Product Life Cycle Concept

Products have a life cycle, from their introduction to decline they progress through a sequence of stages. The major stages of the product life cycle are - introduction, growth, maturity, and decline. Product life cycle describes the transition of a product from its development to decline

The time period of the product life cycle and the length of each stage varies from product to product. The Life Cycle of one product can be over in few months, and of another product may last for many years. One product reaches maturity in years and another can reach it in few months. One product stays at maturity for years and another just for few months. Hence, it is true to say that length of each stage varies from product to product.

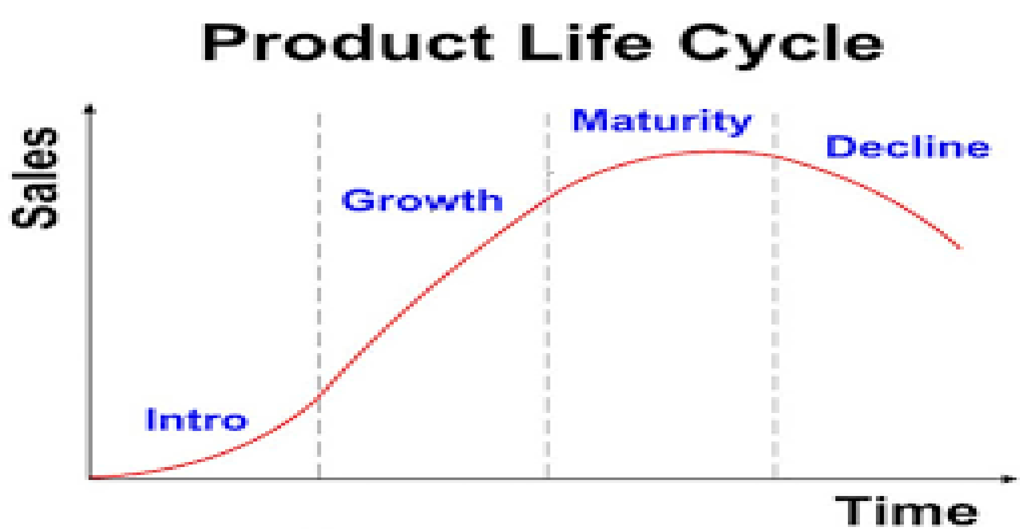
The four major stages of the product life cycle are as follows:-

1. Introduction,
2. Growth,
3. Maturity, and
4. Decline.

Introduction Stage

At this stage, the product is new to the market and few potential customers are aware of the existence of the product. The price is generally high. The sales of the product are low or may be restricted to early adopters. Profits are often low or losses are being made, this is because of the high advertising cost and repayment of developmental cost. At the introductory stage:-

- The product is unknown,
- The price is generally high,
- The placement is selective, and
- The promotion is informative and personalized.



Growth Stage
At this stage, the product is becoming more widely known and accepted in the market. Marketing is done to strengthen the brand and develop an image for the product. Prices may start to fall as competitors enter the market. With the increase in sales, profit may start to be earned, but advertising cost remains high. At the growth stage:-

- The product is more widely known and consumed,
- The sales volume increases,
- The price began to decline with the entry of new players,
- The placement becomes more widely spread, and
- The promotion is focused on brand development and product image formation.

Maturity Stage
At this stage, the product is competing with alternatives. Sales and profits are at their peak. Product range may be extended, by adding both withe and depth. With the increases in competition, the price reaches its lowest point. Advertising is done to reinforce the product image in the consumer's minds to increase repeat purchases. At maturity stage:-

- The product is competing with alternatives,
- The sales are at their peak,
- The prices reach to its lowest point,
- The placement is intense, and
- The promotion is focused on repeat purchasing.

Decline Stage

At this stage, sales start to fall fast as a result product range is reduced. The product faces reduced competition as many players have left the market and it is expected that no new competitor will enter the market. Advertising cost is also reduced. Concentration is on remaining market niches as some price stability is expected there. Each product sold could be profitable as developmental costs have been paid at an earlier stage. With the reduction in sales volume, overall profit will also reduce. At decline stage:-

- The product faces reduced competition,
- The sales volume reduces,
- The price is likely to fall,
- The placement is selective, and
- The promotion is focused on reminding.

During the decline phase, the firm generally has three options:

(a) Maintain the product in hopes that competitors will exit. Reduce costs and find new uses for the product.

(b) Harvest it, reducing marketing support and coasting along until no more profit can be made.
(c) Discontinue the product when no more profit can be made or there is a successor product.

The Marketing Mix May be Modified as Follows:

(a) Product – The number of products in the product line may be reduced. Rejuvenate surviving products to make them look new again.
b) Price – Prices may be lowered to liquidate inventory of discontinued products. Prices may be maintained for continued products serving a niche market.
(c) Distribution – Distribution becomes more selective. Channels that no longer are profitable are phased out.
(d) Promotion – Expenditures are lower and aimed at reinforcing the brand image for continued products.

Limitations of the Product Life Cycle Concept:

- The term "life cycle" implies a well-defined life cycle as observed in living organisms, but products do not have such a predictable life and the specific life cycle curves followed by different products vary substantially. Consequently, the life cycle concept is not well-suited for the forecasting of product sales.
- Furthermore, critics have argued that the product life cycle may become self-fulfilling. For example – if sales peak and then decline, managers may conclude that the product is in the decline phase and therefore cut the advertising budget, thus precipitating a further decline.
- Nonetheless, the product life cycle concept helps marketing managers to plan alternate marketing strategies to address the challenges that their products are likely to face. It also is useful for monitoring sales results over time and comparing them to those of products having a similar life cycle.