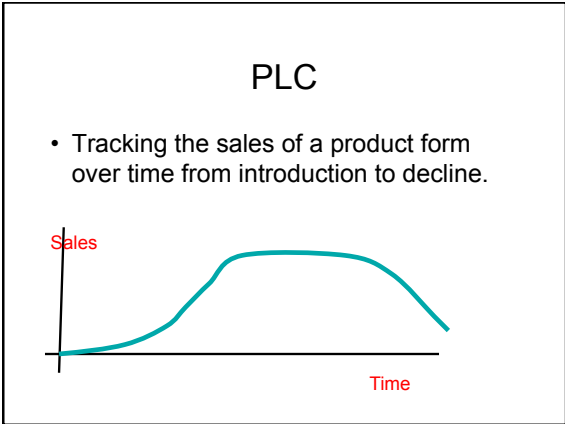


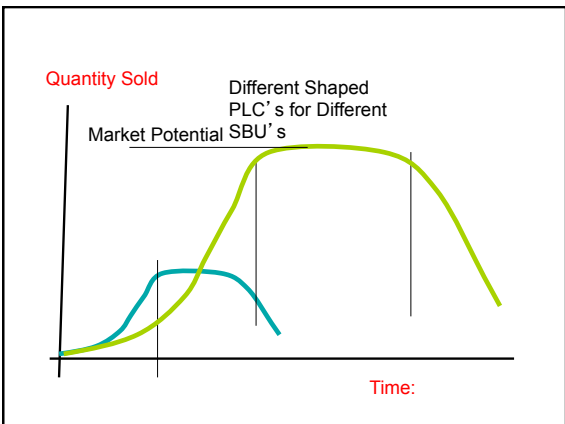
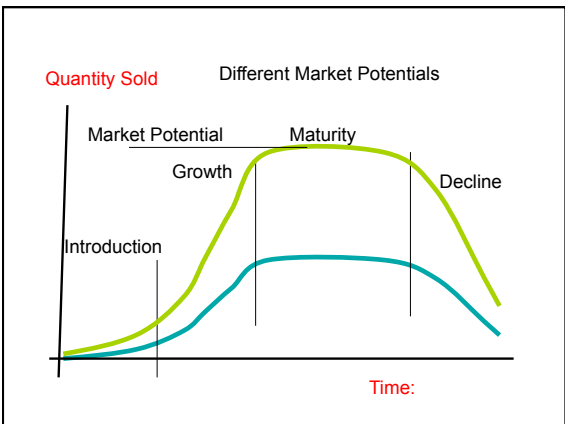
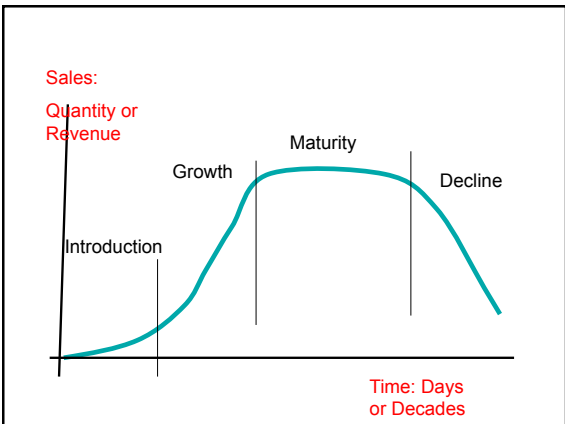
NS Product Lifecycles Game 2 Fall 2011

