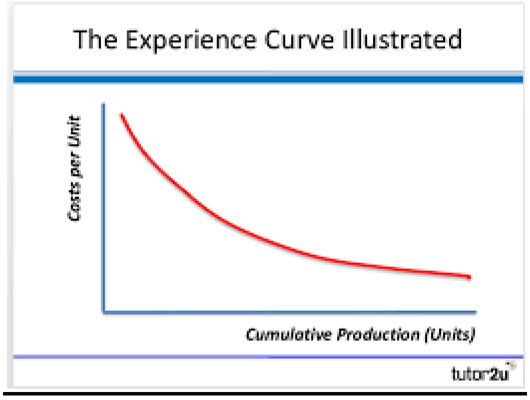
Experience Curve



Experience Curve is based on the phenomenon that unit cost decline as firm accumulates experience in terms of a cumulative volume of production

Experience Curve results from a variety of factors such as learning effects, economies of scale, product redesign and technological improvements

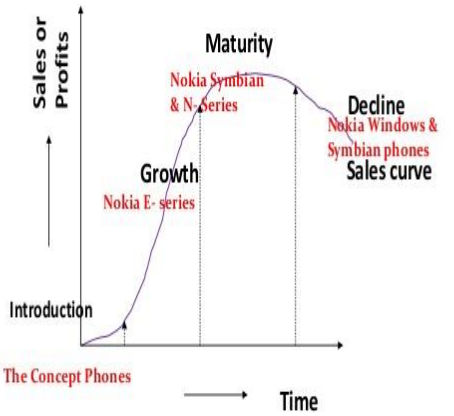
Product Life Cycle

- The **product life cycle** is an important concept in strategic management
- It describes the stages a product goes through from when it was first thought of until it finally is removed from the market.
- Not all products reach this final stage.
- Some continue to grow and others rise and fall.

Stages of the product life cycle

PRODUCT LIFE CYCLE OF NOKIA

Stages	Time Duration
Introduction	1995 - 2002
Growth	2002 - 2009
Maturity	2009 - 2011
Decline	2011 to till now



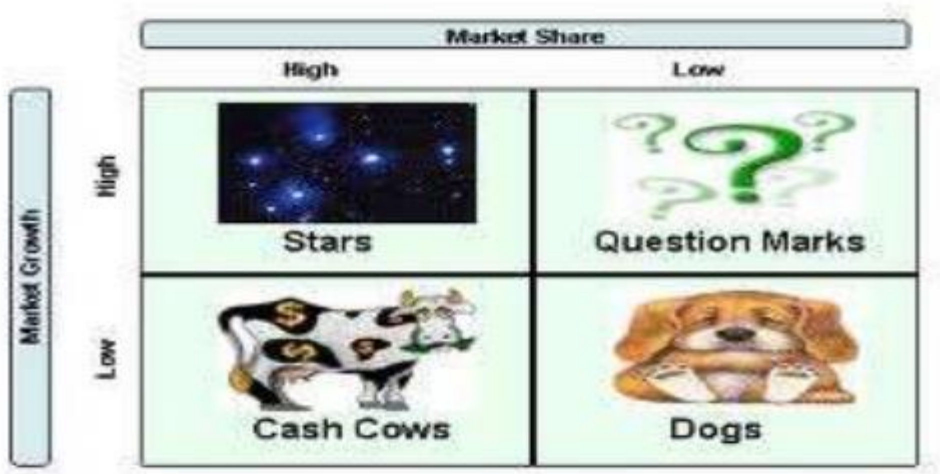
The main stages of the product life cycle are:

1. **Introduction** – researching, developing and then launching the product
2. **Growth** – when sales are increasing at their fastest rate
3. **Maturity** – sales are near their highest, but the rate of growth is slowing down, e.g. new competitors in market or saturation
4. **Decline** – final stage of the cycle, when sales begin to fall

BCG Matrix

- Using the BCG Matrix, a company classifies its different businesses on a two-dimensional growth-share matrix. In the matrix
  - Vertical axis represents Market Growth Rate
  - Horizontal axis represents Relative Market Share

BCG Matrix of Nestle product



According to Nestle, the relative market share and market growth rates of different products are given below.

Product Name	STBU	Market Growth Rate	Relative Market Share
Mineral water	Star	85%	89%
Milkpak	Cash cow	55%	65%
Noodles	Question mark	75%.	43%.
chocolates/ juices	Dog	40%	38%

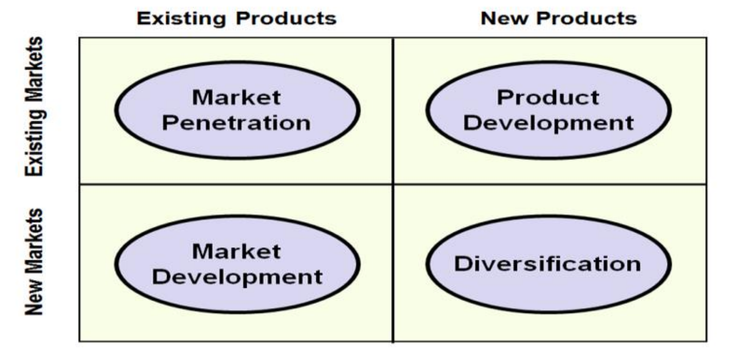
Stars	Are products growing rapidly Need heavy investment to finance their rapid growth potential
Cash Cows	Low-growth, high market share businesses or products Generate cash and have low cost
Question Marks	Require a lot of cash to hold their share
Dogs	Low growth and low share businesses and products.

