THE PRODUCT LIFE CYCLE: (PLC)

To say that a product has a life cycle is to assert four things:

- Products have a limited life
- Product sales pass through distinct stages, each posing different challenges, opportunities, and problems to the seller.
- Profits rise and fall at different stages of the product life cycle.
- Products require different marketing, financial, manufacturing, purchasing, and human resource strategies in each stage of their life cycle.

The product life cycle is a concept that attempts to describe a product's sales, profits, customers, competitors, and marketing emphasis from its beginning until it is removed from the market.

→ From a product-planning perspective, there is interest in the product life cycle for several reasons.

1. Some product lives are shorter now than before.
2. New products require increased marketing & other investments.
3. The product life cycle enables a firm to anticipate changes in consumer tastes, competition, and support from marketing intermediaries and to adjust marketing plan accordingly.
4. The product-life cycle concept enables a company to consider the mix of products that it should offer: a combination of new, growing, and mature products is maintained.

This mix is referred to as product portfolio.

Stages of the Traditional Product Life Cycle:

The stages are: conception, introduction, growth, maturity, decline, and death.

As such conception stage may not exactly come in the marketing activities. However, during this stage, either the product is conceived for manufacture or procurement.

It becomes necessary to understand the need of the consumers, competition structure, and other marketing environmental factors. Relevant data collection, critical examination of data, and suitable conclusions become necessary. Once the product is conceived, it is to be introduced in the market.

Introduction stage:

The introduction stage starts when the new product is launched. It has gone through product development including idea screening, prototype, and market testing.

When a new product is introduced into the marketplace, the objective is to generate customer interest. The sales depends on the newness of the product as well as its desirability.

Generally, a product modification generates faster sales than a major innovation.

At the introduction stage, competition may be limited. There will be losses because of high production and marketing costs, and poor cash flow.

Initial customers are innovators who are willing to take risks, can afford to take them, and like the status of buying first.

For convenience goods, distribution is extensive. For a luxury items, distribution is limited.

Promotion must be informative, and free samples may be desirable. Promotional program is to focus on the type of product.

Depending on the product and choice of consumer market, firm may start with a high-status price or low mass-market price.

- The firm has to spend heavily on promotion to convince the market of the product's merits even at the high price. High promotion may accelerate the rate of market penetration.

→ If marketer assumes that a large part of the potential market is unaware of the product, those who become aware of the product are eager to have it and can pay the asking price, and there is competion, then a rapid - skimming strategy of launching the new product at a high price and high promotion level is preferable. This enables the firm to recover as much profit per unit as possible.

- The introductory stage is risky & expensive.

→ In case, the market is limited in size, customers are aware of the product, customers are willing to pay a high price, and potential competition is not imminent, a slow-skimming strategy of launching the new product at high price and low promotion is preferrable.
 Low promotion keeps the marketing expenses down.

→ When the market is large, unaware of the product, most buyers are price-sensitive, there is strong potential competition, cost of production is low, a rapid - penetration strategy of launching the product at a low price and high promotion is preferrable.
 • This strategy promises to bring about the fastest market penetration and the largest market share.

→ When market is large, highly aware of the product, market is price-sensitive, and there is some potential competion, a slow - penetration strategy of launching the product at a low price and low level of promotion is preferrable.

- Most important question is: when to enter the market?
 Become a pioneer or a follower?
 Usually, pioneer captures and retains a larger market share.

Growth Stage:

In the growth stage (or market-acceptance stage), sales and profit rise. The new product gains wider consumer acceptance.

•• The main objective is to expand distribution and the range of available product alternatives.

→ New competitors enter the market, attracted by the opportunities for large-scale production and profit.

→ Price remain where they are or fall slightly, depending on how fast demand is increasing.

→ Competitors may introduce new product features and widen distribution chain.

→ The rate of growth eventually changes from an accelerating rate to decelerating rate.

•• Persuasive mass advertising is utilized.

•• A range of price is to be made available.

•• The firm should improve product quality and add new product features, new models.

•• The firm should enter new market segments.

- Improve distribution coverage
- Firm shifts from product-awareness advertising to product-preference advertising.
- Firm should lower prices to attract the next layer of price-sensitive buyers.

Maturity stage:

At some point, product's rate of sales growth will slowdown, and the product will enter a stage of relative maturity.

→ Reasons may be ⟶ Intense price competition, customers' psychology of change, better substitutes availability, etc.

The marketing objectives to be:
- * lower price
- * improved product features
- * additional benefits
- * maintain differential advantage
- * Abandon weaker products
- * New products introduction

→ competition is high. Promotion is also competitive.

