

## Corporate Implications

Most companies are subject to similar cycles, which determine their competitiveness in the international arena. New products exhibit significant export potential; order, mature products are subject to intense foreign competition. A knowledge of the cycle characteristics of a product allows the firm to plan in advance not only a marketing strategy to meet domestic competition, but appropriate strategies to meet foreign challenges domestically and abroad.

This does not imply that the firm must sit impassively as "nature takes its course" in world markets. The firm may innovate in product design, seek new users, or seek new markets among the less developed countries, and in so doing superimpose a new cycle on the old one. It may rely on a strategy of new product development. It may undertake process innovations that, through increased productivity, prolong the firm's cost advantage in world markets. It may attempt to differentiate its products to secure brand loyalty or other similar advantages over the cheaper competition. Alternatively, the firm may attempt all of these strategies in various degrees. Or, as has been increasingly the case, the firm may attempt to obtain maximum returns by following an international logistics policy geared to the life cycle model.

This last strategy holds considerable promise for the firm. Export markets for new products allow greater unit cost reductions and quicker amortization of development costs than would be possible from domestic sales alone. As the product matures and foreign demand increases, the company can extend the benefits derived from its marketing and technical know-how by entering foreign markets with production facilities, preempting similar moves by United States or other competitors. As cost become critical in the competitive struggle and the domestic market is threatened, the United States firm is in an ideal position to exploit its knowledge of the United States market and its established domestic distribution channels by moving manufacturing of mature standardized products to low-wage developing countries. The United States electronics and apparel industries have followed such policies with great success over the last five years. By following this sequence of strategy adjustments, the firm can maximize returns over the life cycle and minimize the risks of being surprised by competitive moves.