

The product life cycle

The first electronic pocket calculators as we know them today were introduced onto the consumer markets in the early 1970s. Before microchips were available, people in offices had to use mechanical calculating machines which were expensive, had a high noise level and were difficult to operate (most of them could only add and subtract). And consumers? Well, they had to work the results out in their heads because calculating machines were too expensive for private use!

Electronic pocket calculators were rather expensive in the beginning. They cost a couple of hundred marks though they could only perform the four basic arithmetical operations. They did not even have a memory for interim results. Still, they sold well. And today ?

Your Task:

1. Why were electronic pocket calculators so expensive when they were introduced onto the market in the 1970s?

2. Describe the situation on the market for pocket calculators regarding demand, sales, overall profits, price and costs per unit, competition, promotion and number of product variations

- a) in the sixties when pocket calculators were launched
- b) in the seventies when pocket calculators slowly penetrated the market
- c) in the eighties when almost everyone had a pocket calculator
- d) today

3. What happened to mechanical calculating machines? Fill in the missing words or expressions:

The first personal computers (1)..... onto the market in the early 1980s. The product as such certainly has not yet reached the end of its (2)..... because there is a continuous process of technological improvement. The most important changes are new generations of central processors which are (3)..... about every two years.

When a new processor chip is introduced(4).....(5).....are usually very high, and only commercial users can afford the new computer generation which is said to be a lot more powerful and a lot (6)..... than the old one. The reason is that the manufacturers of processors have to cover their (7)..... costs as well as the expensive (8)..... campaign which is needed to (9)..... for the new generation of chips. The chip manufacturers hope to break even at the end of the (10).....phase.

After a couple of months the first clones - compatible chips from other manufacturers - appear on the market and (11)..... forces prices down. The (12).....develop more complex programs with improved features that require the new generation of processors. So more and more people buy a new computer (even if their old one works perfectly well with older software)(13)..... and (14)..... rise

(15)..... in this period, though the prices
(16)..... The reason is that production (17)
.....are falling because of larger
(18)..... and that the manufacturers' pricing
policy becomes more flexible after the
(19)..... has been reached.

Later on, rumours are spread that a new
(20)..... will soon be launched. Some
customers want to wait for the next generation, so sales no longer grow as
fast any longer. Prices (21)..... and
even private users can now afford a computer of this type.

After about two or three years the market for this generation of processors is
(22)..... Prices are so low that no
(23)..... are made any longer. As the new
chip generation now (24)..... the
market, production of the old type is (25)and
it is (26)..... from the market.

4. What conclusions can companies draw from the theory of product life
cycles? Give examples.

Adapted from: "Business Line", Campbell, Dinkelacker, Kaspar, Kieser Verlag
1996.

Lösung:

The first personal computers (1) were introduced onto the market in the early 1980s. The product as such certainly has not yet reached the end of its (2) life cycle because there is a continuous process of technological improvement. The most important changes are new generations of central processors which are (3) launched about every two years.

When a new processor chip is introduced (4) onto the market (5) prices are usually very high, and only commercial users can afford the new computer generation which is said to be a lot more powerful and a lot (6) faster than the old one. The reason is that the manufacturers of processors have to cover their (7) research and development costs as well as the expensive (8) promotion campaign which is needed to (9) create demand for the new generation of chips. The chip manufacturers hope to break even at the end of the (10) introduction phase.

After a couple of months the first clones - compatible chips from other manufacturers - appear on the market and (11) competition forces prices down. The (12) software producers develop more complex programs with improved features that require the new generation of processors. So more and more people buy a new computer (even if their old one works perfectly well with older software) (13) sales and (14) profits rise (15) enormously in this period, though the prices (16) are decreasing. The reason is that production (17) costs per unit are falling because of larger (18) quantities and that the manufacturers' pricing policy becomes more flexible after the (19) break-even point has been reached.

Later on, rumours are spread that a new (20) chip generation will soon be launched. Some customers want to wait for the next generation, so sales no longer grow as fast any longer. Prices (21) fall further and even private users can now afford a computer of this type.

After about two or three years the market for this generation of processors is (22) saturated. Prices are so low that no (23) profits are made any longer. As the new chip generation now (24) dominates the market, production of the old type is (25) stopped and it is (26) eliminated from the market.

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