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## ACKNOWLEDGEMENTS

I should like to thank;

To my father that always being a good example to me,

To my mother who waiting for me with her tired eyes,

To my sister that always being my defender angle,

To my all lecturer that gave me a key of a new life,

Colleague Nagehan for her co-operation in parts of this project that we both shared,

To Ahmet Ertugan that being my big brother, my supporter in my darkness days, to my instructor.

Those people will always be in my heart.

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**ABSTRACT**

This paper studies the product life cycle as a tool in marketing planning with reference to a selected organisation and related industry in Northern Cyprus.
The purpose of the study is to explore the underlying theory with the objective of establishing what the use and practical value of the product life cycle theory is in marketing planning decision.

The main focus is to test the applicability of the product life cycle concept with Kotler's assumptions on the identified marketing characteristics, described marketing objectives and proposed marketing mix strategies.

This study was undertaken mainly to observe the existence of the product life cycle concept in practice and its effect on company strategies.

It is universally accepted that all products or services go though a life cycle of four stages introduction, growth, maturity, and decline. Depending on the nature of the particular product and its market, the life cycle can be of short or long duration. Similarly, different products will have different levels of sales. Nevertheless, allowing for these differences in 'width' and 'height', product life-cycle curves all have a remarkably similar consistent shape. It is because of this consistency of the life-cycle curve that it makes it such a powerful tool of strategic marketing planning.

# 1.0 INTRODUCTION

## 1.1. Marketing Strategy and the product life cycle

Many industries are facing increasing magnitudes and rates of change in their environments. These changes are rapidly altering the context in which marketing strategies are planned and carried out and the information and tools that marketers have at their disposal.

The product life cycle concept is an extremely valuable tool in helping marketing management look into the future and better anticipate what changes will need to be made in strategic marketing programmes (Larréché at al; 2002: 116). According to Kotler (1997: 37), today's organisations are facing their toughest competition ever and organisations should strive to retain customers by outperforming their competitors. To outperform the competition, organisations need a decision-making tool to assist with their strategic planning such as the product life cycle concept.

The product life cycle concept allows marketing managers to plan for forecasting and strategic planning to manage their product and/or services through the various phases of their product life cycles. The purpose of the concept is to establish in which phase of its life cycle an organisation's product is and then to select the strategy best fitting the sales, cost, profit, competitor and customer conditions in that phase. The product life cycle concept is a valuable tool available to organisations and management.

## 1.2. The Purpose of the Study

The purpose of the study is to explore the underlying theory of the product life cycle theory with the objective of establishing what the use and practical value of the product life cycle theory is in making marketing planning decision. This paper will explore the product life cycle theory as a tool in marketing planning with reference to a selected organisation and related industry in Northern Cyprus.

## 1.3 Research Objectives

- To explore the theory and the criticism of the product life cycle tool as an aid to strategic marketing planning
- To test the applicability of the product life cycle theory in a selected industry and a particular product in Northern Cyprus.
- To investigate the ability of organisations to link marketing strategies with phases of the product life cycle theory according to the theory.
- To identify, if any, marketing objectives that organisations devise for their products in each phase of the product life cycle.

## 1.4 Importance of this Study

Theories are better understood when tested in practice for their applicability. The product life cycle concept has been a dominant future of marketing teaching. It is important to test its use and limitations in the current dynamic business environment. This study will make a contribution to the application with respect to marketing theory in general and the product life cycle concept theory in particular.

## 2.0 RESEARCH METHODOLOGY

This study plans to carry out the following steps:

**2.1** Carry out literature search to review the theory and criticism of the product life cycle theory.

**2.2** Conduct interviews and study secondary data in order to:

(a) Choose a product and define the market it serves and the industry it is in.
(b) Estimate the product's current point in the life-cycle curve.
(c) Explain reasons for believing it is at this point.
(d) Offer predictions of the prospects for the selected product over the future.
(e) Compare the compatibility of the selected company's marketing strategies with that of the theory.

# 3.0 LITERATURE REVIEW

## 3.1 Introduction

All products and services have certain life cycles. The product life cycle concept represents a core element of marketing theory and has been so for the past 40 years. According to Kotler (2000: 234), Walker, Boyd and Larréché (1999: 146) and Churchill and Peter (1998: 234) every product or services has, by definition, a life cycle and how this is managed is the key survival in business.

The life cycle refers to the period to the period from the product's first launch into the market until its final withdrawal and it is split up in phases. During this period, significant changes are made in the way that the product is behaving into the market i.e. its reflection in respect of sales to the company that introduced it into the market. Since an increase in profits is the major goal of a company that introduces a product into a market, the product's life cycle management is very important. Some companies use strategic planning and others follow the basic rules of the different life cycle phases of the product life cycle. The understanding of a product's life cycle, can help a company to understand and realise when it is time to introduce and withdraw a product from a market, its position in the market, its position in the market compared to competitors, and the product's success or failure.

The product life cycle theory can be applied by marketers as a useful tool for describing how products and markets work. However, using the product life cycle for forecasting product performance or for developing marketing strategies presents some practical problems. Using the product life cycle concept to develop marketing strategy can also be difficult because strategy is both a cause and a result of the product life cycle (Kotler and Armstrong: 1993; 270).

The product life cycle has represented a central element of marketing theory for four decades, from its development in the 1950s, and its subsequent popularisation in the 1960s. The product life cycle concept has remained a stable feature of marketing teaching, despite evidence of its limited applicability.

## 3.2 THE CONCEPT OF THE PRODUCT LIFE CYCLE

The product life cycle is a tool many marketers have traditionally used to formulate marketing strategies for different products. The product life cycles begins where the new product development process leaves off. New products are launched by companies in the hope that they will enjoy a long sweet life of growing sales and profits, some do, but along the way many more meet all kinds of problems that threaten to end the product's career prematurely. The various stages in a product's life cycle call for constant reprogramming of strategies and resources.

The product life cycle concept assumes that;

