



BASICS OF SUPPLY CHAIN MANAGEMENT

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Lesson No 3- Part 2 – Business Strategy and Concepts

One important concept in strategies and business concepts is of course the product lifecycle concept. Every product is going through certain phases so once we look at the style like of a product I need to introduce it. That's the introduction stage in that while my sales is starting from zero and it has to grow and come up in that stage. Usually I focus on the product itself, the response of the market and need maybe to make some changes to my concept. In that part if I'm lucky I'm the first one. I can gain market share very easily, very rapidly and after my product becomes successful I'm getting into the growth stage. In the growth stage I usually face problems like having enough supply of my product, finding the right suppliers and I also see that my competition is coming into the market so sales are going up but in the end it will slow down a little bit because my competition also see the competitive element of my new product. That is the style of what we call the maturity phase. In the maturity phase my product is stable, there are a lot of suppliers of that product and my market share is stable. In that part the growth is not that exponential as it was before and my focus is then more on efficiency, on getting the product delivered at the lowest cost. Price is becoming a very important element in that stage. After some time my product will go into the decline stage.

There are alternatives and I will see rapidly going down my sales. I can change that one by making extensions to my product, adding new options and hoping that my product will retain attractiveness for the market again. Looking at some examples, if we are taking the iPhone always there will be a new Apple iPhone. What is going to be introduced? That new iPhone is usually priced high or at least higher than the previous one and distribution in the beginning it's limited so my sales is going up but Apple is managing that complete part for the introduction of that new product.

Of course Apple is looking also to the other suppliers and me as a customer will compare the offerings that are in that new I phone with other old models but also with the competition. The introduction stage can be the stage where we are going to switch from supplier. After that we have the growth stage. So Apple introduced that iPhone and in a certain moment of time and mostly in Apple products that's a couple of months I can buy it anywhere. The growth is there they have to face the supply of their product. If they have estimated it well then they don't have a problem. If they have overestimated it they will become of leftovers in inventory and if



they estimated the growth too low they will have supply issues. After3 that part we kept in that maturity Stage. In the maturity Stage there are a lot of elements.

What is influencing the market? The maturity stage can be long. So if I'm taking the example of the oil industry, the conventional car industry models are there for a long time. Only drivers from outside will change that maturity stage. In the decline stage I mentioned already I can extend the product. The extension is, for instance, quite common in the car industry. So if we take the Volkswagen Polo, that one is there since 1975 it doesn't look like the current version we have. But they modified the product every year. So keeping the same product. But it's changing and every year they add something on it so that's the life cycle still remains.
