

Product Life Cycle

by Sophia



WHAT'S COVERED

How are products like people? Well, as people age, they change. Things that were important early on are no longer that important later in life. Now, a product has a definite life cycle, just like people do.

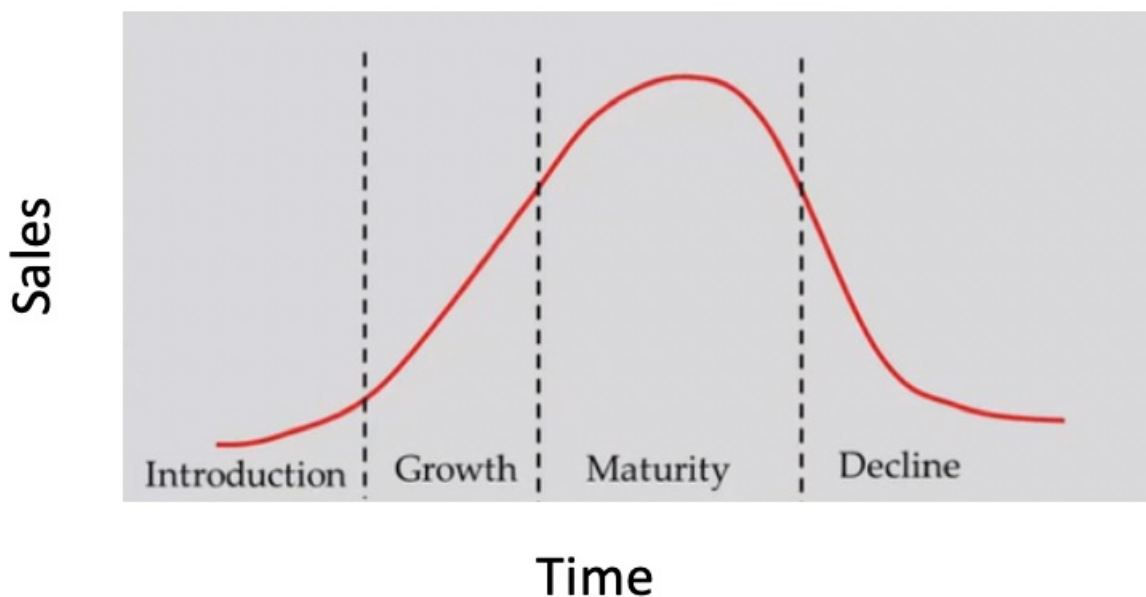
This tutorial will cover the product life cycle or PLC. Our discussion breaks down as follows:

1. Product Life Cycle

Product life cycle (PLC) is the cycle that each item, tangible or intangible, goes through from the debut to the downturn. Products, as mentioned before, are like people. They begin, they develop, they mature, and finally, they die.

During this life cycle, sales for that particular product are going to go up and down, depending on where it is in its life. In addition, marketing will change depending on where a product is in its product life cycle.

Let's take a look at this life cycle graphically, below.



This graph is shown in terms of sales, reflecting the amount of sales that are happening for a particular product during its life cycle.

- During the introduction phase, there are not a lot of sales happening.
- During its growth phase, you can start to see sales pick up.
- During the maturity phase, at the top is where sales peak, and it begins to turn down just a bit.
- During the decline phase, you can see that sales dramatically fall, until ultimately, there are no more sales at all and you have reached the end of a product's life cycle

We're going to discuss each one of these phases of the product life cycle individually, using the 4 P's of marketing as a framework.



TERM TO KNOW

Product Life Cycle (PLC)

The cycle that each item, tangible or intangible, goes through from the debut to the downturn.

1a. Introduction

The first stage is the introduction phase. Customers are either barely or completely unaware of the product.

Considerations During the Introduction Phase	
Product	The product has a low variation, and there's also likely a very limited supply because you've just started making it.
Price	Regarding pricing, you'll have to make a decision. Are you going to skim, or are you going to penetrate? You can skim it by generating buzz about the product because it's priced so high and it's so exclusive, or you can price it lower so that you can actually enter into the market competitively.
Place	Distribution will be very small and on a very limited scale. In this phase, you might try test markets first to see if the product actually has a future.
Promotion	Promotion in this phase is mainly concerned with informing customers about the product. You need them to understand that the product is out in the market and available.

