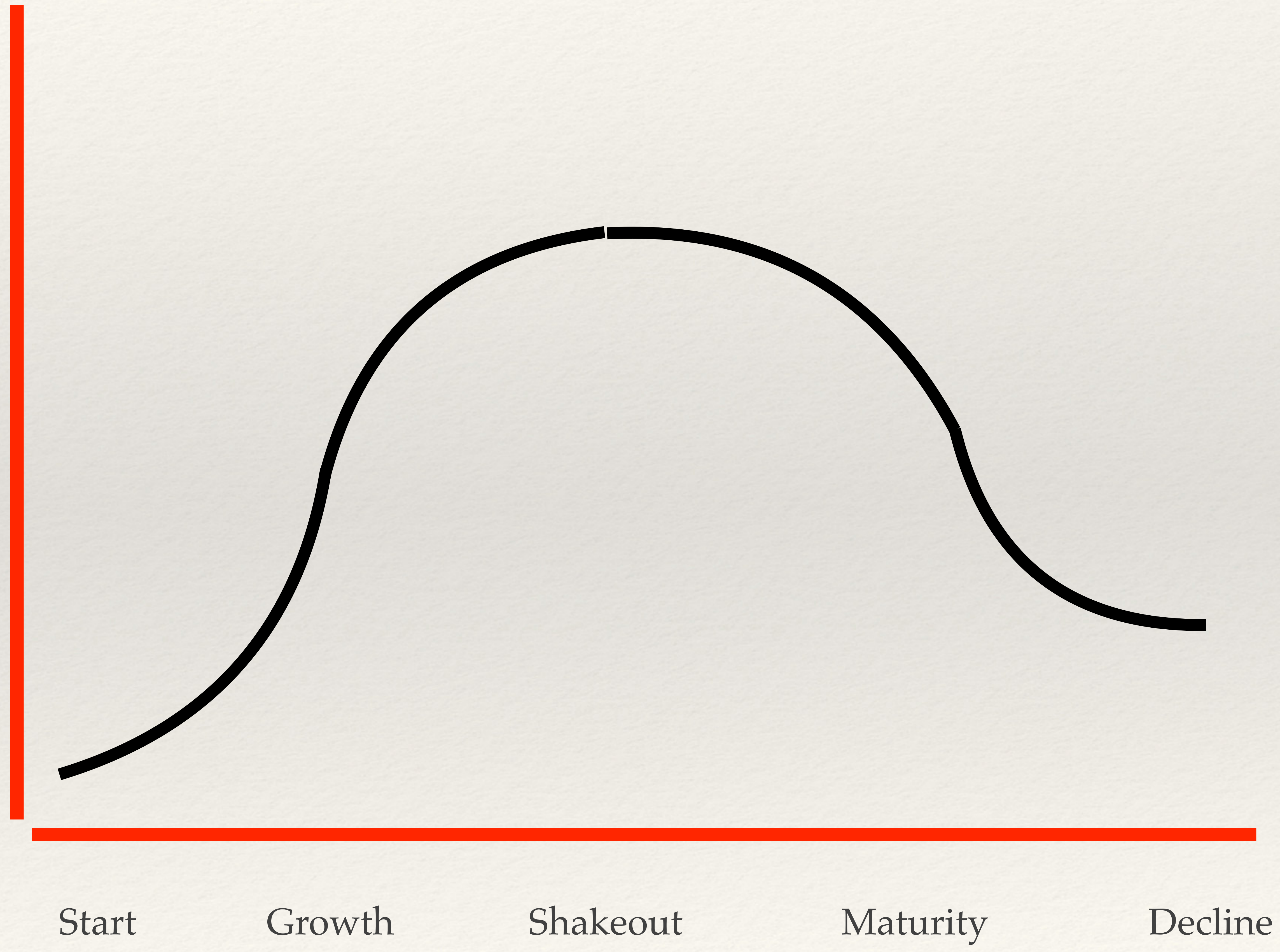
The Business Life Cycle

The Business Life Cycle

- The Business Life Cycle tracks the progression of a business over time
  - Launch
  - Growth
  - Shakeout
  - Maturity
  - Decline

The Business Life Cycle

- The time periods can vary from months to years
- The Life Cycle is characterised by an bell shaped curve on a graph



The Business Life Cycle

- This is similar to the Industry Life Cycle but this focuses our study on just a single business and the issues it faces throughout its life cycle

The Business Life Cycle

- A word on Revenue, Cash Flow, Profits and Funding timing through a life cycle
- Profits always lag sales
- Time delay between Sales Growth and Profit Growth
- Cash Flow lags both and can be negative - requires funding

The Business Life Cycle

- Launch
  - Launch of first new product
  - Initial sales are slow
  - Focus on marketing to core customer segment - focus on competitive advantage and value propositions
  - Loss making, cash flow negative as start up costs impact

The Business Life Cycle

- Growth
  - Rapid sales growth
  - Pass break even point
  - Profit cycle still lags the sales cycle
  - Business becomes cash flow positive

The Business Life Cycle

- Shake Out
  - Sales increase but rate of sales growth slows - increase in market saturation or competition
  - Sales Peak
  - Profits start to reduce leading to lower margins
  - Cash flow increases due to decline in capex and R&D - exceeds profits

The Business Life Cycle

- Maturity
  - Sales start to decrease
  - Profit margins reduce further
  - Cash flow relatively stagnant - little capex required
  - Inflection point - reinvention with investment in new technologies, markets or products = refreshed growth, funded

The Business Life Cycle

- Decline
  - Sales, profit and cash flow all decline
  - Companies have failed to reposition themselves to adapt to the changing market conditions
  - Loss of competitive advantage
  - Exit the market

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