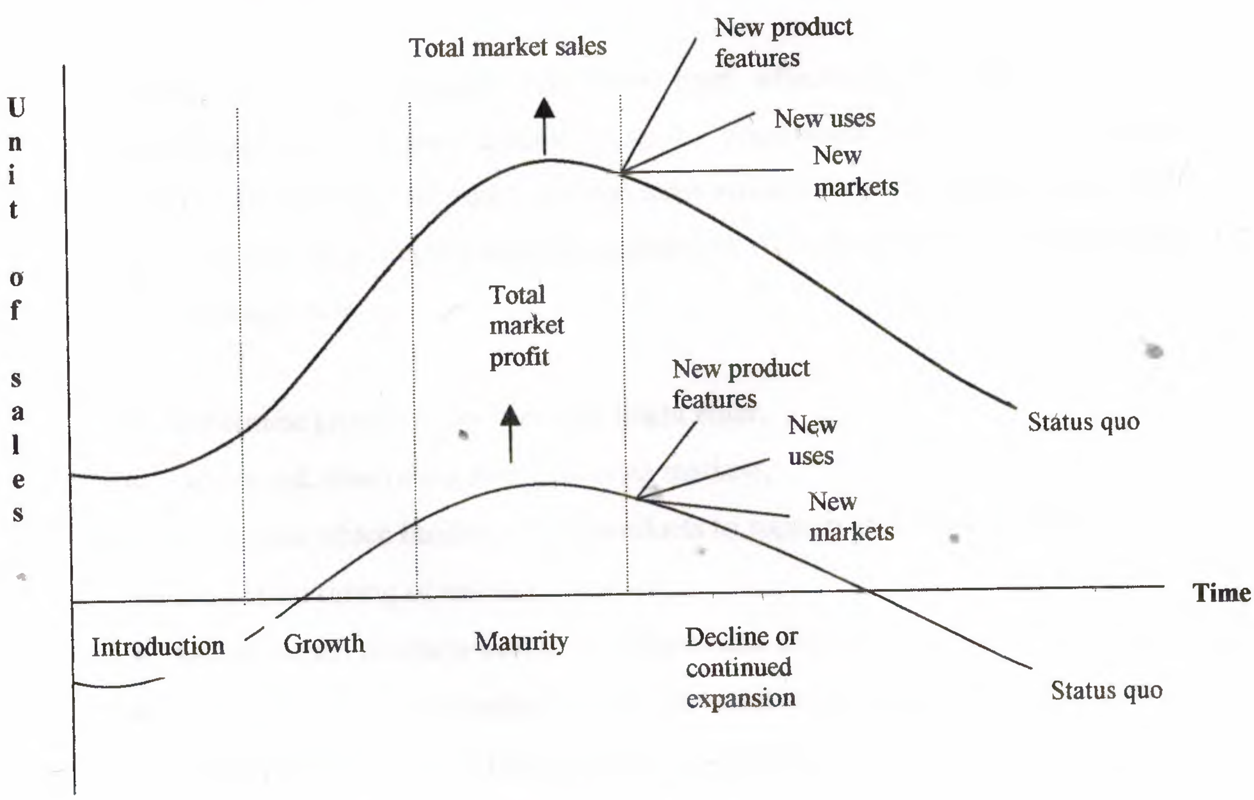
- Products have a limited life,
- Product sales pass through distinct stages, each posing different challenges, opportunities and problems to the seller,
- Profits rise and fall at different stages of the product life cycle,
- Products require different marketing, financial, manufacturing, purchasing and human resource in each stage of their life cycle.

A product's sales position and profitability can be expected to change over time. The product life cycle is an attempt to recognise distinct stages in the sales history of the product. Corresponding to these stages are distinct opportunities and problems with respect to marketing strategy and profit potential.

By identifying the stages, that a product is in or may be headed toward better marketing plans can be formulated (Jack L. Goldstrucker: 1966; 46-88)

Most discussion of the product life cycle portrays the sales history of typical products as illustrated figure 3.1. The profit curve in figure 3.1 shows profits as almost non-existent in this stage because of the heavy expenses of product introduction. The designation of the points where these stages begin and end is somewhat arbitrary. Usually, they are based on where the rate of sales growth or decline tends to become pronounced. Not all products pass through the idealised "S" shaped product life cycles shown in figure 3.1. Some products show a rapid growth from the very beginning, thus skipping the slow sales start implied by the introductory stage. Some other products, instead of going through a rapid growth stage, go directly from introduction to maturity (Donald A. Taylor: 1969; 385-400). Some products move from maturity to a second period of rapid growth.

**Figure 3.1: The Product Life Cycle Curve**




**Source: Walker Boyd and Larréché (1975: 117)**

The product life cycle concept can be used to analyse a product category; a product form, a product or a brand (John E. Smallwood: 1973; 40-45);

- Product categories have the longest life cycles. Many product categories stay in the mature stage indefinitely and grow only at the population growth rate. Some major product categories-typewriters, newspapers- seem to have entered the decline stage of the product life cycle. Some others-fax machines, cellular phones, bottled water-are clearly in the growth stage,

- Product forms; follow the standard product life cycles more faithfully,
- Products; follow either the standard product life cycle or one of several variant shapes,
- Branded products; can have a short or long product life cycle. Although many new brand die and early death some brand names have a very long product life cycle and are used to name and launch new products.

Product life cycle concept has been used effectively in many industries particularly for consumer durable (John E. Smallwood: 1973; 29-36). It can provide a useful way of thinking about sales volume overtime and the range and consequences of strategic marketing alternatives. The Product Life Cycle concept helps management to:

- Determine growth businesses they might enter,
- Assess risk when considering entering markets,
- Determine which businesses and products to support and which to drop,
- Determine timing of entering a market,
- Decide which products should be changed and altered,
- Decide upon product leadership and followership strategies,
- Make production scheduling, financing and pricing decision.

There are some generalisations that flows from consideration of the product life cycle are;

- Cost per unit tend to peak in the introduction stage,
- The least difficult time to increase market share is late in the introduction stage and during the rapid growth phase,
- Profits for the innovator peak in the growth stage,
- During maturity a major marketing objective is to maintain market share,
- As the product enters the late maturity phase, new product activities should be emphasised,
- Companies should reposition products and consolidate segments before decline sets in.

## 4.0 PHASES OF THE PRODUCT LIFE CYCLE

### 4.1 Product Development Phase

Product development phase begins when a company finds and develops a new product idea. This involves translating various pieces of information and incorporating them into a new product. A product is usually undergoing several changes involving a lot of money and time during development, before it is exposed to target customers via test markets. Those products that survive the test market are then introduced into real marketplace and the introduction phase of the product begins. During the product development phase, sales are zero and revenues are definitely negative (Philip Kotler: 1976; 231).

## 4.2 Introduction Phase

During this stage there are likely to be only a few firms selling the new product. They tend to put out limited version of the product, since the market is not ready for product refinements. The firms direct their selling effort to those buyers who are readiest to buy usually higher income groups. Prices tend to be on the high side because;

- Cost are high due to relatively low output rates,
- Technological problems in production may have not yet been fully mastered,
- High margins are required to support the heavy promotional expenditures, which are necessary to achieve growth (Philip Kotler: 1976; 234).

The heavy promotional expenditures, which are often at their highest ratio to sales during this stage, occur not only because sales are small but more importantly because of the need for a high level promotional effort to inform potential consumers of the new unknown product, induce trial of the product and secure distribution in retail outlets.

In launching a new product, marketing management can set a high or a low level for each marketing variable such as price, promotion, distribution and product quality.

The marketing strategies in the introduction stage are;

High-profile strategies; consist of launching the new product with a high price and a high promotion level. The firm charges a high price in order to recover as much gross profit per unit as possible. At the same time, it spends a lot on promotion to convince the market of the product's merits even at the high-price level. The high promotion serves to accelerate the rate of market penetration.

This strategy makes sense under the following assumption;

(a) A large part of the potential market is not aware of the product,
(b) Those who become aware of the product are eager to have it and pay asking price,
(c) The firm faces potential competition and wants to build up brand preference.

Selective penetration strategies; consist of launching the new product with a high price and low promotion. The purpose of the high price is to recover as much gross profit per unit as possible; and the purpose of the low promotion is to keep marketing expenses down. The combination is expected to skim a lot of profit from the market.

This strategy makes sense under the following assumptions;

(a) The market is relatively limited in size,
(b) Most of the market is aware of the product,
(c) Those who want the product are prepared to pay a high price,
(d) There is little threat of potential competition.

