EAGL
MARKETING OPTIONS
FOR MATURING AND DECLINING INDUSTRIES
All industries have a lifecycle, and there is a definite interplay between product innovation, process innovation, and strategic innovation. For the Green Industry, we are at the cusp of a rapid acceleration in strategic innovation. It can be argued that the level of product innovation is declining as many “me too” products are coming into the market.
HOW TO USE THIS INFORMATION

Marketing is meeting customer needs profitably (driving customer value) by thoughtful management of the marketing mix: what products, at what price, in what distribution channels (place), and how are we communicating value.

The nature of maturing or declining industries reveal some marketing mix options to consider.

In this document, we have summarized these important considerations. When you develop your marketing plan, the options herein may be potential courses of action.

Those pathways directly related to a marketing management decision are denoted with the megaphone symbol. Its connection to marketing mix is denoted by side notes.
MATURE INDUSTRIES
CHARACTERISTICS OF INDUSTRY MATURITY

DEFINED AS: WHERE INDUSTRY GROWTH MATCHES OVERALL GROWTH IN THE ECONOMY

These “laws” apply to all industries and are certainly familiar to the green industry. This is the long-term prognosis for the Green Industry.

- Slowing demand generates stiff competition
- More sophisticated buyers demand bargains (This is a pricing decision)
- Greater organizational emphasis on costs and levels of service
- Product innovation and new end uses harder to come by (Product offering decision)
- International competition increases
- Industry profitability falls
- Mergers and acquisitions reduce the number of industry rivals
- Opportunities for a sustainable competitive advantage become more limited
THE FOLLOWING ARE GENERALLY ACCEPTED AS STRATEGIC OPTIONS FOR COMPETING IN A MATURE INDUSTRY.

✧ Prune your product line (become a specialist)  Product decision
✧ Emphasize process innovation
✧ Strong focus on cost reduction
  ❖ Achieve economies of scale
  ❖ Low cost of inputs
  ❖ Low overhead
✧ Increase sales to present customers  Who are your target customer(s)?
✧ Locate attractive customer segments
✧ Emphasize image differentiation or differentiation through complementary services  A branding decision
✧ Purchase rivals at bargain prices
✧ Expand internationally  Target market decision
✧ Build new, more flexible competitive capabilities
COMPETING IN A MATURE INDUSTRY

COMMON PITFALLS AND MISTAKES

1. Employing a ho-hum strategy with no stand-out or distinctive features. This leaves the firm “stuck in the middle” with few good options for improving its position.

2. Concentrating on short-term profits rather than strengthening long-term competitiveness

3. Being slow to adapt competencies to changing customer expectations

4. Being slow to respond to price-cutting

5. Having too much excess capacity

6. Overspending on marketing

7. Failing to pursue cost-reductions aggressively
DECLINING INDUSTRIES

DEFINED AS: WHERE INDUSTRY DEMAND DECLINES OR GROWS MORE SLOWLY THAN THE ECONOMY AS A WHOLE
CHARACTERISTICS OF A DECLINING INDUSTRY

WHILE THIS HAS BEEN CHARACTERISTIC OF THE GREEN INDUSTRY SINCE 2007, THE LONG TERM PROGNOSIS IS THAT THE INDUSTRY WILL BEHAVE AS A MATURE ONE.

✧ Overall demand declines or grows more slowly than the economy as a whole
✧ Competitive pressures intensify—rivals battle for market share
✧ To grow and prosper, a firm must take market share from rivals
✧ The industry consolidates to a smaller number of key players via mergers and acquisitions
✧ Excess capacity
✧ Lack of technological change
STRATEGIC OPTIONS FOR STAGNANT TO DECLINING INDUSTRIES

**LEADERSHIP**
- Establish a dominant market position and encourage exit of rivals
- Buy market share via acquisitions
- Acquire capacity
- Demonstrate commitment
- Dispel optimism about industry future
- Raise the stakes

**NICHE**
Identify an attractive segment and dominate it

**HARVEST**
Maximize cash flow from existing sources

**DIVEST**
Get out while there is still a market for industry assets
STRATEGIC FOCUS – DECLINING INDUSTRIES

✧ Pursue a focus strategy aimed at the fastest growing market segments
✧ Stress differentiation based on quality improvement or product innovation
✧ Work diligently to reduce costs via:
  ❖ Outsourcing
  ❖ Redesigning internal processes
  ❖ Consolidate under-utilized production
  ❖ Close low-volume / high-cost distribution outlets
  ❖ Cut marginal activities from the value chain
COMPETING IN A DECLINING INDUSTRY

COMMON PITFALLS AND MISTAKES

✧ Being overly optimistic about the industry’s future (believing things will get better)
✧ Getting embroiled in a profitless battle for market share with rivals
✧ Diverting resources out of the business too quickly
SOURCES

- Competitive Advantage in Mature Industries. faculty.unlv.edu/phelan/MBA795/Lecture%2010.ppt