IOSR Journal of Business and Management (IOSR-JBM)
e-ISSN: 2278-487X, p-ISSN: 2319-7668. Volume 18, Issue 2 .Ver. III (Feb. 2016), PP 87-89
www.iosrjournals.org

A Study of Product Life Cycle

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I. Introduction

Every product be it consumers or industrial has a life cycle. The difference is industrial goods usually have longer life cycle then the consumers goods. When a product idea is commercialised, the product enters into the market and competes with the rivals for making sales and earning profits for the organisation. Duct life-cycle is generally termed as product market life-cycle, because it is related to particular market. For instance, an old product in the market of Delhi may have a new life in some village of Rajasthan. The life-cycle of the product differs from product to product. For instance a refrigerator has a longer life cycle than potato chips. every product passes through certain stages which is known as "product cycle stage."

These stages includes-
1. Introduction
2. Growth
3. Maturity
4. Decline.

Significance of Product lifecycle

Concept of product life-cycle emphasis on that every product has certain life and sooner or later all the products will die and that if the management desire to maintain its revenues it must replace the declining product with the new ones. The concept of product life-cycle can be used as a tool of forecasting by the manufactures as it can alert management that its products will inevitably face a saturation and decline and the host of problems these stages pose. The product life-cycle also describe the typical evolution of market strategy over the stages of product life-cycle. This helps an organisation to take sound marketing decisions at different stages of the product cycle.

After the successful development of the product, the product is launched in the market with the assistance of promotional devices such as advertisements, sales, publicity, personal selling and promotions. Some experts call the stage of product development as the incubation stage of product life-cycle. Successful introduction of the product in the market is essential after the product is developed. Almost every firm makes sales projection during introduction, growth and maturity stage of the product life-cycle. To achieve the projected sales target, organizations formulate promotional pricing and distribution policies, thus the concept of the product life-cycle facilitate integrated marketing policies related to the product, its price and promotion as well as distribution.

Following are the various advantages that an organisation gets from the product life-cycle–

1. Almost every organisation can predict the life-cycle of its product. Therefore the management remains cautious in taking advance steps before its manufactured product reaches declining stage. The organisation modify its products, changes pricing strategy, styles & quality. The best example of this point is the mobile companies like Samsung and Apple, have an idea of its product life-cycle and the new launches always have certain changes in design, features etc.
2. Organisation can prepare an effective product plan by knowing the product life-cycle of a product
3. New uses of the product can be found by the management as this would help in the expansion of the market during the growth stage and for extending the maturity stage
4. Latest technological changes should be adopted by management to improve the product quality features and design.

Stages in product life-cycle

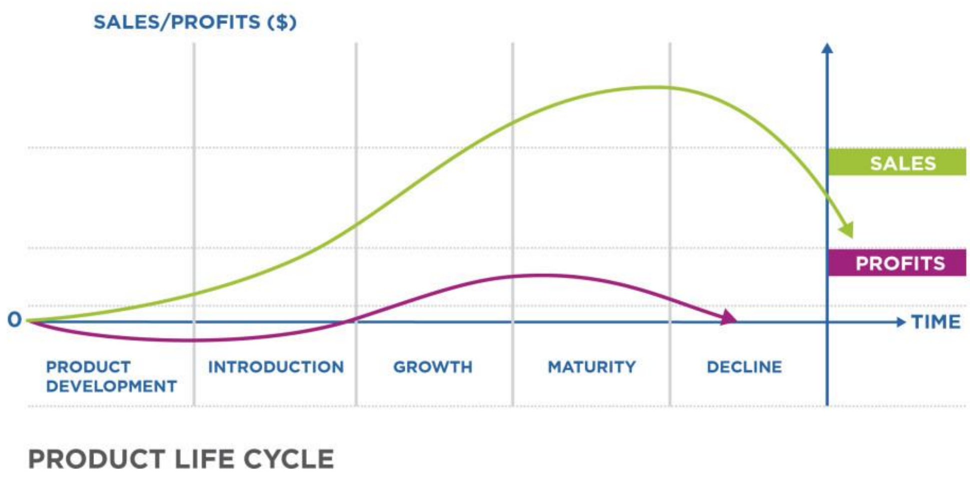
Life-cycle of the product starts with the introduction of it in the market. Product is introduced after it has been developed and the commercial production of it has begun. Figure 1 shows that of a product move through the four stages namely introduction, growth, maturity and decline. Sales, volume and profitability of the product changes from stage to stage as it moves through the different stages of its life cycle. The management of an organisation also emphasise on the marketing mix elements as it also undergo substantial changes from stage to stage. Following are the various stages through which a product passes during its life cycle –

