MARKETING MANAGEMENT

UNIT-2

PART-X

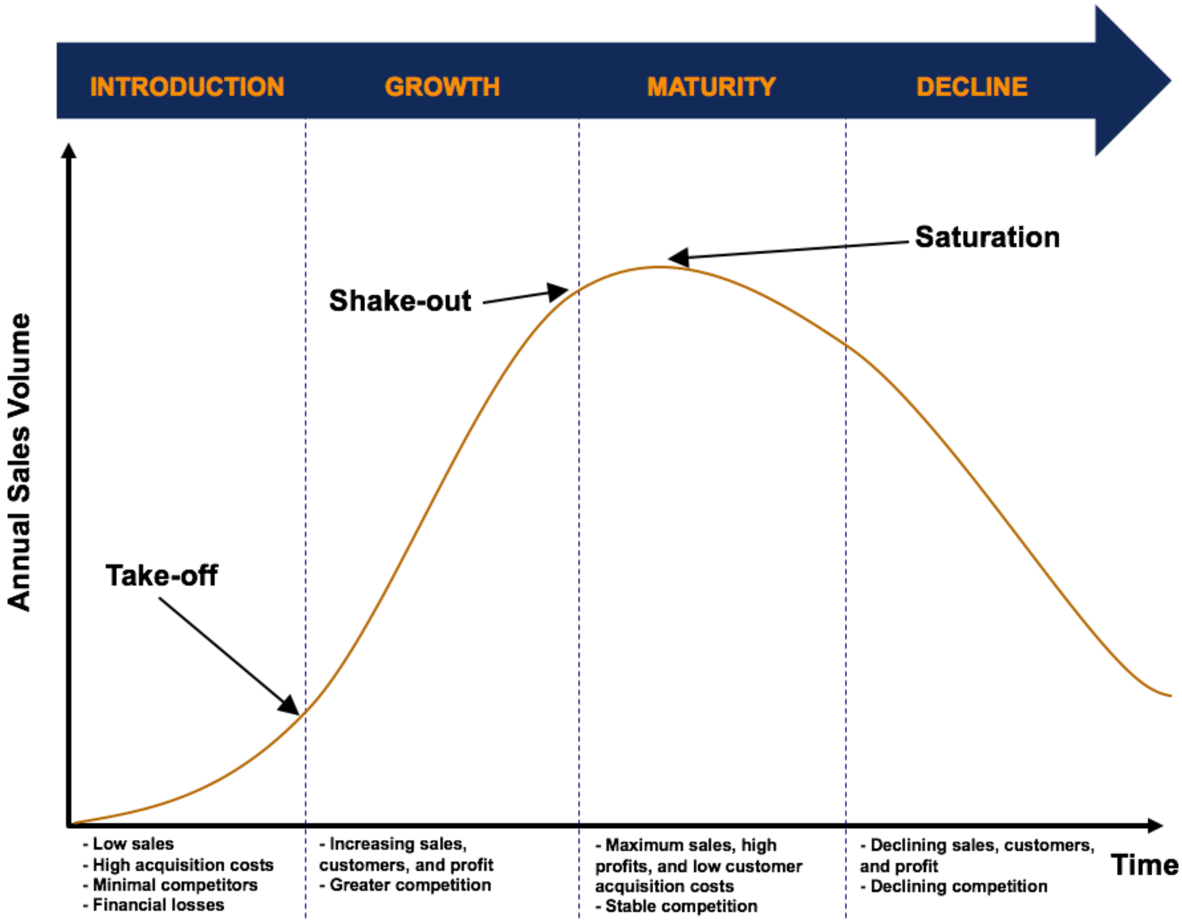
PRODUCT LIFE CYCLE

Just a few decades ago, pagers and telephones were so popular that owning that was a matter of prestige. CDs and CD players were also a major product which was sold in millions across the world. However, in the present times, these products are out of fashion and have been replaced by better versions of the same products. Millions of products are bought every year by consumers and these products have a life cycle. As the product is launched in the market, they gain popularity based on the marketing and needs of the product by the consumers. The older long-established products become less popular and the want for new goods increases rapidly. There are certain product life cycle stages which every company has to know such that they can work on keeping the need for the product in the market and gain revenue by selling it. Companies invest heavily in their research and development sector such that they keep updating their product features and keep them relevant to the market. Products have a limited lifespan and to improve the sales of the product new features need to be added continuously for the business to keep on growing. This article describes the various stages of the product life cycle and the details of events present in each phase.

What is Product Life Cycle Management?

The lifecycle of a product is the period from when the product is launched in the market till the product declines or is not being sold anymore. This cycle has five phases which include- Development, Introduction, Growth, Maturity and Saturation, and Decline. Any given product would be present in any one of these stages. A Product Lifecycle phase is used by companies to determine whether they should increase their investment in advertising, pricing adjustment, redesigning packaging, exploring new markets, or adjusting the messaging. Few products may not cross the initial stage and may not grow in the market and few other products may stay in the maturity phase for a long time. Eventually, all products phase out of the market due to several reasons which may include saturation, increased competition, dropping sales, decreased demand, etc.