Pre-emptive penetration strategies; consist of launching the product with a low price and heavy promotion. This strategy promises to bring about the fastest rate of market penetration and the largest market share for the company. This strategy makes sense under the following assumptions;

(a) The market is large in size,
(b) The market is relatively unaware of the product,
(c) Most buyers are price-sensitive,
(d) There is strong potential competition,
(e) The company's unit manufacturing cost falls with the scale of production and accumulated manufacturing experience.

Low-profile strategy; consist of launching the new product with a low price and low level of promotion. The low price will encourage the market's rapid acceptance of the product; at the same time, the company keeps its promotion cost down in order to realise more net profit. The company firmly believes that market demand is highly price elastic but minimally promotion-elastic. This strategy makes sense if;

(a) The market is large,
(b) The market is highly aware of the product,
(c) The market is price-sensitive,
(d) There is some potential competition (Philip Kotler: 1976; 235).

The introduction stage sales start off slowly because the product is largely unknown, and even as it becomes better known consumers are often reluctant to change established buying habits. In addition, problems may arise in manufacturing operations, production capacity are generally limited, inadequate distribution may exist and large marketing expenditures are required.

Critical factors in the introduction stage are product development, design and adjustment, sales and distributor training, developing consumer awareness and gaining high acceptance rates. New products also require adequate financing to support the necessary advertising, personal selling, merchandising and other promotional programs. Marketing expenses, as a percentage of sales can be inordinately high and it is important to pay particular attention to both consumer purchase rates and cost and revenue estimates. Price can be highest during this stage because of the existence of high star-up costs.

The length of time a product remains in the introduction stage and its pattern of sales during this period depends primarily upon the new product's relative advantages and the degree of consumer learning required using it.

(Everett M. Rogers: 1962; 155). Other factors influencing the rate of sales and the length of the introduction stage are;

(a) Lack of production capacity,
(b) Technical problems with the product,
(c) Inadequate distribution,
(d) Customer reluctance to change buying habits.

However, an innovative posture is not without its problems; for innovators must establish the primary the primary demand for a product. This generally entails heavy promotional expenditures to make customers and distributors aware of the new product and overcome their initial reluctance to try it. Then, if a product shows signs of potential profitability, competitors will enter the market and try to erode the innovating firm's position.

### 4.3 Growth Phase

If the new product satisfies the market, sales will start climbing substantially. Previous purchasers will continue their purchasing and new buyers will enter in large numbers. The product attains sales momentum through favourable word of mouth as well as distinctive steps taken by the firm.

In this stage, new competitors enter the market attracted by the promise of a large market with opportunities for large-scale production and profit. The firms begin to add new product features and refinements to move into new parts of the market. The increase in the number of competitors leads to a scramble for available distribution outlets, hopefully on an exclusive basis.
More often than not, however, dealers tend to adopt a multibrand policy (Staud and Taylor: 1970; 170-174).

Prices tend to remain where they are fall only slightly during this period, insofar as demand is managing to increase quite rapidly. Companies maintain their promotion expenditures at the same or at a slightly raised level to meet competition and continue educating the market. Sales rise much faster, causing a decline in the promotion-sales ratio. The falling promotional expenditures to sales are one of the important contributions to the high profits during this stage.

During this stage, the firm tries to sustain rapid market growth as long as possible. This is accomplished through such action as:

(a) The firm undertakes to improve product quality and new-product features and models,
(b) It vigorously searches out new market segments to enter,
(c) It keeps its eyes open to new distribution channels to gain additional product exposure,
(d) It shifts some advertising from building product awareness to trying to bring about product conviction and purchase,
(e) It decides when the time is right to lower prices to attract the next layer of price sensitive buyers into the market.

The firm that aggressively pursues any or all of these market-expanding activities will increase its competitive position. However, this comes at additional cost. The firm in the growth stage thus faces a trade-off between high market share and high current profit. By spending a lot of money on product improvement, promotion and distribution, it can capture a dominant position; but it forgoes maximum current profit in the hope, presumably, of making up for this in the next stage.

Sales growth results from a combination of marketing and social factors. As new competitive brands are introduced, they are accompanied by additional promotional and sales activities and provide customers with a wider variety of choices, which expands the market.

In addition, as competition intensifies and the experience curve results in lower costs, prices fall and sales increase. Technically, both the demand curve shifts outward and there is a movement down the demand curve signalling market growth.

As growth continues, the mass market for consumer product begins to fragment into at least three segments. Typically, a prestige-oriented consumer who are willing to pay higher prices for a quality brand. At the other end of the market are the economy-oriented consumers who are interested in the core benefits offered by the product and are not willing to pay more than the minimum price (Booz Allen and Hamilton: 1982; 220-221).

During the growth, period aggregate marketing expenses generally remain high. However, because of rapidly increasing sales they decline as a percentage of sales. This is a stage with above-average rates of sales growth, margins, and profits. Dealers scramble to carry successful products. Increased competition toward the end of the growth phase may cause demand and market shares to become spongy and may necessitate price flexibility. Particular attention should be devoted to the section of effective distribution channels members.

During the growth stage, it is important to develop a loyal core of customers. Large firms seek to attract an extensive customer base by developing several brands that blanket the market. Smaller firms can aim their marketing efforts at narrower segments or poorly served niches. Eventually, however, the growth rate slows as the number of user declines and the volume and variety of products saturate the market.

As the firm begins to realise substantial profits from its investment during the growth stage, the product attracts competitors. Success breeds imitation and other firms inevitably rush into the market with competitive products. In fact, the majority of firms in a particular market enter during the growth stage.

The company must show all the products offering and try to differentiate them from the competitors ones. A frequent modification process of the product is an effective policy to discourage competitors from gaining market share by copying or offering similar products.
Others barriers are licenses and copyrights, product complexity and low availability of product components. Promotions and advertising continues, but not in the extent that was in the introductory phase and it is oriented to task of market leadership and not in rising product awareness.

This period is the time to develop efficiencies and improve product availability and service. Cost efficiency and time-to-market and pricing and discount policy are major factors in gaining customer confidence. Good coverage in all marketplaces is worthwhile goal throughout the growth phase. Managing the growth stage is essential. Companies sometimes are consuming much more effort into the production process, overestimating their market position. Accurate estimations in forecasting customer needs will provide essential input into production planning process. It is pointless to increase customer expectations and product demand without having arranged for relative production capacity. A company must not make the mistake of over committing. This will result into losing customers not finding the product on the self.

In the growth, phase the early adopters will continue to buy and later buyers will start following their lead, especially if they hear favourable word of mouth. Attracted by the opportunities for profit, new competitors will enter the market, they will introduce new product features and the markets will more expand. The increase in competitors leads to an increase in the number of distribution outlets, and sales jump just to build reseller inventories. Prices remain where they are or fall only slightly. Companies keeps remain a goal, but now the company must also meet the competition. Profits increase during the growth phase, as promotion costs are spread over a large volume and as unit manufacturing costs fall.

competitors start dropping out. The industry eventually consists of a set of well-entrenched competitors whose basic orientation is toward gaining competitive advantage.

