# Week 2: Application.

## Case Study of Product Life Cycle of Apple

### Introduction Phase

During the phase from 2007 to 2008, Apple introduced the iPhone, which brought about a significant transformation in the smartphone industry. To generate awareness and create excitement surrounding their product, Apple invested heavily in marketing and promotional activities. The innovative design and user-friendly interface of the iPhone captured the interest of tech enthusiasts. Capitalising on this wave of enthusiasm, Apple implemented a pricing strategy that involved charging prices initially.

### Growth Stage

In the years that followed from 2009 to 2012, the iPhone experienced growth. Apple expanded its range of offerings by introducing models like the iPhone 3G, 4, and 4S. The launch of the App Store in 2008 played a role in fueling this growth by creating an ecosystem that catered to both developers and users alike. To meet increasing demand, Apple focused on scaling up production and distribution, while establishing partnerships with telecom carriers worldwide. Product differentiation also played a role during this stage as Apple offered storage capacities and introduced new features such as improved cameras and faster processors.

### Maturity Phase

By 2013, the iPhone had reached maturity as it faced competition from Android-based smartphones. The market became saturated with options for consumers to choose from. To keep its position in the market, Apple put a lot of emphasis on improving its products. Released a series of iPhones, including the 5, 6, 7, and 8 models. They also introduced the Plus and SE versions. Alongside this, Apple carried on with its marketing campaigns that aimed to build brand loyalty and make sure customers were satisfied. Moreover, they expanded into markets, which helped solidify their position as a leading smartphone company.

### Declining Stage

In years (2019 onwards), the iPhone entered a stage of decline where it faced obstacles, like market saturation and the rise of competitors. To tackle these challenges, Apple has adjusted its pricing strategies and introduced the affordable iPhone SE. Additionally, the company has heavily invested in services, like Apple Music, Apple TV+, and Apple Arcade to diversify its revenue streams and keep customers engaged. By focusing on refreshing its products and building an ecosystem around its devices, Apple has been able to prolong the lifespan of the iPhone and minimize the impact of market decline.

# Ansoff Matrix

## Theory

Ansoff Matrix is a business tool employed by organizations to analyze and plan their strategies for growth. The matrix demonstrates 4 strategies that can be employed to nurture a budding venture, and also analyzes the risk associated with each strategy. Let’s go over each of the strategies one-by-one, and comprehend the associated risks and returns with each of these strategies.

#### Market Penetration

Represented by the first quadrant in the Ansoff Matrix, this strategy revolves around increasing the market share in the existing market with the existing products/services. It is one of the best strategies that can be adopted by startups, since it involves the least risk from a business perspective. Some of the ways in which firms can employ this strategy are:

- Cutting-down prices to attract customers

- Offering loyalty schemes to customers
- Increasing promotion and distribution efforts
- Taking over an existing competitor with a considerable market share (this option might only be applicable to firms who are well-established in other segments, and are trying to establish their presence in a new segment).

### Market Development

Represented by the second quadrant in the Ansoff Matrix, this strategy requires the organizations to push existing products/services in new markets. This strategy is more suited as the 2nd step, compared to the **product development**, if the cost of market expansion is comparatively less than that of research & innovation. Additionally, if the newer segments of market comprise of potential customers, then too, opting-in for **market development** could be a viable 2nd step. However, it involves a greater risk factor than **market penetration**, since the markets are unknown, and hence, the risks are also unknown. Some of the ways in which firms can employ this strategy are:

- Entering into a new domestic market, i.e., expanding regionally
- Entering into a new foreign market, i.e., expanding internationally
- Franchising the products/services to local experts, thereby, reducing the risks

### Product Development

Represented by the third quadrant in the Ansoff Matrix, it involves organizations selling new products/services to existing customers. This can be particularly helpful, if your venture has a strong understanding of the current market and is able to provide innovative solutions to meet the needs of the existing market. Needless to repeat, just like the **market development**, it also involves a greater risk factor as compared to **market penetration**, and this greater risk factor can be attributed to the cost of research and innovation. Some of the ways in which firms can employ this strategy are:

- Investing in Research & Development to bring about novel products/services
- Acquiring a competitor's product/service and merging resources to create innovative products (a great example of this can be *Toyota Glanza* and *Nexa Baleno*)
- Forming strategic partnerships with other ventures operating in the domain

### Diversification

Represented by the fourth quadrant in the Ansoff Matrix, in involves selling new products/services in new markets. It may lead to huge gains, in terms of both monetary gains and customer loyalty, since in involves exploiting an untapped market with new products/services. However, with greater rewards come greater risks. This strategy combines the risks of both, **Market Development** and **Product**

**Development**, since the market risks are unknown, and the products/services offered are also new. Some of the ways in which firms can employ this strategy are:

- Seeking investors, which will allow you the access to their experience, as well as an exceedingly powerful network
- Investing in R&D as well as fueling market expansion

# Application

## Case-Study of Lenskart

Founded by Peyush Bansal, a former Microsoft employee, along with Amit Chaudhary and Sumeet Kapahi in 2010, it is an Indian optical prescription eyewear retail chain. The company had a valuation of $1 billion by December 2019 after Softbank invested around $2 million. Lenskart is one of the fastest growing retail businesses with 500+ profitable stores across 120+ cities and 50 Lac happy customers across India.