1. Introduction stage - it is the first stage of the product life-cycle. Under this stage the competition is negligible, prices of the products are relatively high and the markets are limited and the product innovation is not known much. The growth in sales volume remains low because of the lack of the knowledge on the part of the customers and difficulties in making the product available to the customers. During this stage a company incurs higher expenditures on advertisements and other promotional techniques. Prices are usually high during the introduction stage because of the small scale production. An organisation also face technological problems and heavy promotional expenditures.
Following strategies may be adopted to introduce the product successfully in a market -

A. money back guarantee in the forms of advertisements and publicity can be used to Persaud the targeted audience and customers to try the product
B. Attractive gifts can be given to the customers as the part of introductory offer
C. Attractive discounts and selective distribution can be given to the dealers in order to motivate them
D. Ironing out of the product efficiencies can also help an organisation

2. Growth stage-as the product grows in popularity among the customers and public, it moves into the second phase of its life-cycle that is the growth stage. Under this stage, the demand for the product expands rapidly, the prices of the product also fall, the competition of the product with other Products increases and the distribution gets widened. The marketing department of the organisation starts focusing its attention on improving the market share by deeper penetration into the existing market and entry into the new markets. Sometimes, major improvements also take place in the product during this stage. The promotional expenses remains high although they tend to fall as a ratio to sales volume. Calling ratio of promotional expenditures to sales leads to increase in the profitability during this stage. Following strategies are followed during the growth stage -

A. the product is heavily advertised to increase its sales
B. New versions of the products are launched to cater the requirements of different types of customers
C. The channels of distribution are strengthened so that the product is easily available whenever required
D. Infosys is put on customer services
E. Image of the product is created through the promotional activities
F. The price of the product remains competitive.



3. Maturity stage-the product enters into maturity stage when the competition of the product intensifies and the market gets stabilised. Profits comes down in this stage because of the stiff and heavy competition and the marketing expenditures also rise. The prices are decreased because of the competition and the innovation of new technologies. There is saturation in the market as there is no possibility of sales to increase. This strategy and stage may last for a long time for those products which have long run demand. But sooner or later, the demand of the product starts declining as the new products are introduced in the market. Product differentiation,

identification of new segments and improvement in the products are the things that an organisation prefer to do in this stage. In order to London the period of maturity stage an organisation can adopt following strategies -

A. new uses of the product may be developed
B. Reusable packaging may be introduced
C. Product maybe differentiated from the competitive products and the rise in brand image may be emphasised
D. Warranty period maybe extended for instance manufacturers of typewriters have introduced the concept of lifetime warranty of its product

4. Decline stage - in this stage, the products is either replaced with the new products by customers or a change in consumer buying behaviour is experienced. The expenditure on promotion needs to be rapidly cut down and the sales also starts falling in this stage. The decline maybe rapid with those products which will be soon passed out of the market or line may be rapid when new uses of the products are found. The following strategies may be used -
A. economy packs for models may be introduced to receive the market
B. New features may be added to the product and its packaging may be made more effective
C. The promotion of the product should be selective to reduce the distribution cost.

Abandonment of the product

Many organisations sometimes abandon their products so that they can put their resources for the better use. It is if fact that the demand of the peoples changes because of various factors and also when new innovations come into the market. As far as possible, an organisation should make attempt to postpone the decline stage. But if the decline stage is rapid the product model may be abandoned and the new model with unique features may be introduced. If it is not possible because of heavy losses or because of any reason, the manufacturer may seek merger with a strong firm.