There are some alternative strategies in the mature stage; the product manager whose product has settled into stage maturity is not content to simply defend its current position. They recognise that a good offence will provide the best defence of their product. Three basic strategies are available in this stage; market modification, product modification and marketing mix modification (Theodore Levitt: 1965; 81-94).

Second, the firm looks at ways to stimulate 'increase usage' among present customers. A common practice of food manufacturers, for example, is to list several recipes on their packages to broaden the consumer's uses of the product. Third, the firm may want to consider 'repositioning' its brand to achieve larger brand sales, although this will not affect total industry sales. For example, a manufacturer of a chocolate drink mix may find that is heavy users are mostly older people. This firm should give serious consideration to trying to reposition the youth market, which is experiencing faster growth (Theodore Levitt: 1973; 92).

In the maturity stage growth slows, the market becomes saturated and the product approaches its market potential. Sales during maturity are influenced by changes in the size of the overall market, such as population growth and new-household formation. Although sales may still be increasing, they do so slowly and at a decreasing rate. Some products may remain in a mature stage for a long period of time or they may mature quickly and realise a very rapid deterioration. 'Competitive turbulence' is the term often used to describe the early maturity stage of the product life cycle, with the later maturity phase referred to as saturation. In the competitive turbulence, a shakeout frequently occurs because of excess industry capacity.

As dominant firms consolidate their position in the market and intensive competition erodes sales and profit positions, marginal firms that are not entrenched in profitable segments are forced to exit (Kathryn R. Harrigan: 1980; 20-24).

During saturation, gains in sales results primarily from taking market share away from competitors since the market is no longer expanding.
Price reductions become common as firm's battle for market share. Previously, when industry sales were growing, price elasticity was high as price-conscious customer segments were attracted to the market. However, during saturation, price discretion declines because competitors will meet price reductions, there are fewer potential customers, and a shifts in the customer base occurs from first-time users to replacement sales. The point is reached where price reduction may increase a companies' market share but have little effect on overall demand, resulting in lower margins and profits.

Companies attempting to increase their sales and market share must do so at the expense of competitors. As competition intensifies, competitors tend to cut prices in attempt to attract new buyers. Although a price reduction may be the easiest method of inducing additional purchases, it is also one of the simplest moves for competitors to duplicate.

Reduced prices result in decreased revenues for all firms in the industry unless the price cuts produce enough increased purchases to offset the lost in revenue on each item sold (Margaret O. Kirk: 1986; sec.5.1).

Strategy in the maturity stage comprises the following steps;

(a) Search for new markets and new and varied uses for the product,
(b) Improvement of product quality through changes in features and style,
(c) New marketing mix perspectives.

In the maturity stage, some companies abandon weaker products and concentrate on more products that are profitable and on new products. Yet they may be ignoring the high potential many mature markets and old product still have.

## 4.5 Decline Phase

Most product forms and brands eventually enter a stage of sustained sales decline. The decline may be slow or rapid. Sales may plunge to zero and the product may be withdrawn from the market or they may petrify at a low level and continue for many years at that level (George C. Michael: 1971; 88-91).

As sales of the product decline, a number of firms withdraw from the market in order to invest their resources in more profitable areas. Those remaining in the industry tend to reduce the number of product offerings.

They withdraw from selling in the smaller market segments and more marginal trade channels. The promotion budget is reduced. The price may also be reduced to keep demand from falling further.

Unfortunately, most companies have not developed a well-thought-out policy for handling their ageing products. Firms' attention is riveted on its new products and mature products. Unless strong retention reasons exist, carrying a weak product is very costly to the firm. The cost of sustaining a weak product is not just the amount of uncovered overhead and profit.

No financial accounting can adequately convey all the hidden costs:

- The weak product tends to consume a disproportionate amount of management's time,
- It often requires frequent price and inventory adjustment,

- It generally involves short production runs in spite of expensive set-up times,
- It requires both advertising and sales-force attention that might better be diverted to making the 'healthy' products more profitable,
- Its very unfitness can cause customer misgivings and cast a shadow on the companies' image.

Marketing strategies in the decline stage are;

- 'Identifying the weak product(s)' the first task is to set up an information system
- That will spot those products in the lines that are truly in a decline stage.

'Determining marketing strategies' in the face of declining sales, some firms will abandon the market earlier than others will. The firms that remain enjoy a temporary increase in sales as they pick up the customers of the withdrawing firms. Thus, any particular firm faces the issue of whether it should be the one to stay in the market until the end.

'The drop decision' when a product has been singled out for elimination, the firm faces some further decision. First, it has the option of selling or transferring the product to someone else or dropping it completely.

It will usually prefer the former because this will bring in some cash and will minimise the hardship to customers and employees. Second, the organisation has to decide when the product should be terminated (Kathryn Rudie Harrigan: 1980; 20-24).
Management should recognise that declining products include hidden costs as well as the more apparent financial costs. Declining products tend to:

- Consume a disproportionate amount of management's' time,
- Require frequent price and inventory adjustments,

- Involve short production runs despite expensive set-up times,
- Require extensive advertising and sales-force attention,
- Cause customers misgivings and cast a shadow on the company's image,
- Delay the aggressive search for replacement products (Philip Kotler: 1965; 107-118).

When declining products have a loyal core of followers and few competitors remain, it can be worthwhile to stay in the market and try to consolidate several smaller segments into a larger more profitable one.
This action requires minimal additional expenditures, and management consideration for the product is in a caretaking mode while it is milked of its remaining profits.

Management may decide to 'harvest' the product, which means reducing various cost such as; plant and equipment, maintenance, advertising, sales force, and hoping that sales hold up. If successful, harvesting will increase the companies' profit in the short run.

It can sell it to another firm or simply liquidate it at salvage value. If the company plans to find a buyer, it will not want to run down the product through harvesting (David Rink and John Swan: 1974; 78-83).

The other choice of a specific alternative strategy is based on the business's strengths and weaknesses and the attractiveness of the industry to the company.

The following alternative strategies appear appropriate:

- Increasing the firms' investment (to dominate or get a good competitive position),
- Holding the firms ' investment level until the uncertainties about the industry are resolved,

- Decreasing the firms' investment posture selectively by sloughing off unpromising customer groups, while simultaneously strengthening the firms' investment posture within the lucrative niches of enduring customer demand,
- Divesting the business quickly by disposing of its assets as advantageously as possible (Bruce D. Henderson: 1986; 231-233).

## 4.2 Limitations of the product life cycle:

Although the product life cycle accepted as useful, it is not without practical difficulties. The product life cycle can lead to the wrong marketing decisions, such as withdrawal from markets too soon (Stephen G. Harrell and Elmer J.I. Taylor: 1981; 75). For if management is convinced, the product life cycle is declining (when it is not) and acts as though it is, a self-fulfilling prophecy can occur.

The product life cycle is a result of the convergence of a number of concurrent market forces that act through time to facilitate the rate of sales increase or decrease. It is not always easy to decide when and where it is useful. Difficulties encountered in determining the exact stage in the life cycle render the concept less useful than it might otherwise be, as do the variety of possible life-cycle patterns.

An unresolved issue is whether the product life cycle is applicable to product classes, product forms or brands. It is generally believed that the closets correspondence exists with product form and that brand life cycles are most difficult to model (Nariman K. Dhalla: 1976; 102-110).

