

## 29.6: Stages of the Product Life Cycle

### Learning Objectives

- Describe the product life cycle

A company has to be good at both developing new products and managing them in the face of changing tastes, technologies, and competition. Products generally go through a life cycle with predictable sales and profits. Marketers use the product life cycle to follow this progression and identify strategies to influence it. The product life cycle (PLC) starts with the product's development and introduction, then moves toward maturity, withdrawal and eventual decline. This progression is shown in the graph, below.

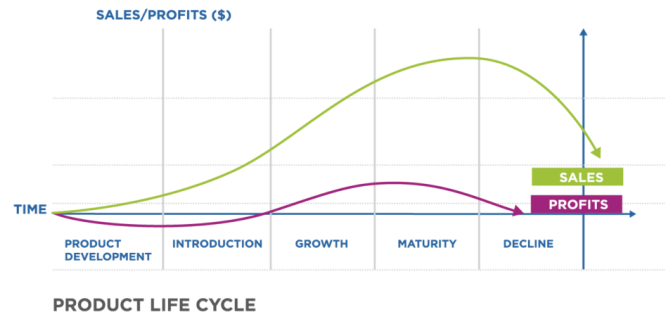


Figure 29.6.1: Product life cycle

The five stages of the PLC are:

1. Product development
2. Market introduction
3. Growth
4. Maturity
5. Decline

The table below shows common characteristics of each stage.

Product Life Cycle Stages and Common Characteristics

Stage 1: Product Development	<ol style="list-style-type: none"> <li>1. investment is made</li> <li>2. sales have not begun</li> <li>3. new product ideas are generated, operationalized, and tested</li> </ol>
Stage 2: Market Introduction	<ol style="list-style-type: none"> <li>1. costs are very high</li> <li>2. slow sales volumes to start</li> <li>3. little or no competition</li> <li>4. demand has to be created</li> <li>5. customers have to be prompted to try the product</li> <li>6. makes little money at this stage</li> </ol>
Stage 3: Growth	<ol style="list-style-type: none"> <li>1. costs reduced due to economies of scale</li> <li>2. sales volume increases significantly</li> <li>3. profitability begins to rise</li> <li>4. public awareness increases</li> <li>5. competition begins to increase with a few new players in establishing market</li> <li>6. increased competition leads to price decreases</li> </ol>

Stage 4: Maturity	<ol style="list-style-type: none"> <li>1. costs are lowered as a result of increasing production volumes and experience curve effects</li> <li>2. sales volume peaks and market saturation is reached</li> <li>3. new competitors enter the market</li> <li>4. prices tend to drop due to the proliferation of competing products</li> <li>5. brand differentiation and feature diversification is emphasized to maintain or increase market share</li> <li>6. profits decline</li> </ol>
Stage 4: Decline	<ol style="list-style-type: none"> <li>1. costs increase due to some loss of economies of scale</li> <li>2. sales volume declines</li> <li>3. prices and profitability diminish</li> <li>4. profit becomes more a challenge of production/distribution efficiency than increased sales</li> </ol>

### ? Practice Question

<https://assessments.lumenlearning.co...essments/14494>

## Using the Product Life Cycle

The product life cycle can be a useful tool in planning for the life of the product, but it has a number of limitations.

Not all products follow a smooth and predictable growth path. Some products are tied to specific business cycles or have seasonal factors that impact growth. For example, enrollment in higher education tracks closely with economic trends. When there is an economic downturn, more people lose jobs and enroll in college to improve their job prospects. When the economy improves and more people are fully employed, college enrollments drop. This does not necessarily mean that education is in decline, only that it is in a down cycle.

Furthermore, evidence suggests that the PLC framework holds true for industry segments but not necessarily for individual brands or projects, which are likely to experience greater variability.<sup>[1]</sup>

Of course, changes in other elements of the marketing mix can also affect the performance of the product during its life cycle. Change in the competitive situation during each of these stages may have a much greater impact on the marketing approach than the PLC itself. An effective promotional program or a dramatic lowering of price may improve the sales picture in the decline period, at least temporarily. Usually the improvements brought about by non-product tactics are relatively short-lived, and basic alterations to product offerings provide longer benefits.

Whether one accepts the S-shaped curve as a valid sales pattern or as a pattern that holds only for some products (but not for others), the PLC concept can still be very useful. It offers a framework for dealing systematically with product marketing issues and activities. The marketer needs to be aware of the characteristics that apply to a given product as it moves through the various stages.

1. Mullor-Sebastian, Alicia. "The Product Life Cycle Theory: Empirical Evidence." *Journal of International Business Studies* 14.3 (1983): 95–105. ↵

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