	May generate enough cash to maintain themselves, but do not have much future

Four strategies to be pursued after classification of Products/SBU's

- Build:- Objective is to increase the market share, even by forgoing the short term earnings
- Hold:-Objective is to preserve market share
- Harvest:- Sell or liquidate the business
- Divest:- Sell or liquidate the business to use the resources elsewhere

Ansoff's Product Market Growth Matrix



The **Ansoff Matrix** is a strategic planning tool that provides a framework to help executives, senior managers, and marketers devise strategies for future growth

Market penetration

In market penetration strategy, the organization tries to grow using its existing offerings (products and services) in existing markets.

- In other words, it tries to increase its market share in current market scenario.
- This can be accomplished by: (i) Price decrease; (ii) Increase in promotion and distribution support; (iii) Acquisition of a rival in the same market; (iv) Modest product refinements

Market development

In market development strategy, a firm tries to expand into new markets (geographies, countries etc.) using its existing offerings.

- This can be accomplished by (i) Different customer segments (ii) Industrial buyers for a good that was previously sold only to the households; (iii) New areas or regions about of the country (iv) Foreign markets.
- This strategy is more likely to be successful where:- (i) The firm has a unique product technology it can leverage in the new market; (ii) It benefits from economies of scale if it increases output; (iii) The new market is not too different from the one it has experience of; (iv) The buyers in the market are intrinsically profitable.

Product development

- In product development strategy, a company tries to create new products and services targeted at its existing markets to achieve growth.
- This involves extending the product range available to the firm's existing markets.
- These products may be obtained by: (i) Investment in research and development of additional products; (ii) Acquisition of rights to produce someone else's product; (iii) Buying in the product and "branding" it; (iv) Joint development with ownership of another company who need access to the firm's distribution channels or brands.

Diversification

In diversification an organization tries to grow its market share by introducing new offerings in new markets.

- It is the most risky strategy because both product and market development is required.
- (i) Related Diversification - Here there is relationship and, therefore, potential synergy, between the firms in existing business and the new product/market space. (a) Concentric diversification, and (b) Vertical integration.
- (ii) Unrelated Diversification: This is otherwise termed conglomerate growth because the resulting corporation is a conglomerate, i.e. a collection of businesses without any relationship to one another. A strategy for company growth through starting up or acquiring businesses outside the company’s current products and markets.

ADL Matrix

Adl Matrix is a portfolio analysis that helps managers find out the SBU’s strategic position based on the following parameters

- **SBU’s life cycle and**
- **Competitive position**

Each of these dimensions can be further split up into the following categories to better analyze a firm and accordingly determine the future strategic actions-

Life cycle stages can be

- ***Embryonic***
- ***Growth***
- ***Maturity***
- ***Ageing***

Competitive position can also be either of the following

1. Dominant

The position of a company falls into this category if it is a clear market leader or has a monopoly position. Example- Intel in microprocessors.

2. Strong

In this case, the company might not be a monopoly but definitely has a strong presence and loyal customers.

3. Favourable

Companies with favourable competitive position usually operate in fragmented markets and no single one controls all market share.

4. Tenable

Here each company caters to a niche segment defined by a product variety or segmented demographically.

5. Weak

In this scenario, the company financials are too weak to gain a strong hold in the market and is expected to die out within a short span of time.

GE Matrix

ADL Matrix

Competitive Position		Industry Life Cycle Stage: Embryonic	Growth	Mature	Aging
	Dominant	All out push for share. Hold Position	Hold Position. Hold Share.	Hold Position. Grow with industry	Hold Position.
	Strong	Attempt to improve position. All out push for share	Attempt to improve position. Push for share.	Hold Position. Grow with industry	Hold Position or Harvest.
	Favorable	Selective or all out put for share. Selective attempt to improve position.	Attempt to improve position. Selective push for share.	Custodial or maintenance. Find niche and attempt to protect it.	Harvest, or phased out withdrawal.
	Tenable	Selectively push for position	Find niche and protect it.	Find niche and hang on, or phased out Withdrawal.	Phased out withdrawal, or Abandon
	Weak	Up or out	Turnaround or abandon	Turnaround, ophaned out withdrawal.	Abandon

GE Matrix

GE matrix

Industry attractiveness – Size, Market Growth, Pricing, Mkt. Diversity
Competitive Structure, Industry Profitability

Business strength - Size - Growth - Share - Position - Profitability - Margins - Tech. Position - Image - People		**High**	**Medium**	**Low**
	High	Investment and growth (G) SWIFT	Investment and growth (G) ALTO	Selectivity/ Earnings A STAR
	Medium	Investment and growth (G) SWIFT DEZIRE	Selectivity/ Earnings SX4	Harvest BALENO
	Low	Selectivity/ Earnings WAGON R	Harvest VERSA	Harvest OMNI