SOS POLITICAL SCIENCE AND PUBLIC ADMINISTRATION
MBA FA- 206
SUBJECT NAME: FUNDAMENTALS OF MARKETING

UNIT-III
TOPIC NAME-PRODUCT LIFE CYCLE AND ITS STAGES

Concept Of Product Life Cycle

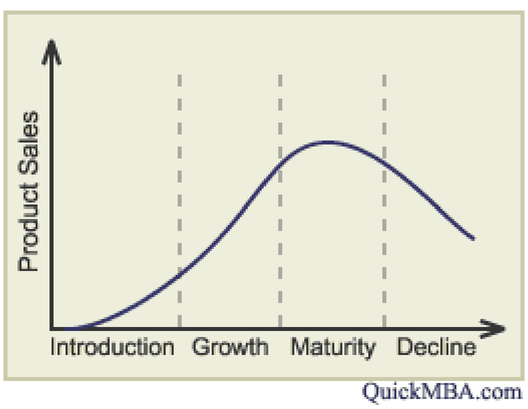
The product life cycle is the process a product goes through from when it is first introduced into the market until it declines or is removed from the market. The life cycle has four stages - introduction, growth, maturity and decline.

While some products may stay in a prolonged maturity state, all products eventually phase out of the market due to several factors including saturation, increased competition, decreased demand and dropping sales.

Additionally, companies use PLC analysis (examining their product's life cycle) to create strategies to sustain their product's longevity or change it to meet with market demand or developing technologies.

4 Stages of the Product Life Cycle

Generally, there are four stages to the product life cycle, from the product's development to its decline in value and eventual retirement from the market.



1. Introduction

Once a product has been developed, the first stage is its introduction stage. In this stage, the product is being released into the market. When a new product is released, it is often a high-stakes time in the product's life cycle - although it does not necessarily make or break the product's eventual success.

During the introduction stage, marketing and promotion are at a high - and the company often invests the most in promoting the product and getting it into the hands of consumers. This is perhaps best showcased in Apple's (**AAPL**) - Get Report famous launch presentations, which highlight the new features of their newly (or soon to be released) products.

It is in this stage that the company is first able to get a sense of how consumers respond to the product, if they like it and how successful it may be. However, it is also often a heavy-spending period for the company with no guarantee that the product will pay for itself through sales.

Costs are generally very high and there is typically little competition. The principle goals of the introduction stage are to build demand for the product and get it into the hands of consumers, hoping to later cash in on its growing popularity.

2. Growth

By the growth stage, consumers are already taking to the product and increasingly buying it. The product concept is proven and is becoming more popular - and sales are increasing.

Other companies become aware of the product and its space in the market, which is beginning to draw attention and increasingly pull in revenue. If competition for the product is especially high, the company may still heavily invest in advertising and promotion of the product to beat out competitors. As a result of the product growing, the market itself tends to expand. The product in the growth stage is typically tweaked to improve functions and features.

As the market expands, more competition often drives prices down to make the specific products competitive. However, sales are usually increasing in volume and generating revenue. Marketing in this stage is aimed at increasing the product's market share.

3. Maturity

When a product reaches maturity, its sales tend to slow or even stop - signaling a largely saturated market. At this point, sales can even start to drop. Pricing at this stage can tend to get competitive, signaling margin shrinking as prices begin falling due to the weight of outside pressures like competition or lower demand. Marketing at this point is targeted at fending off competition, and companies will often develop new or altered products to reach different market segments.

Given the highly saturated market, it is typically in the maturity stage of a product that less successful competitors are pushed out of competition - often called the "shake-out point."

In this stage, saturation is reached and sales volume is maxed out. Companies often begin innovating to maintain or increase their market share, changing or developing their product to meet with new demographics or developing technologies.

4. Decline

Although companies will generally attempt to keep the product alive in the maturity stage as long as possible, decline for every product is inevitable.

In the decline stage, product sales drop significantly and consumer behavior changes as there is less demand for the product. The company's product loses more and more market share, and competition tends to cause sales to deteriorate.

Marketing in the decline stage is often minimal or targeted at already loyal customers, and prices are reduced.

Eventually, the product will be retired out of the market unless it is able to redesign itself to remain relevant or in-demand. For example, products like typewriters, telegrams and muskets are deep in their decline stages (and in fact are almost or completely retired from the market).

How Product Life Cycles Work

A product begins with an idea, and within the confines of modern business, it isn't likely to go further until it undergoes research and development and is found to be feasible and potentially profitable. At that point, the product is produced, marketed, and rolled out.

The product introduction phase generally includes a substantial investment in advertising and a marketing campaign focused on making consumers aware of the product and its benefits. Assuming the product is successful, it enters its growth phase. Demand grows, production is increased, and its availability expands.

As a product matures, it enters its most profitable stage, while the costs of producing and marketing decline. However, it inevitably begins to take on increased competition as other companies emulate its success, sometimes with enhancements or lower prices. The product may lose market share and begin its decline.

Examples of Product Life Cycles

Many brands that were American icons have dwindled and died. Better management of product life cycles might have saved some of them, or perhaps their time had just come. Some examples:

- Oldsmobile began producing cars in 1897 but the brand was killed off in 2004. Its gas-guzzling muscle-car image had lost its appeal, General Motors decided.
- Woolworth's had a store in just about every small town and city in America until it shuttered its stores in 1997. It was the era of Walmart and other big-box stores.
- Border's bookstore chain closed down in 2011. It couldn't survive the internet age.

To cite an established and still-thriving industry, television program distribution has related products in all stages of the product life cycle. As of 2019, flat-screen TVs are in the mature phase, programming-on-demand is in the growth stage, DVDs are in decline, and the videocassette is extinct.

PLC Strategies

For companies in an introduction stage with their product, there are several pricing models available to begin generating sales - either price skimming, which sets the price of the product initially high and lowers it to "skim" groups as the market expands, or price penetration, which sets the initial price low to penetrate the market more quickly and eventually increases it once demand grows.

Companies often run into trouble when they don't understand the introduction stage of their product's life cycle - especially when customers do not respond well to the initial product (either because of pricing or the inherent value and usefulness of the product).

It is important to examine product advertising and packaging in addition to pricing.

Is the product meeting the demands and needs of its target market? If sales are stale, many companies consider shifting their marketing strategy and focus on marketing to new demographics to help introduce their product to a potential new revenue stream.

Conducting a PLC analysis can help companies learn when they need to reinvent or pivot their product in a new direction. For example, online streaming service Netflix pivoted their product by going from a DVD-delivering service to primarily an online streaming service - which was met with great success.

By examining where their product is in the product life cycle, companies can continue innovating alongside new technology to diversify their product, keep up with competition and potentially elongate their product's life in the market.

Uses of PLC Analysis

Conducting PLC analysis can help companies determine if their products are servicing the market they target efficiently, and when they might need to shift focus.

By examining their product in relation to the market on the whole, their competitors, sales and expenses, companies can better decide how to pivot and develop their product for longevity in the marketplace.

Examining their product's life cycle, specifically paying attention to where their products are in the cycle, can help companies determine if they need to develop new products to continue generating sales - especially if the majority of their products are in the maturity or decline stages of the product life cycle.

The Disadvantages of Life Cycle Management

Back in 1965, Theodore Levitt, a marketing professor, wrote in the *Harvard Business Review* that the innovator is the one with the most to lose because so many truly new products fail at the first phase of their life cycle, the introductory stage. The failure comes only after the investment of substantial money and time into research, development, and production.