Customer awareness during this particular cycle is going to be very low--an issue you'll need to fix with your marketing plan. Your organization will need to be able to modify the product fairly quickly depending on the feedback they get. Promotional plans are typically there to inform.

IN CONTEXT

Consider Apple and the iPhone. When the iPhone was first introduced, there was only one phone available--the iPhone--instead of the various models that they have today. There was also a very limited supply, and it was rather difficult to get a hold of one

Electric cars are definitely in the introduction phase, but as they gain in popularity, they're starting to move into the growth stages because sales are beginning to pick up.

1b. Growth

During the growth stage, customer awareness increases. Sales also increase because customers are more aware of the product.

Considerations During the Growth Phase	
Product	You'll need to have increased distribution, as well as an increased variation of the product. While it may be perfectly fine for a car manufacturer to market all of its cars in black at the beginning, customer preference may soon dictate that the company should try something different.
Price	The price is going to stabilize, and you may possibly have economies of scale. Economies of scale mean that as the production ramps up, it becomes cheaper per unit to make the product. Therefore, you'll start to see the price come down.
Place	You'll also see increased distribution: more sales and more demand equal more places you need to place the product.
Promotion	Promotion is going to be focused on differentiation. How is your product different than the competitors that are now coming into the field?

When your product starts to stabilize, it's important to understand brand loyalty.

➞ **EXAMPLE** Apple has an automatic brand loyalty, so marketing efforts will try to appeal to those customers, building and maintaining that particular brand loyalty with their product.

Some theorize that within the growth stage, there are three different phases—early, middle, and late—as a product moves toward maturity.

1c. Maturity

Maturity is the phase where the product has been on the market for awhile, and the 4 P's become more simplified. The product and sales have started to peak, and have even begun to decline a bit. Industry profits as a whole with this particular product start to decrease.

Considerations During the Maturity Phase	
Product	You're going to simplify your product. Since there's not as much demand, especially later in the maturity phase, you don't need to offer as many types of variations.
Price	Pricing becomes very important in this phase, because it's extremely competitive. By now, all the competition you're going to have has entered the market, so as the price and the sales start to decrease, you need to make sure your pricing is competitive and that you're able to maintain those sales as long as you can.
Place	Distribution is going to be limited, focused, and stable. You don't have to worry about growing the market, because you've already established yourself in these markets, and you want to make sure that you're focusing on them to get the most sales that you can.
Promotion	Promotion will be very aggressive and primarily price- and reminder-driven.

➞ **EXAMPLE** Think about Coca Cola. They have stayed in the maturity stage for a long time, and their primary promotion is reminder-driven. Also, in stores, the focus is on price and sales versus other competitors.

1d. Decline

Lastly, there is the decline stage. Sales volume goes down during this stage and competition starts leaving the market.

Considerations During the Decline Phase	
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Product	There is limited variation, or you may even discontinue the product altogether. Sales volume is only trending downward, and you don't see any increases at all in the amount of sales that you have. Competition is starting to leave the market.
Price	Prices are the lowest they're going to be for a product here, and they're often bundled with other things. You're trying to get rid of your inventory and make as much money as you can off of this particular product. Therefore, you might bundle it with another product just to get it out the door.
Place	Place is limited, stable, and focused, just like in the maturity stage, only this time you're only focusing on those most profitable markets. You're going to delete the product from places where it's no longer profitable.
Promotion	Regarding promotion, once again it's price- and reminder-driven--that is, if you have any promotion at all. You may end up having to delete the product, or get rid of it, so in that case, you won't want to spend a lot of money marketing that product.

➔ **EXAMPLE** Do you remember Wonka bars from the film? Well, Nestlé sold Wonka bars along with other famous Wonka-inspired candies in the 2000s. The Wonka bars had poor sales and Nestlé discontinued the bars in 2010. There was no money from sales in that product, so there was no further promotion for it.



SUMMARY

Today we learned about the **product life cycle** and the four phases in a product's life cycle: the **introduction** phase, the **growth** phase, the **maturity** phase, and finally, the **decline** phase. At that point, we have to make a decision. Do we want to re-engineer the product to get it back to maturity, or do we simply want to let it go?

Good luck!

Source: adapted from sophia instructor james howard



TERMS TO KNOW

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