### Phase 1 | Market Penetration

Prior to 2010, buying spectacles ("specs" for short) was a cumbersome process. One first had to go to an optician, get his eyesight checked out, choose the glasses (frames and lenses), and then wait for 6–7 days to get the specs. Additionally, back then, the major proportion of population was used to buying non-branded specs, with no guarantee or warranty, primarily because the branded specs like Titan Wear costed around INR 1500+, a price-point which made them pretty unaffordable. Now, most of you would be assuming that the reason behind this hefty price range might be due to the production cost, marketing cost, etc. But the fact is that all the costs combined only accounted for 25–35% of the selling price. The actual reason behind this hefty price range was the absolute necessity of the product, i.e., the specs themselves. It doesn't matter whether a person is a cab driver, or a student, corrective lenses were an absolute necessity to each and every one of them, and hence, ventures in the eyewear segment dominated this necessity to make themselves huge monetary profits.

This is where Lenskart spotted the opportunity to penetrate the market. It started manufacturing specs with a much lesser price tag of as low as **INR 250+**, that too with 1 year warranty on frames/lenses, 14-days return policy, and many other lucrative schemes.
Furthermore, before 2010 specs were viewed as a medical aid, and as you must have guessed by now, Lenskart turned this stereotype upside down, by presenting specs as a fashion apparel instead of a medical aid. This is how Lenskart was able to establish it's presence in the market, despite of big mammoths like Titan and Warby Parker already present in the eyewear segment.

**Phase 2 | Product Development**

In order to strengthen their presence, Lenskart quickly moved to the second phase. In order to beat the local brands, Lenskart offered thousands of designs, as opposed to only a few hundred of designs provided by the local brands. Unlike the local brands which had a small error margin, Lenskart offered their specs with a 0% error margin with the help of their technically-equipped manufacturing units. Lenskart started by selling contact lenses and eyeglasses only, but it very soon started selling apparels like reading glasses, computer glasses, sunglasses, smartphone glasses, etc.

Additionally, the founders of Lenskart identified a key obstruction to their success, which was the fact that accessibility and affordability to opticians was scarce, and even if someone could reach out to an optician, the job of collecting the eyesight scores from the optician, then entering them into the Lenskart app/website, and ordering the specs was a tedious process, which deviated a large proportion of their probable customers to local brands offered by the opticians themselves. In order to remove this obstruction, Lenskart made some strategic investments in state-of-the-art technology, using which they could afford to send their own eyewear specialist to visit the customer’s house along with 100+ best-selling frames for the customer to choose from, thereby, completely eliminating the possibility of the customer leaving the house. This is how by carefully investing in the product development, Lenskart was able to increase its customer base.

### Phase 3 | Market Development

In 2014, Lenskart expanded its focus to include the third phase, with an astounding move, i.e., they started opening up walk-in stores across the country. This was primarily motivated by the fact that back in 2014, a majority of the Indian eyewear segment was filled with customers which had no way of online access. Thus, their offline stores served as a platform to attract those customers, which in-turn acted as mediators who could put online orders for their customers, and since the name of Lenskart was pretty well known by then, these offline stores enjoyed the brand recognition of Lenskart over their unbranded alternatives. Another huge advantage enjoyed by the Lenskart walk-in stores as compared to other walk-in stores was the liberty from **dead inventory**. Since a Lenskart walk-in store was simply a front for people to come and try out various frame designs and the orders were actually completed by its robust e-commerce supply chain, hence, a Lenskart walk-in store didn't have to maintain any inventory. Moreover, it meant that a Lenskart walk-in store could display thousands of frame designs, as compared to only a few hundreds of designs by local brands.

Lenskart further fueled its offline expansion by offering high commissions of up-to 25–30% to its franchise owners, which was possible because of the exceptionally huge margins enjoyed by Lenskart, by virtue of its superior manufacturing technologies and robust e-commerce supply chain. This is how by strategically planning its way around market development, Lenskart became even a bigger sensation in the eyewear segment.

### Phase 4 | Diversification

After becoming a dominating player in the segment, Lenskart started with the fourth phase. It entered into the premium eyewear space with *John Jacobs* with a range of INR 3000+ and into the semi-premium eyewear space with *Vincent Chase* with a range of INR 1000–1500. Furthermore, Lenskart also picked up a minority stake in the US-based 3D face modelling startup, Ditto (now *luna*) for $1 million. Ditto provides 3D face modelling for virtual trial service to eyewear retailers to improve their customer experience, and Lenskart has been one of Ditto's customers since 2016, using its technology on both of its user facing platforms, app and website. These are only some of the diversification strategies that Lenskart adopted to foster and nurture its sales. Let's see what Lenskart and its team have in store for us next.