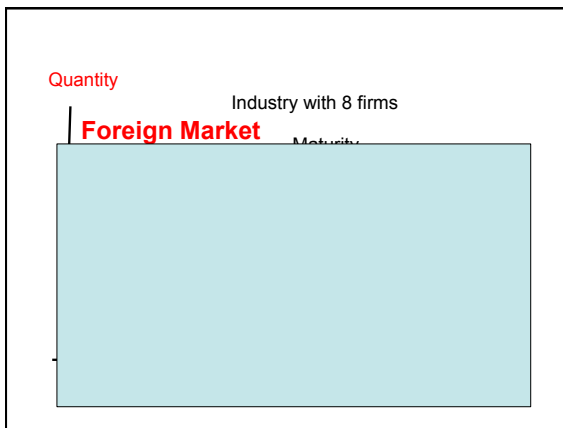
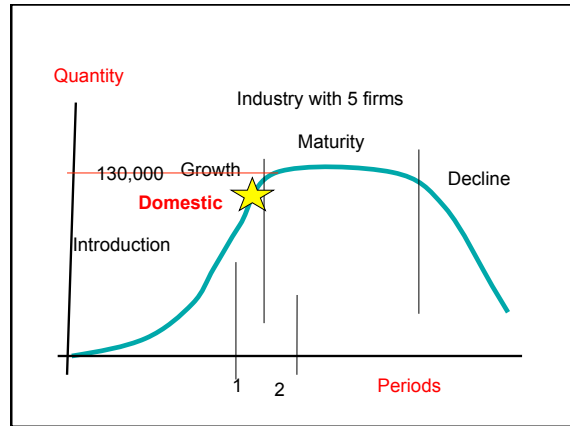
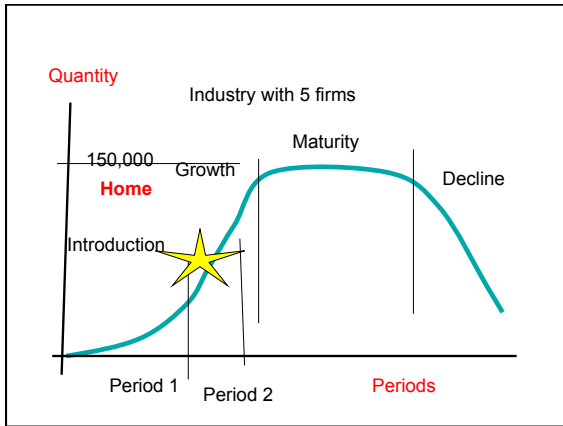
Ted Mitchell



How Likely Is

- A brand has a PLC of its own?
- Very Seldom, Basic Product Forms/Key Benefits are copied quickly

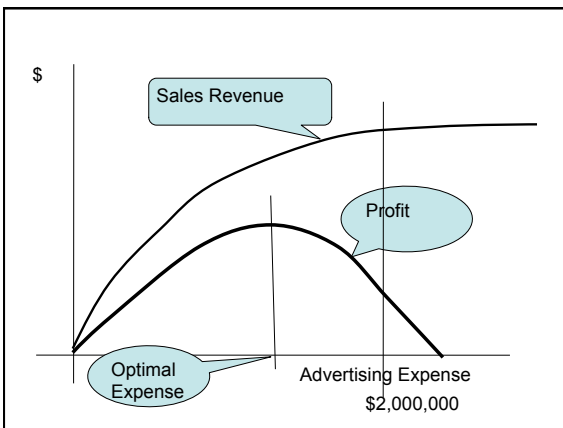
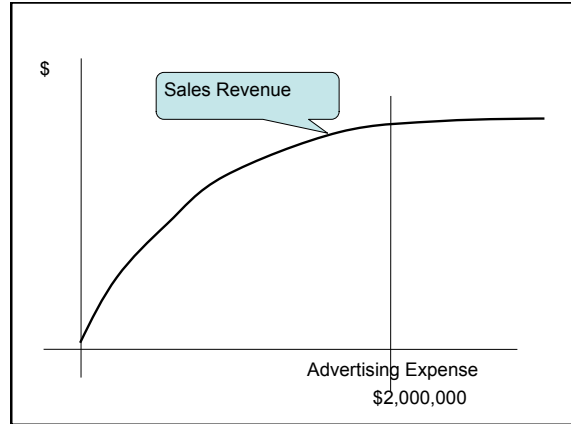




	Home	Domestic	Foreign
ADVERTISING	Very STRONG RESPONSE	MODERATE RESPONSE	
CONSUMER PROMOTION	MODERATE RESPONSE	STRONG RESPONSE	
SALES FORCE SIZE	WEAK RESPONSE	STRONG RESPONSE	
Dealer Promotions	Very Weak Response	Moderate Response	
SUGGESTED STARTING TOTAL BUDGET	\$2,500,000	\$2,300,000	

