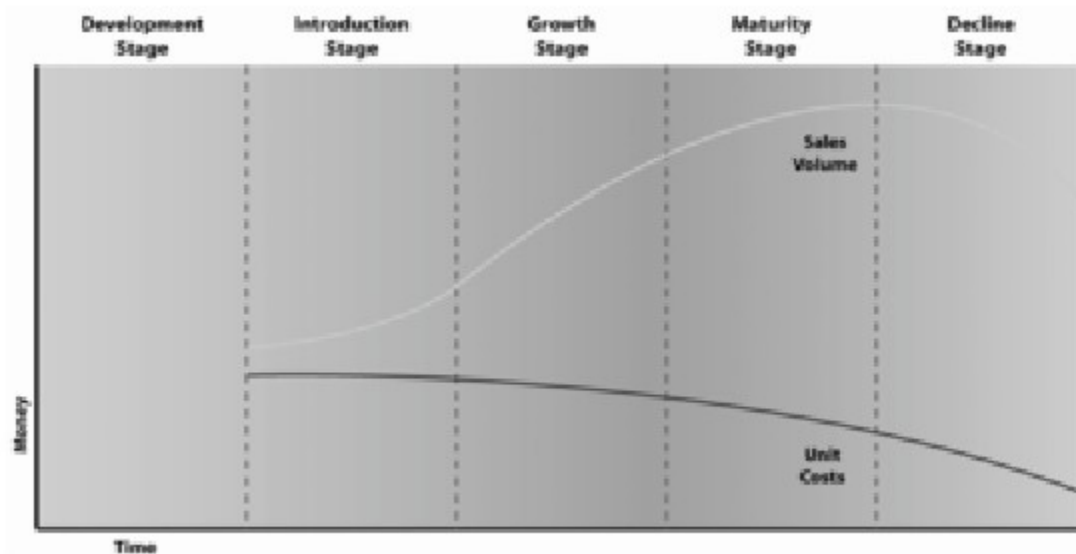


PRODUCT LIFE CYCLE (PLC)

The Product Life Cycle refers to the succession of stages a product goes through.

Product Life Cycle Management is the succession of strategies used by management as a product goes through its life cycle.

The stages



A Typical Product Life Cycle

Products tend to go through five stages:

1. **New product development stage**
 - very expensive
 - no sales revenue
 - losses

2. **Market introduction stage**
 - cost high
 - sales volume low
 - losses

3. **Growth stage**
 - costs reduced due to economies of scale
 - sales volume increases significantly

- profitability
 - prices to maximize market share
4. **Mature stage**
- costs are very low as you are well established in market & no
 - need for publicity.
 - sales volume peaks
 - prices tend to drop due to the proliferation of competing products
 - very profitable
5. **Decline stage**
- costs become counter-optimal
 - sales volume decline
 - prices, profitability diminish

Management of the cycle

The progression of a product through these stages is by no means certain. Some products seem to stay in the mature stage forever (e.g., milk). Marketers have various techniques designed to prevent the process of falling into the decline stage. In most cases however, one can estimate the life expectancy of a product category.

Marketers' marketing mix strategies change as their products goes through their life cycles.

Advertising, for example, should be informative in the introduction stage, persuasive in the growth and maturity stages, and be reminder-oriented in the decline stage.

Promotional budgets tend to be highest in the early stages, and gradually taper off as the product matures and declines.

Pricing, distribution, and product characteristics also tend to change. Customers respond to new products in different ways.

The first two stages, introduction and growth, are often seen as offensive in nature.

The second two stages, mature and decline stage, are often seen as defensive in nature.

The defensive stage is sometimes called the armadillo phase because of that animal's defensive technique of hiding in its shell.