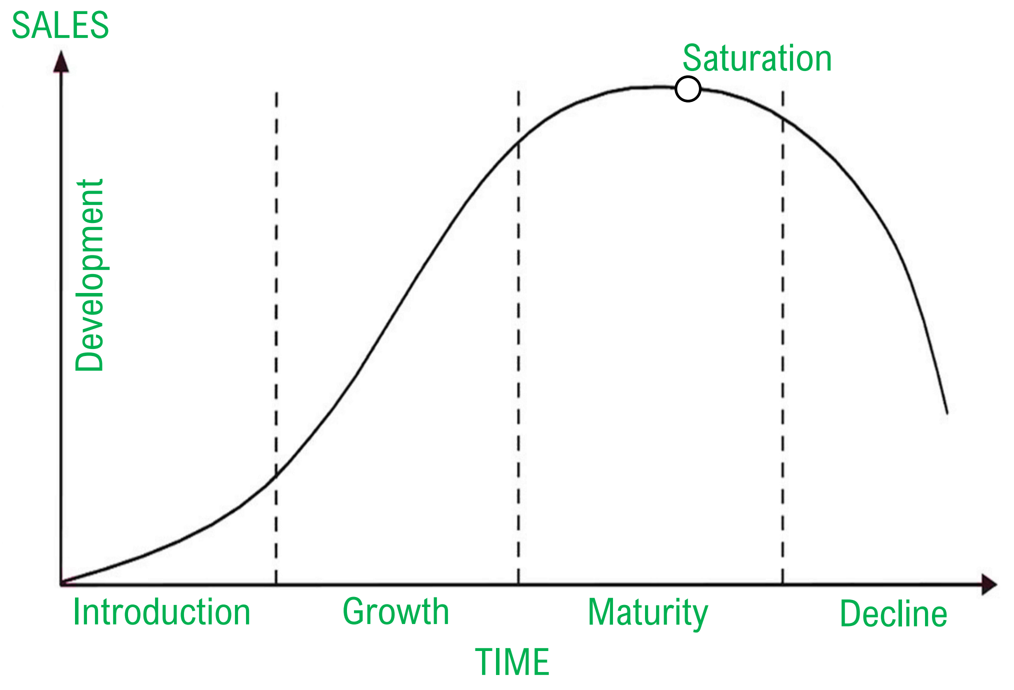
Cambridge National in Enterprise & Marketing
R064 Learning Outcome 3 Knowledge Organiser

What is the Product Lifecycle?
All products have a life span – this is short for some products or, in the cases of popular products, can be quite long. The Product Lifecycle is a set of stages that a product will go through in its lifetime. It is important to note that not all products go through all stages of the lifecycle.

The Product Lifecycle…


The stages of the Product Lifecycle…
✪ **Development** – This is the stage before the product is released. At this stage, the business will be designing and testing the product as well as completing their market research.

✪ **Introduction** – At this stage, the product is launched onto the market. Businesses might be advertising the new product a lot at this stage to increase awareness and might include introductory offers. Sales will increase steadily in the introduction stage (if successful).

✪ **Growth** – If the launch of the product is a success, it will enter the growth stage (remember not all products go through all stages of the lifecycle, some may decline and never grow). At the growth stage, sales of the product will increase rapidly.

✪ **Maturity** – At this stage, most customers have tried or bought the product. New competitors might be on the scene. Sales are at their highest, but the rate of sales growth will slow down.

✪ **Decline** – In this final stage, sales decline. If sales decline continues then the product will be withdrawn from the market. If businesses are aware of the Product Lifecycle though, they will be able to extend the life of a product before it enters the decline stage.

What is an Extension Strategy?
An Extension Strategy is the name given to the action a business takes when it identifies a product is close to entering the decline stage of the Product Lifecycle. These actions aim to extend the life of a product, by keeping the product within the maturity stage, and should improve sales.

What Extension Strategies can businesses use?
Businesses could advertise their product to remind customers that it exists and to encourage them to purchase it. The price of the product could be reduced, or the product could be updated to encourage new sales. Businesses might choose to explore other markets – like targeting a different audience or selling in another country, this would expose the product to new customers. The packaging of the product could be updated to get customers' attention.

What is Product Differentiation?
As the name suggests, Product Differentiation refers to what is DIFFERENT or what STANDS OUT about the product or service a business is launching. Businesses usually identify what is different about their product in the development stage of the product lifecycle.

How can Product Differentiation be achieved?
- Businesses should try to build a strong brand image for their goods or services.
- Businesses should focus on the **function**, **cost** and **appearance** of their products (these are variables of the Design Mix Model).

To stand out, business could offer improved/better:
- Design mix (see above)
- Location
- Product Features
- Product Functions
- Better services (delivery etc.)
- After sales services (extended guarantees etc.)
- Design/Appearance of their products

…or they could identify a product's **USP**

Differentiation is about the **product** itself, not the price etc.

What is a USP?
USP stands for **Unique Selling Point**.

This is a specific thing that a business identifies about their product or service that is different (unique). Businesses identify a USP for their products or services to help them DIFFERENTIATE from others on the market.

How can identifying a USP for a product help sales?
If a business identifies a USP for a product or service, they can use this within their advertising. If the market already has existing products or services being sold, having a USP will help a new product stand out and will give customers a reason to change their habits and purchase the new product.

What are the three categories of External Factors that could affect Product Development?
☆ **Technological Developments** – technology is changing and updating at a fast pace. Businesses must keep up to date with these developments or they'll be left behind by competitors. Technology could speed up the manufacturing of products, speed up the design process for new products or impact on customers' preferences.

☆ **Economic issues** – the state of the country's economy can have an impact on whether businesses are likely to develop new products or not. In a **recession**, for example, people are generally struggling to make ends meet and businesses will struggle with sales/survival – they're unlikely to invest in new product development.

If there is an economic **boom** then more people are employed and have money to spend; businesses will make more sales but may struggle to keep up with production of existing products to meet increased demand, so they may not be able to focus as much on developing new products.

☆ **Legal Issues** – businesses need to make sure they understand different laws when developing new products and ensure they do not break any of these laws. Laws could have an impact on the way a product is manufactured or could change the designs of some products to ensure they meet **safety standards** within a particular country. Businesses must ensure they do not break **Copyright** law; so they can't copy other people's work that already exists. They must also ensure they do not copy anyone else's product ideas that are covered by a **Patent** (the business might choose to patent their new ideas to stop others copying them too). Meeting legal obligations could cost the business more to produce a product but will ensure the business is less likely to break laws and therefore should avoid having legal cases brought against them.