<u>**Chapter 5: Answers to Questions for Review and Discussion**</u> <u>*Rev Sept 1, 2011*</u>

9. Discuss the relationship between market ownership, value networks, and the trend toward integrated supply chains in today's market.

Market ownership gives the owner a great deal of leverage within the value network. The market owner can then obtain cooperation that enhances value for customers and directs much of the profit toward the market owner. However, it does not give the market owner total control of the value network. If the market owner strategy shifts to be more share-driven, the market owner will tend to choose to design out the innovative partners that create important components of value. While this creates more control and potentially more profit for the market owner in the short term, the value network becomes more vulnerable to innovative efforts meant to supplant the dominant technology form.
In fast-paced markets, there is less likelihood that traditional forms of vertical integration will occur. A value network approach provides greater flexibility and faster response to changes in the market. True market owners will recognize the value provided by the partnerships they develop. Strong supply chains can lead to inflexibility – long term commitments can slow change. The concept of continuous change, while seemingly inconsistent with well-developed supply chains, must be accounted for in today's market.

11. The chapter related the BCG Growth-Share Matrix to the Product Life Cycle. Other than the pace of changes in the market, what are the similarities in the marketing mix between stars/the growth stage, cash cows/maturity, question marks/introduction, and dogs/decline?

Product Development/Introduction Stage of PLC = Question Mark.

- *Low or non-existent sales*
- *Questionable future*
- *Promotion usually follows a PR and market development format.*
- *Product yet unproven, market not clearly defined.*
- *Channels are usually direct*

Growth Stage of PLC = Star.

- *Rapid market growth*
- *Heavy investment*
- *Channels move from direct/exclusive distribution to more selective/intensive, dfepanding on services required.*
- *Economies of scale provide a penetration price strategy.*
- *Collaborative product development efforts with customers should begin to look at the next generation offerings necessary to maintain ownership.*

Maturity Stage of PLC = Cash Cow.

- *Product variations decrease*
- *Market "settles" on a known set of variables related to the product and its uses*
- *Investment needs are substantially reduced; industry has consolidated into few players, usually ologopolistic in nature.*
- *Previously developed economies of scale provide cash flow to survivors.*

Decline Stage of PLC = Dog.

- *Offering no longer finding new uses*
- *Substantial number of users have shifted to new technologies*
- *Depending on organization mission, best alternative may be to divest of business or*

move it into a different market structure.

- *Sellers must avoid price as main driver in customer selection of supplier.*

12. How can moving from a question mark to a star (in the counterclockwise evolution around the Growth-Share Matrix) be compared to crossing the chasm?

Many factors changes when an offering makes this transition, whether the offering is a single product from a startup company or a new product from an established organization.
A few of the possible changes . ..
Corporate/Department culture
organizational structure
Product design for volume production
Facilities development/economies of scale
New market segments/adopters
Price/margin structure