The least researched product life cycle area is forecasting the maturity and decline phases for well-established products with average industry growth. This may be due to the difficulty of identifying the underlying forces that determine the shape of the product life cycle curve.

Researchers suggest that to gain greater insight into the product life cycle it is useful to desegregate sales data and investigate the factors underlying sales. For example, sales could be decomposed into more fundamental measures such as first-time purchases and repeat purchases. Each has a different temporal pattern, and the 'purchasing process is different' (Douglas Tigert and Behrooz Farivar: 1981; 81-90).

While it is possible to set forth-general strategies for each stage of the product life cycle, such generalisations should be applied with caution. As other marketing generalisations, there are exceptions. It is not always possible to apply insights gained from previously determined product life cycle sales patterns to forecast future product movements. A pause in sales growth may be start of decline, or it may simply be a temporary pause before the growth phase continues.

Researchers have met with limited success determining the particular forces that exist during various life-cycle stages so as to increase the accuracy of product life cycle forecasting. While diffusion, models have proved promising in predicting the introduction and growth phase of the cycle (Douglas Tigert and Behrooz Farivar: 1981; 93), models that successfully forecast the maturity and decline stages do not presently exist. Most of the forecasting models assume a saturation level, an 'S' shaped diffusion curve and homogenous customers.

However, despite its limitations, the product life cycle is generally accepted as a useful heuristic model. Its major benefit may be in providing management with a general guide to planning and strategy formulation in marketing products. In addition, it helps to focus management attention on the ever dynamics of the ever-changing product market interface (Roland Polli and victor Cook: 1969; 462).

Table 4.2. Summarises the essential characteristic of each stage of the product cycle. The table also list the marketing objectives and strategies for each stage (Philip Kotler: 2000; 316).

**Table 4.2 Summary of the Product Life Cycle characteristics, objectives and Strategies**

| Characteristic | Introduction | Growth | Maturity | Decline |
|---|---|---|---|---|
| **Sales** | Low sales | Rapidly rising sales | Peak sales | Declining sales |
| **Costs** | High cost per customer | Average cost per customer | Low cost per customer | Low cost per customer |
| **Profits** | Negative | Rising profits | High profits | Declining profits |
| **Customers** | Innovators | Early adopters | Middle majority | Laggards |
| **Competitors** | Few | Growing number | Stable number beginning to decline | Declining number |

| Marketing Objectives | | | | |
|---|---|---|---|---|
| | Create product awareness and trial | Maximise market share | Maximise profit while defending market share | Reduce expenditure and milk the brand |

| Strategies | Introduction | Growth | Maturity | Decline |
|---|---|---|---|---|
| Product | Offer a basic product | Offer product extensions, service, warranty | Diversify brand and models | Phase out weak items |
| Price | Use cost-plus | Price to penetrate market | Price to match or beat competitors | Cut price |
| Distribution | Build selective distribution | Build intensive distribution | Build more intensive distribution | Go selective; phase out unprofitable outlets |
| Advertising | Build product awareness among early adopters and dealers | Build awareness and interest in the mass market | Stress brand differences and benefits | Reduce to level needed to retain hard-core loyal |
| Sales Promotion | Use heavy sales promotion to entice trial | Reduce to take advantage of heavy consumer demand | Increase to encourage brand switching | Reduce to minimal level |

**Source: Philip Kotler (2000, 316).**

## 5.0 POULTRY INDUSTRY IN NORTHERN CYPRUS

### 5.1 Introduction

The poultry industry in the last 40 years has survived tremendous transformation in their domestic and international environments. This metamorphism has been largely the result of specific shifts in the business environment and was predictable, given the economic, sociological, demographic, and competitive indicators of the time.

Those companies that had foreseen and assessed the impact of yesterday's change indicators; and, then effectively reacted to initiate the appropriate modifications to their corporate organisations, are the winning companies of today.

Northern Cyprus had certain poultry companies (no longer in operation today) foreseen the imminent revolution in the industry and reacted differently, or more quickly than they had, it is likely that we would be observing an entirely different group of industry leaders today. The dynamic forces influencing the Northern Cyprus and international market sectors, now and in the future will have a dramatic future impact on agriculture in general and on the poultry industry specifically. A poultry company's ability to foresee the critical global and local indicators, and prepare their company so that concrete steps can be taken to positively exploit the resulting new environment for rapid growth and profit, will determine not only which companies will be in existence 10 years from today, but also which of those companies will be healthy, thriving, internationally competitive, going concerns.

The following section will address and describe some of the dynamic, critical changes presently in motion in the international and Northern Cyprus business environment; and, foreshadow other trends likely to occur, given the existing international environment. Moreover, the section will assess the factors in place that will likely drive future change.

Finally, the paper will point out some potential areas for opportunity, while suggesting some of the possible pitfalls that could occur because of current environmental business dynamics.

## 5.2 Environmental forces for Consideration

In order to observe existing changes and potentially foresee changes imminent in the future, one should review all possible forces that have an impact on the business environment. Michael Porter in his (1980) book Competitive Strategy enumerated a list of forces that to a greater or lesser extent will significantly affect all businesses. These forces include those that are both internal and external to the company's day-to-day operations and play a critical impact in driving business outcomes that will determine whether or not a company will remain healthy and thrive long into the future. The five internal forces include the competitive situation within which a company finds itself, the relative strength of their suppliers of raw materials, the relative strength of their target customers, possible substitute products entering the mix of existing products presently being marketed, and potential entrants into the existing market that bring advantages and approaches that might create a competitive challenge to the existing company. The five external forces relate to the business environment within which a company must operate. These forces include the demographics of the environment, occurring now; and, the expected changes into the future, governmental regulations and activities that are likely to impact the existing business dynamic, cultural changes, both within the target market sector, and within the company itself; and, macro and micro economic changes that will likely impact business operations. The challenge that a company faces in attempting to address and react to the current forces and their associated issues is that these issues are always in flux, and can be impacted themselves by both internal and external forces or by each other.

Moreover, any reaction or response by a company to address these issues in flux can itself create further change. These dynamic changes create a new set of issues with which a company must deal in order to maintain long term survival, growth and profitability.

The good news is that the newly created issues resulting from dynamic environmental change present tremendous opportunity for those companies equipped to see the changes on the horizon, assess their impact on themselves and their competitors, and then respond appropriately to positively exploit their impact on the business environment and the individual company.

Often times, in order to adequately identify, and adequately address these changing forces to the benefit of the organisation, a company must make major changes in the structure and/or organisation of their company and/or change the company's strategic focus.

These remedies, while sometimes obvious, are oftentimes difficult and complex to implement effectively, and may present a formidable challenge to most companies; but, if done swiftly and correctly, can provide results that are at the very core of success and competitive advantage in the business environment.

The remaining sections will attempt to identify the internal and external environmental forces presently in play in the Northern Cyprus poultry industry, describe the issues associated with these forces and identify those opportunities available to most companies to adequately address and resolve the associated key issues of change.

## 5.3 Current producers in Northern Cyprus

Poultry industry consists of egg production, chick (newly hatched chicken) production, feed production, slaughtering, processing, packaging and distribution stages. While some producers deal with only one or two of all stages, some producers such as H. Ali Ltd. have integrated facilities performing on every stage.