The effect of slowdown →
- overcapacity
- firm forced to activate R&D
- varieties sought

The company can try to
- * convert nonusers – attract new customers
- * enter new market segments
- * win competitors' customers

} Market modification

- * improve quality – durability, reliability, etc.
- * improve features or style (aesthetic appeal) (versatility, safety or convenience)

} Product modification

- * Marketing-mix modification (Price cut, better distribution, effective advertisement, promotional backups, personal selling & services)

Decline Stage:

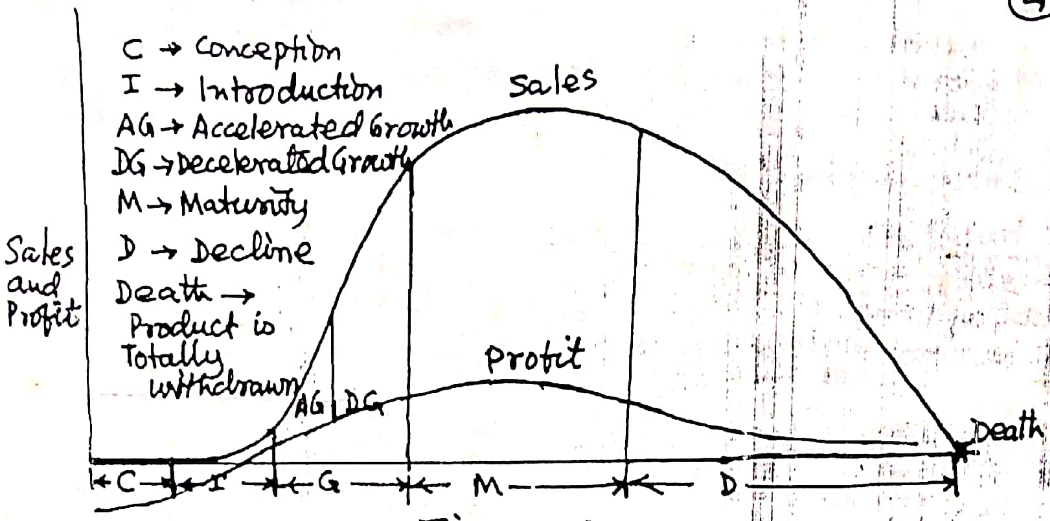
In this stage, product's sales fall may be because of availability of substitutes or consumers becoming disinterested or technological advances.

The alternatives available:
- cut back on marketing programs thereby reducing the number of product items, number of outlets, and promotional schemes.

The product may be revived by:
- repositioning
- repackaging
- remarketing

OR TERMINATE THE PRODUCT.

Thus, strategies are:
- * Identify the weak products
- * Try to modify or withdraw
- * Try to increase investment to become competitive
- * Reduce investment level
- * Harvest
- * Divest



Sales and Profit Life cycle

Style → A basic and distinctive mode of expression appearing in a field of human endeavor.

Fashion → A currently accepted or popular style in a given field

Fads → fashions that come quickly in, the public eye, are adopted with zeal, peak early & decline very fast

The Characteristics of the Tradi ional Produ t Life Cycle

	Stag es in Life Cyc e				
Characteristics	Introduction	Grow th	Maturity	Decline	Terminatio
Marketing Objective	Attract innovators and opinion leaders Customer awareness	Expa d distri ution and p oduct line	Maintain differen al advantag e	Cutback, revive, terminate	New busines or out of business
Industry Sales	Low levels then rising	Rapidly incr easing	Stable	Decreasing	Insignifica
Customers	Innovators, ready to take risk	Affluent ma s market	Mass market	Loyal customer	Dissatisfac tion
Competition	None or small	So ne	Substan ial	Limited	None
Profits	Negative/Nominal	Strong, then at peak	Decreas ng trend s ts in	Decreasing	Loss
Marketing Implications					
Overall Strategy	Market development	Ma rket pe etration	Defens ve positic ning	Efficiency or exit	Exit
Costs	High per unit	De reasing	Stab e or Incr asing	Low	—
Product Strategy	Undifferentiated	Imp oved item	Differ ntiated	Pruned Line	—
Pricing Strategy	Most likely high Depends on product	Lo erover time Gre ter range	Low st Full ine of Prices	Increasing selected price	—
Distribution strategy	Scattered, Depends on product	Ri ng number of outlets, In ensive	Int nsive, Ma y outlets	Selective, Li Less outlets te	
Promotion Strategy	Informative, category awareness	P rsuasive, B and preference	Co petitive	Selective, Informative	—
Product Mix	One or two basic models	Ex anding Line	Full roduct Li e	Only Best sellers	Sp a