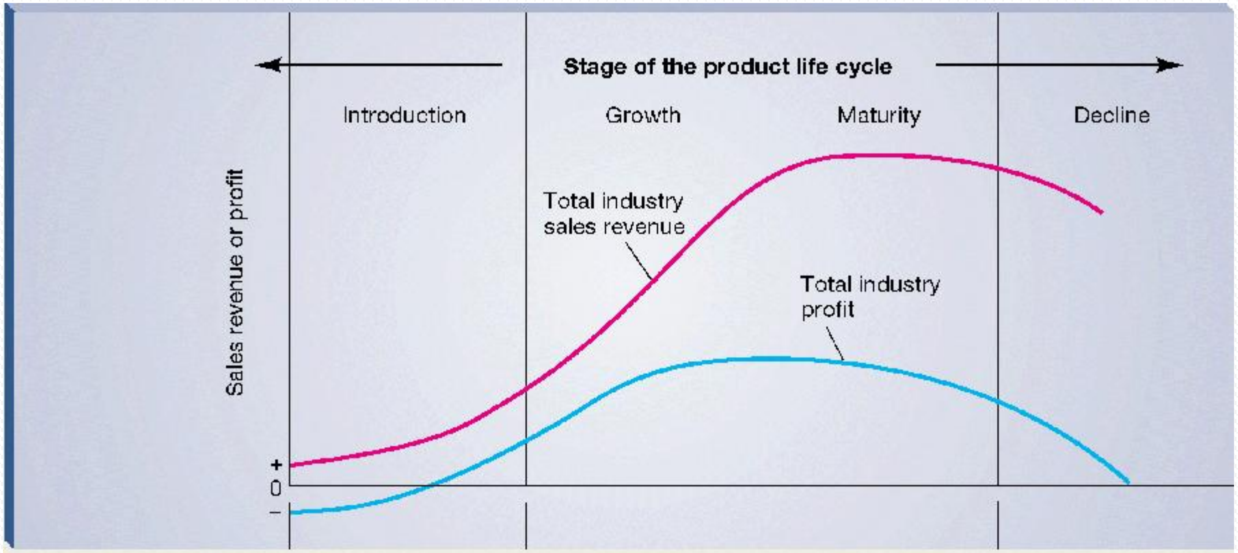
Product life cycle

The Product Life Cycle

The Product Life Cycle

- Shows stages in a product’s life,
- highlights the typical sales of a product over time.
- This is a model used to used decision making.

Graphically:



MARKETING OBJECTIVE	GAIN AWARENESS	STRESS DIFFERENTIATION	MAINTAIN BRAND LOYALTY	HARVESTING, DELETION
Competition	Few	More	Many	Reduced
Product	One	More versions	Full product line	Best sellers
Price	Skimming or penetration	Gain market share, deal	Defend market share, profit	Stay profitable
Promotion	Inform, educate	Stress competitive differences	Reminder oriented	Minimal promotion
Place (distribution)	Limited	More outlets	Maximum outlets	Fewer outlets

The Product Life Cycle Model

- The shape and length of the product life cycle will differ form one product to another.
- Some life cycles last years (e.g. Kellogg’s Cornflakes);
- others are more short-lived (e.g. Teenage Mutant Ninja Turtles).

The Product Life Cycle Model

- As the product progresses through its life cycle, changes in the **marketing mix** usually are required in order to adjust to the evolving challenges and opportunities.

The Product Life Cycle Model

- Stages of the life cycle include:
- Development.
- Introduction
- Growth
- Maturity
- Decline

Development

- Product is being developed and tasted.
- This may take years, e.g. new car or new film, or may take hours, e.g. a new recipe in a restaurant.
- Losses are often made due to heavy development costs.

introduction

Introduction Stage

- sales will be low until customers become aware of the product and its benefits.
- Advertising costs are high in order to rapidly increase customer awareness of the product,
- the firm is likely to incur additional costs associated with the initial distribution of the product.
- These higher costs and a low sales volume usually make a period of negative profits.

growth

Growth Stage

- Period of rapid revenue growth. Sales increase.
- The marketing team may expand the distribution at this point.
- When competitors enter the market, often during the later part of the growth stage, there may be price competition and/or increased promotional costs in order to convince consumers that the firm's product is better than that of the competition.

maturity

Maturity Stage

- The most profitable.
- Brand awareness is strong, so advertising expenditures will be reduced.
- Competition may result in decreased market share and/or prices.
- The competing products may be very similar at this point, increasing the difficulty of differentiating the product.
- The firm places effort into encouraging competitors' customers to switch, increasing usage per customer, and converting non-users into customers.
- Sales promotions may be offered to encourage retailers to give the product more shelf space over competing products.

decline

Decline Stage

- Eventually sales begin to decline as the market becomes saturated, the product becomes technologically obsolete, or customer tastes change.
- If the product has developed brand loyalty, the profitability may be maintained longer. Unit costs may increase with the declining production volumes and eventually no more profit can be made.

decline

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

1. Maintain the product in hopes that competitors will exit. Reduce costs and find new uses for the product.
2. Harvest it, reducing marketing support and coasting along until no more profit can be made.
3. Discontinue the product when no more profit can be made or there is a successor product.

Is the decline of a product inevitable?

It may be inevitable due to:

- Changing social climate
- Changing tastes e.g. boredom factor
- Developments in technology
- Product innovation

But arguably much of the decline is due to poor marketing e.g. failing to react to changing market conditions, failing to anticipate change.

Limitations of the product life cycle concept.

- Only considers one product rather than taking an overview of a firm's portfolio
- Backward looking e.g. can only really tell whether or not you are in decline once it has happened.
- May be self fulfilling (deterministic) e.g. if you think sales will fall you invest less in marketing, so sales do fall.
- It is difficult to predict future sales using the product life cycle model.