Poultry industry in Northern Cyprus includes a few producers in different size and capacity. The rate of new entrants to poultry industry is low. Because this sector requires high initial investments and fixed costs.

Previously described production and operation cycles involve specialised, high technology equipments and plants. Producers strive to recruit suitable, qualified staff in operating specialised equipment and increase efficiency.

The poultry industry needs electricity, gas (kerosene) for machines, water, and especially feed to offer (supply) the poultry products. There are eight poultry feed production factories in Northern Cyprus. Raw materials comprise fodder crops such as barley, cereal, legume, alfalfa, corn and oats to complete feed production. All of corn requirements are imported from Turkey and other countries. Feed producers obtain other pieces of feed mix from both domestic and international markets.

Buyers in Northern Cyprus consume beef, lamb, mutton, kids, fish and broiler meat. The sales rates of turkey may only increase a little bit from normal consumption at the Christmas and New Year's Day. Customers in Northern Cyprus have been purchasing too much beef, lamb, mutton, and kids meet. However, in the direction of World Health Organisation's explanations and trends in recent years, they have begun to prefer white meat to red meat to avoid several illnesses. Not every buyer can get fish because of its relative expensiveness.

Boiler meat is more preferred because of its economic price and health aspects. The total Northern Cyprus demand for boiler meat is on the increase from previous years. However, the year in 2000, it experienced a dramatic decline similar to other countries. Because of mad cow's disease and şarbon threat that made to people turn to vegetables. However, no evidence of mad cow's disease and şarbon is found in Northern Cyprus.

Customers in Northern Cyprus have no significantly notably brand loyalty. They can easily switch from one product to another depending on availability, quality and price. However, they are becoming more sophisticated in their choices, and increasingly are observed to prefer "Kırnı" brand in poultry products.

In Northern Cyprus there are some firms, which are, produce chicken products that called 'light meat'. To produce light meat, of course, first, the producer must get or to grow the chick. There are some difficulties and many important points to grow chick.

First, - if the company's mission is not only producing chick to provide to the other firms- they have to have an integrated plant and workers who educated and trained to grow chick. In addition, chicks are need to very hygienic environment to have a healthy life.

To climate the environment, clean the places and to feed them there must be an employee who has knowledge about it. Because, it must be completely under the control from its egg phase until the package stage, and to do so, there must be workers for each required need section.

To feeding the chicks, the needed feeds are made of barley, corn and wheat, but not each of them; they need a special mix feed. Therefore, to make a mix the grains there must be an authorised person(s) who is veterinarian. Than, there is an important thing also, the climate the environment that place is the chicks are living.

It must be no more than 23 c' warmth, also every lively need to sunlight, to provide it the producer must have special lamps because the chirps are not putting the outside from their special place against any illness event. After 40-45 days later the chirps became the chicken and because of they are artificial grow after 50 days, they loose their freshness and they cannot live no more than 65 days.

After all these steps, they are sending to the slaughterhouse to cut. After cutting phase, if the firm produces separated pieces, and processed also, they sending to the preparing division and after separated them, sending to the packaging division to package and to get in price. Finally, after the package phase, they are putting to the refrigerator to freeze them and waiting for demand for their customers.

If the company is integrated, these phases will be easier and lower production cost for it, but if they are not, than their production cost will be higher, such as feed, refrigerator to freeze and distribution (Rahmi Alemdar marketing manager of kırnı piliçs, January, 2003).

Kırnı piliç that exists in M. Hacı Ali ltd. portfolio is the biggest producer in Northern Cyprus. This company captured the market for 75%, it means, the biggest demand providing by this company, the reason for this that the company is an integrated company, so, it can cover the demand quickly, and became a brand name in domestic market.

In addition, M. Hacı Ali ltd. has feed fabric and it using its own feed to grow chick and the firm selling the special feed mix to the other producer.
This factory which M. Hacı Ali ltd. has make the firm stronger in the market because, when it sells the feed to the other firms, it can cover its own production cost by this way (Rahmi Alemdar marketing manager of kırnı piliçs, January, 2003).

There is one point that is more important in poultry industry that is deepfreeze to protect the products until the selling time. The biggest cost for deepfreeze is the electricity and gas expense. M. Hacı Ali ltd. is providing its own deepfreeze to the other firms to keep their products, so, M. Hacı Ali ltd. can be able to decrease its deepfreeze expenses by using the profit from rent it.

## 5.4 Industry Competitors

The poultry industry is comprised of several competitors, all-competing for the same market domestically. Competition is fierce and is today still largely driven by the cost of manufacturing and the quality of the output. In addition, price penetration strategies are employed in the form of sales promotions to increase company market share.

The poultry industry in Northern Cyprus is a slow growth sector. This leads existing firms to fight for increasing their market share and to deploy many sales increasing tactics. Larger companies continue to get larger poultry plants designed to capture all possible scale economies.

Getting larger means that distribution gains strategic importance. Having refrigerated transportation vehicles to effectively manage distribution will become even more critical in long-term company sustainability.

Similarly, some of the other issues that competitors will have to address to survive in the existing environment will include all aspects of manufacturing and cost efficiency. The objective will be to produce more product, cheaper, faster, better, higher quality, differentiated, and market driven to address the changing consumer needs. In this regard and where specifically targeted, opportunity for value added will continue to present opportunity for companies that niche market to the changing consumer needs.

## 5.5 Consumers of poultry products in Northern Cyprus

Customers of poultry industry emphasise on prices, quality and hygiene of poultry products. They will continue to demand inexpensive, high quality finished products. The level of product differentiation expanded in the last years.

In Northern Cyprus, the biggest demand comes from military that are located many places, shop centres, markets and some school canteens. Especially, processed products are demanding from the shop centres because those places are visiting by many people to shop that exist in large portion of total student and busy workers population. The companies covering the domestic demand that produces chicken meat in Northern Cyprus. The poultry products mean, simply, to grow chicken and to produce different product from it. It called as 'light meat' that are wholesome and free from food borne pathogens, contain a minimal of amount of carcass fat, and are tender, tasty and palatable to the consumer.
The main poultry product is whole chicken and the secondary products are special parts of the chicken. There is one more type of poultry product that called 'processed' which is product that can be quickly and easily prepared.

Niche, fanatical pressures on the meat industry in general and the poultry industry, specifically will continue to create doubt in the consumer's minds about the wholesomeness of meat products in general and poultry products specifically; both from a health standpoint and from an animal welfare perspective. However, a more powerful, opposite influence, based on ongoing, empirical, scientific evidence, is the endorsement of credible nutritionists and dieticians that the consumption of poultry products is paramount to achieving a well balanced, high protein, lean, healthful diet to prevent obesity, heart disease and diabetes. These forces are also in play in the global arena and will likely spur additional growth in third world countries as these nations improve their overall nutritional programs and the quality of food choices available to their citizens.

## 6.0 APPPLICATION OF THE PRODUCT LIFE CYCLE

### 6.1 Northern Cyprus Poultry Products Market - the product life cycle

The following findings were obtained through designing worksheets to construct a life cycle analysis for the Northern Cyprus poultry products market. By doing this, it was possible to observe the trend in the total sales of poultry products against time.