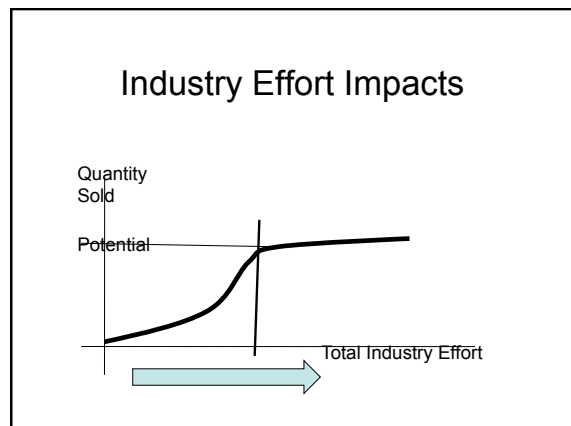
	Home	Domestic	Foreign
Price	Moderate Elasticity	Very Elastic	
Starting Price	\$85-\$95	\$80-\$90	
Product Development	Start with around \$1,250,000, stay with or above the industry average		
PLC Starting at	Mature	Late Growth	
Final Market Potential	Current size	Largest 125% of the Home	

	Home	Domestic
Price	At or Above Average	At or Below Average
ADVERTISING	At or Above Average	At or Below Average
CONSUMER PROMOTION	At or Above Average	At or Above Average
SALES FORCE SIZE	At or Below Average	At or Above Average
Dealer Promotions	At or Below Average	At or Below Average
Mitchell's Rule of Thumb		

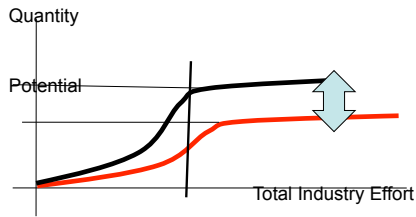


- The Goal is to find the optimal marketing mix**
- Optimal Advertising Expense
 - Optimal Consumer Promotion Expense
 - Optimal Sales Force Expense
 - Optimal Dealer Promotion Expense
 - Optimal product Development Expense
 - Optimal Selling Price

- TWO Things Impact Changes in Industry Sales**
- 1) Market Growth
Demand Increases (number of customers increase)
 - 2) The Industry puts more effort into marketing



Growth or Decline of Market



Bootstrap Yourself

- Want to spend \$200,000 more in advertising. How many units do I have sell to cover this extra expense?
- Breakeven Quantity =
 $\$200,000 / (\text{Price} - \text{Variable cost})$

Is it reasonable?

- Extra 3,333 pairs
- Currently selling 100,000 pairs
- 3% increase in your sales
- From Where?
- Your penetration?
- Your overall market growth?

Bootstrap Yourself

- Want to spend \$200,000 more in advertising. How many units do I have sell to cover this extra expense?
- Breakeven Quantity =
 $\$200,000 / (\text{Price} - \text{Variable cost})$
 Price = \$90, Cost per Pair = \$25
 $\$200,000 / (90 - 25) = 3,333 \text{ pairs}$

Track the change in Industry sales

- $(\text{Period 4} - \text{period 3}) / \text{Period 3}$
- 1) The naïve forecast is tomorrow will be like today
- 2) The naïve growth forecast is growth from yesterday to today will be the same as the growth from today to tomorrow.

Track the change in Industry sales

	Period 3	Period 4	Change P4 - P3	%change (P4-P3)/P3
Home	780,000	1,112,000	330,000	42%
Domes tic	676,000	981,700	305,700	45%

Track the change in Industry sales

	Period 3	Period 4	Change P4 – P3	%change (P4-P3)/P3
Home	780,000	1,112,000	330,000	42%
Domes tic	676,000	981,700	305,700	45%

Naive growth Forecast is that industry growth rate should remain the same.

Track the change in Industry sales

	Period 3	Period 4	Change P4 – P3	%change (P4-P3)/P3
Home	780,000	1,112,000	330,000	42%
Domes tic	676,000	981,700	305,700	45%

If you maintain your market share in the next period you predict that your sales should increase by the industry growth rate