The Product Life Cycle (PLC) defines the stages that a product moves through in the marketplace as it enters, becomes established, and exits the marketplace. In other words, the product life cycle describes the stages that a product is likely to experience. It is a useful tool for managers to help them analyse and develop strategies for their products as they enter and exit each stage.



Stages in the Product Life Cycle

The four stages in the product life cycle are:

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

1. Introduction Stage

When a product first launches, sales will typically be low and grow slowly. In this stage, company profit is small (if any) as the product is new and untested. The introduction stage requires significant marketing efforts, as customers may be unwilling or unlikely to test the product. There are no benefits from economies of scale, as production capacity is not maximized.

The underlying goal in the introduction stage is to gain widespread product recognition and stimulate trials of the product by consumers. Marketing efforts should be focused on the customer base of innovators – those most likely to buy a new product. There are two price-setting strategies in the introduction stage:

- **Price skimming**: Charging an initially high price and gradually reducing ("skimming") the price as the market grows.
- **Price penetration**: Establishing a low price to quickly enter the marketplace and capture market share, before increasing prices relative to market growth.

2. Growth Stage

If the product continues to thrive and meet market needs, the product will enter the growth stage. In the growth stage, sales revenue usually grows exponentially from the take-off point. Economies of scale are realized as sales revenues increase faster than costs and production reaches capacity.

Competition in the growth stage is often fierce, as competitors introduce similar products. In the growth stage, the market grows, competition intensifies, sales rise, and the number of customers increases. Price undercutting in the growth stage tends to be rare, as companies in this stage can increase their sales by attracting new customers to their product offerings.

3. Maturity Stage

Eventually, the market grows to capacity, and sales growth of the product declines. In this stage, price undercutting and increased promotional efforts are common as companies try to capture customers from competitors. Due to fierce competition, weaker competitors will eventually exit the marketplace – the shake-out. The strongest players in the market remain to saturate and dominate the stable market.

The biggest challenge in the maturity stage is trying to maintain profitability and prevent sales from declining. Retaining customer brand loyalty is key in the maturity stage. In addition, to re-innovate itself, companies typically employ strategies such as market development, product development, or marketing innovation to ensure that the product remains successful and stays in the maturity stage.

4. Decline Stage

In the decline stage, sales of the product start to fall and profitability decreases. This is primarily due to the market entry of other innovative or substitute products that satisfy customer needs better than the current product. There are several strategies that can be employed in the decline stage, for example:

- Reduce marketing efforts and attempt to maximize the life of the product for as long as possible (called milking or harvesting).
- Slowly reducing distribution channels and pulling the product from underperforming geographic areas. Such a strategy allows the company to pull the product out and attempt to introduce a replacement product.
- Selling the product to a niche operator or subcontractor. This allows the company to dispose of a low-profit product while retaining loyal customers.

Examples of Product Life Cycle

1) **Typewriter**

   When the typewriter was released in the late 19th century, it grew in popularity as a technology that improved the efficiency of writing. However, new technology such as computers, laptops, and even smartphones have replaced typewriters which caused their demand and revenue to drop off. Although typewriters are still available today, they are at the end of their decline phase. In the late 90s where technology was introduced, the typewriter was experiencing a growth and maturity phase. Companies like Microsoft introduced computers, desktops, laptops, etc. which caused the decline of the typewriters. The desktop, laptops, and computers are experiencing a growth and maturity stage at present.

2) **Video Cassette Recorders**

VCRs were at the peak of sales almost a decade ago but now they have almost vanished from everyone's home. With the rise of popular streaming services such as Netflix, Amazon Prime, etc. VCR is at the end of its decline stage. Once, VCR was a groundbreaking product but now it is in very low demand and does not bring as much revenue to sustain the business.

3) **Electric Vehicles**

As inflation hikes up petrol prices, many people are turning towards electric vehicles which are at the growth stage of the product life cycle. Companies like Tesla have been dominating the market and capitalizing on the growing product for years. The new changes in the electric car are according to the needs of the consumers which signals that the product is in its growth phase.

Conclusion

Every product has its product lifecycle; it becomes crucial for companies to know which stage of the product life cycle their products stand such that they adopt the changes accordingly. Knowing about the product life cycle is essential whether you are developing a new product or working with a mature one. The life cycle could be used for marketing campaigns and will help you dictate how you inform the audience about the product. It also helps you to position yourself appropriately in the marketplace. Also, the company can understand that they are approaching the decline stage and can find ways to avoid it. Hence, by keeping the product life cycle in mind, companies can spend their revenue on better marketing campaigns which will help them increase their return on investment.