The scale for sales volume and the time scales were based on the figures obtained from the TRNC; The Ministry of Agriculture and Forestry; Agricultural Structure and Production; Nicosia 2002; Table 28 – Meat, Breed and Fish Production: 65. and also from the web site of the said Ministry.

The results of poultry consumption/production in Northern Cyprus between the years 1997 and 2001were plotted as in Figure 6.1 below:

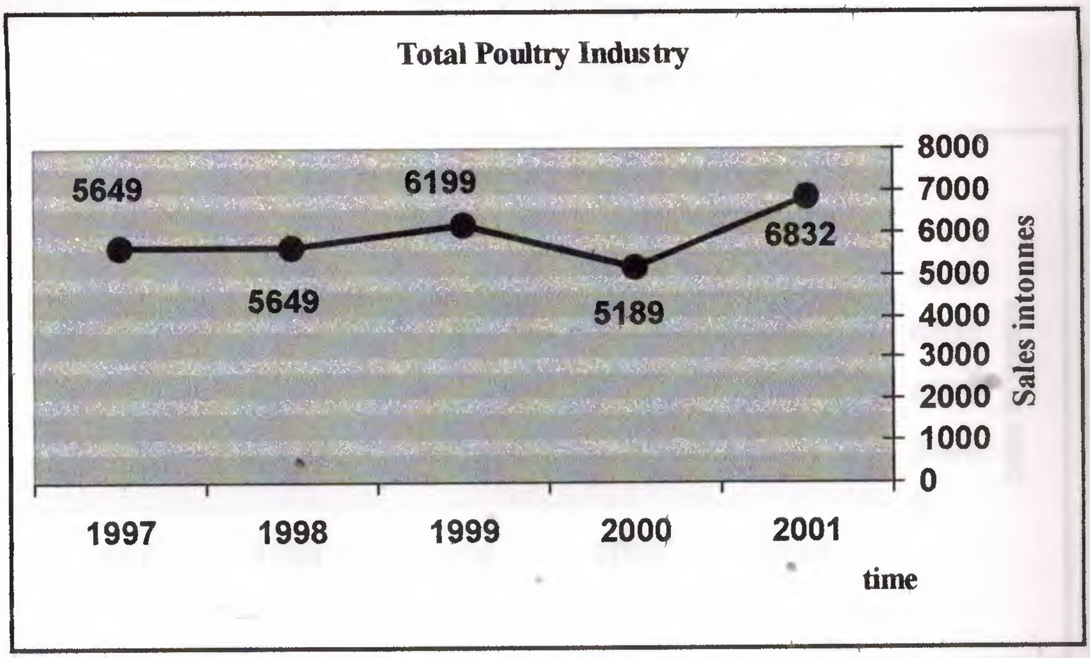



**Figure: 6.1**

Although the sales in tonnes of poultry products showed a slow growth between the years, there was a remarkable drop in the year 2000. The industry managers explained the reason for this drop during the interview stages of this study, as a direct result of global fear of Mad Cow's Disease. Although the disease has no link with chicken meat, customers had feared away from all meat consumption and had turned to vegetables during the year.

To further understand the trend in poultry production a moving averages study was undertaken as in Table 6.1 below. This allows us to see the true trend excluding remarkable events that may affect the product life cycle.

**Table 6.1**

| Years | Tonnes | Moving Average |
|---|---|---|
| **1997** | 5649 | 5649 |
| **1998** | 5649 | 5649 |
| **1999** | 6199 | 5924 |
| **2000** | 5189 | 5556,5 |
| **2001** | 6832 | 6194,25 |

The results of the Table 6.1 were plotted as in Figure 6.2 below:

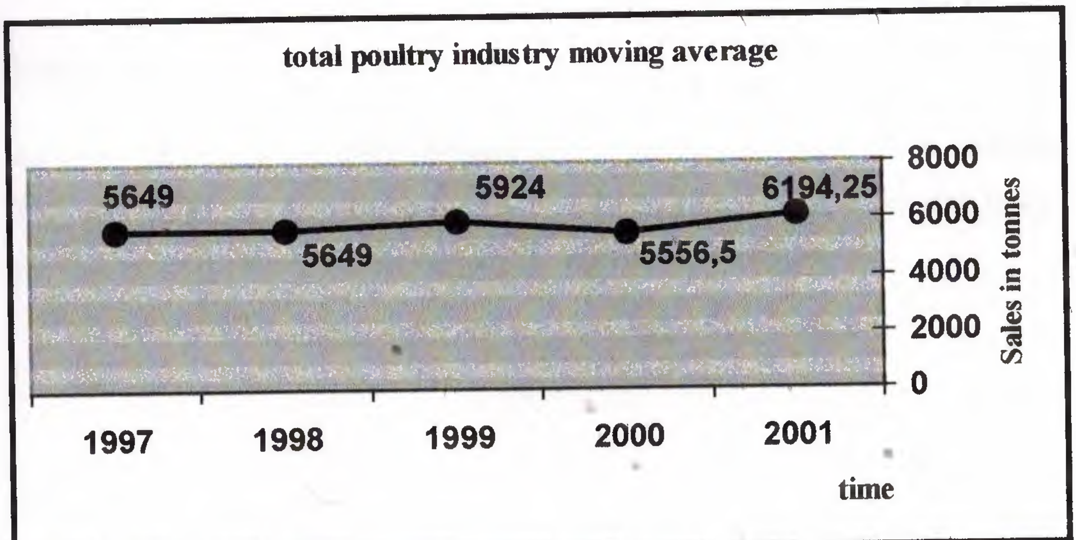



**Figure: 6.2**

With using the moving averages method the normal trend in the industry life cycle is seen as in normal growth as revealed above.

## 6.3 Comparing the sales of the Kırnı Ltd to industry's life cycle

Volume of sales figures (in thousand tonnes) from the Kırnı Ltd were obtained to observe how parallel the sales of the firm were to the product life cycle trend of the industry. The results are illustrated as in Figure 6.3 below:

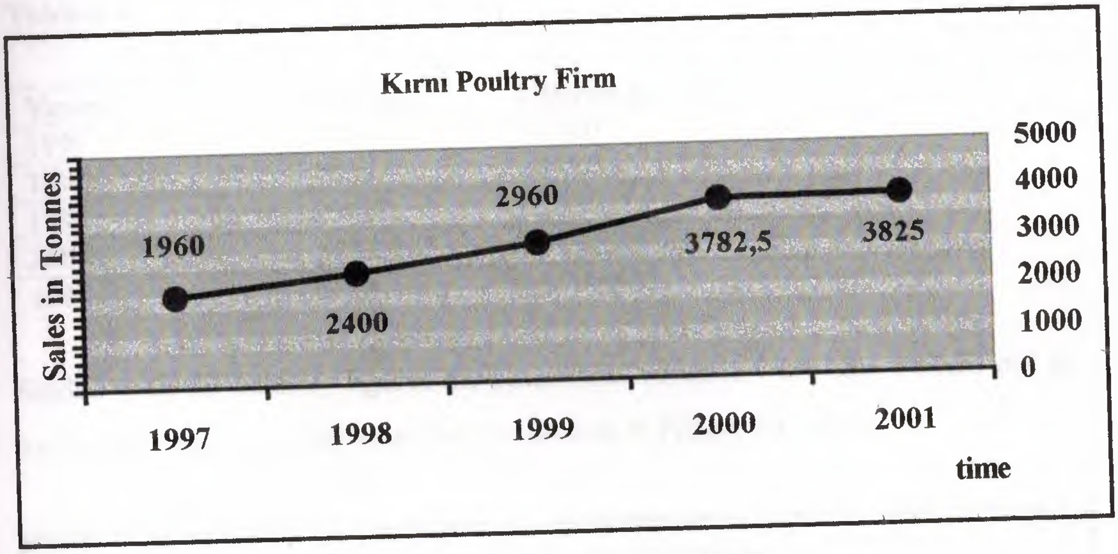



**Figure: 6.3**

As seen, the results are quite identical to the product life cycle of the industry. This may prove two things: the existence of the product life cycle concept; and/or the success of the Kırnı Ltd. In keeping up with the market growth.

## 6.4 Testing the Kırnı sales using moving averages

To further understand the trend in poultry production of the firm, a moving averages study was undertaken as in Table 6.4 below. This allows us to see the true trend excluding remarkable events that may affect the product life cycle.

**Table 6.4**

| Years | Tonnes | Moving Average |
|---|---|---|
| **1997** | 1960 | 1960 |
| **1998** | 2400 | 2180 |
| **1999** | 2960 | 2570 |
| **2000** | 3782,5 | 3176,25 |
| **2001** | 3825 | 3500,625 |

Similar with the industry figures the Kırnı sales volumes were also worked out in moving averages over the years that resulted as in Figure 6.4 below:

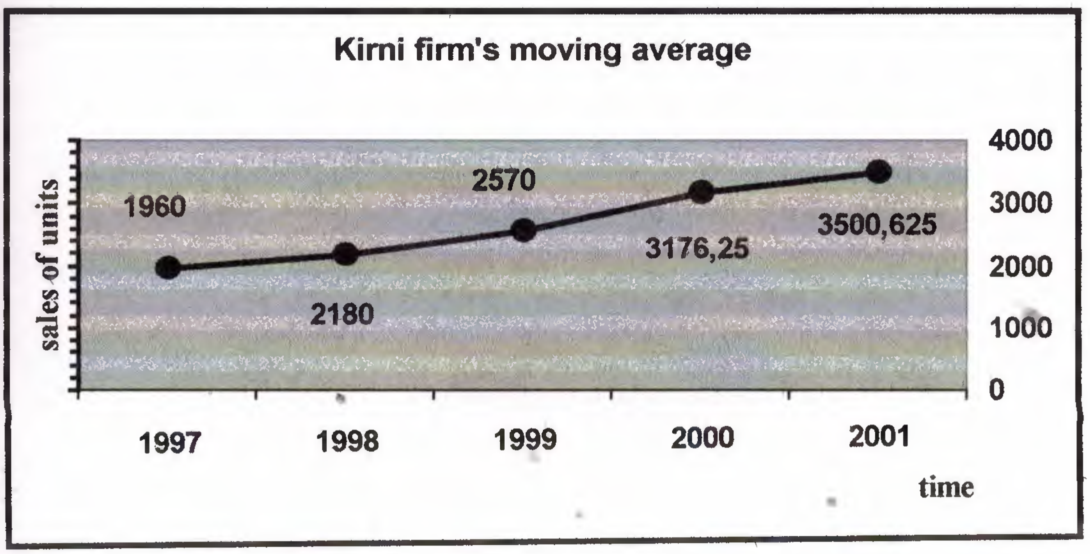



**Figure 6.4**

Here, the existence of the product life cycle was once more demonstrated.

## 7.0 CONCLUSIONS

This study was undertaken mainly to observe the existence of the product life cycle concept in practice and its effect on company strategies.

It is universally accepted that all products or services go though a life cycle of four stages – introduction, growth, maturity, and decline. Depending on the nature of the particular product and its market, the life cycle can be of short or long duration. Similarly, different products will have different levels of sales. Nevertheless, allowing for these differences in 'width' and 'height', product life-cycle curves all have a remarkably similar consistent shape. It is because of this consistency of the life-cycle curve that it makes it such a powerful tool of strategic marketing planning.

This study worked on chicken products. In the beginning, it felt absurd that a product like chicken will have a life cycle. Chicken is a food product and it should have an ever-lasting life cycle with no different phases in sales. However, this study proved otherwise. The total industry sales showed a slow-growing trend. Differentiated poultry products recently flooding the market demonstrated a classic maturity phase where competing firms strive to defend market share through cost-effectiveness and increasing the value of their products through differentiation.

## 8.0 RECOMMENDATIONS FOR FURTHER RESEARCH

This study could not achieve one of its objectives as to test company strategic thinking and action at different stages of the product life cycle. Available data could only reveal a five-years sales and not much on company strategies. This was due to the insufficient data available to researchers in Northern Cyprus.

It is recommended that a similar study is undertaken in another location that will have available both industry sales figures over many years and company strategy and past financial performances in detail.

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APPENDIX PAGE

## QUESTIONNARIES

**What is your products as poultry?**

We produce many kinds of product as poultry, especially we are expert on the chicken. Our chicken products are;

- whole chick
- Liver
- Wings
- Neck
- Shish
- Mincemeat
- Fillet
- Shiniest
- Drom sticks
- Bagged
- Thigh
- Meat for oven

The products that are above, our produce that made up from whole chicken. We also produce special products such as;

- Mickey nagged
- Chick burger
- Chick finger
- Chick pane
- İnegöl meatball
- Çıtır meatball
- Favourite nagged

**Do you have a customer segment? If yes, who are your definite mass-customers?**

No, we do not have a customer segment because; we producing -as called- light meat, which is healthier than normal meat and this cannot be, have a customer segment. We aim to sell our product to everyone in our country.

**What is your domestic product sell in average in one year?**

We approximately sell our product 3.250.000,00 in pieces and we captured the market nearly 75% according to this value.

**What is your yield cutting proportion?**

If I give this value as a percentage, we are cutting chickens 65% as whole chicken, 35% as piece of it. It makes as piece year to year;

**1997:** 796,250.00 pieces as whole chicken, 428,750.00 piece as special parts,
**1998:** 975,000.00 pieces as whole chicken, 525,000.00 piece as special parts,
**1999:** 1,202,500.00 pieces as whole chicken, 647,500.00 piece as special parts,
**2000:** 1,446,250.00 pieces as whole chicken, 778,750.00 piece as special parts,
**2001:** 1,462,500.00 pieces as whole chicken, 787,500.00 piece as special parts.

**If we look at the poultry industry's yield schedule there is a fall in year 2000 and a huge increase in year 2001, what can be the reason(s) for this event in poultry industry?**

There is only one reason for this event, in year 2000, there was appeared a big health problem which was displayed by cows in all over the world.
So, depend on this illness, people have turned to light meat that include in; fish, chicken and turkey.

However, this illness which displayed by the meat has affect also the light meat at the same time, namely, the light meat also lost worth in the eyes of the people, that's why, there was a decrease in the poultry industry in year 2000.

**What is your marketing strategy in your market area?**

We used the product modification strategy. We launched the processed product with our whole chicken and chicken parts. This action's aim was to increase our products sell, I mentioned our processed product before.