

# **Managerial Economics**

M.Com IV Sem.  
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## **Product Life Cycle**

We have a life cycle, we are born, we grow, we mature, and finally we pass away. Similarly, products also have life cycle, from their introduction to decline they progress through a sequence of stages. The major stages of the product life cycle are - introduction, growth, maturity, and decline. Product life cycle describes transition of a product from its development to decline.

The time period of product life cycle and the length of each stage varies from product to product. Life cycle of one product can be over in few months, and of another product may last for many years. One product reach to maturity in years and another can reach it in few months. One product stay at the maturity for years and another just for few months. Hence, it is true to say that length of each stage varies from product to product.

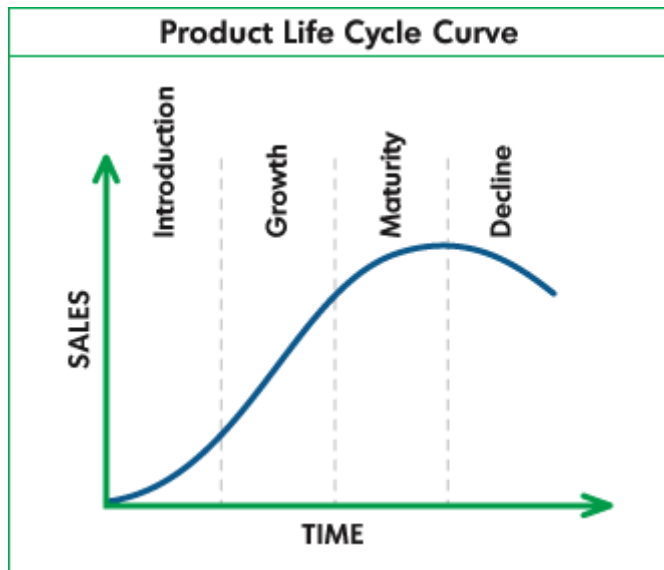
Product life cycle is associated with variation in the marketing situation, level of competition, product demand, consumer understanding, etc., thus marketing managers have to change the marketing strategy and the marketing mix accordingly.

Product life cycle can be defined as "the change in sales volume of a specific product offered by an organisation, over the expected life of the product."

### **Stages of the Product Life Cycle**

The four major stages of the product life cycle are as follows :-

1. Introduction,
2. Growth,
3. Maturity, and
4. Decline.



## Introduction Stage

At this stage the product is new to the market and few potential customers are aware with the existence of product. The price is generally high. The sales of the product is low or may be restricted to early adopters. Profits are often low or losses are being made, this is because of the high advertising cost and repayment of developmental cost. At the introductory stage :-

- The product is unknown,
- The price is generally high,
- The placement is selective, and
- The promotion is informative and personalised.

## Growth Stage

At this stage the product is becoming more widely known and acceptable in the market. Marketing is done to strengthen brand and develop an image for the product. Prices may start to fall as competitors enters the market. With the increase in sales, profit may start to be earned, but advertising cost remains high. At the growth stage :-

- The product is more widely known and consumed,
- The sales volume increases,
- The price begin to decline with the entry of new players,
- The placement becomes more widely spread, and
- The promotion is focused on brand development and product image formation.

## Maturity Stage

At this stage the product is competing with alternatives. Sales and profits are at their peak. Product range may be extended, by adding both withe and depth. With the increases in competition the price reaches to its lowest point. Advertising is done to reinforce the product image in the consumer's minds to increase repeat purchases. At maturity stage :-

- The product is competing with alternatives,
- The sales are at their peak,

The prices reaches to its lowest point,  
The placement is intense, and  
The promotion is focused on repeat purchasing.

## Decline Stage

At this stage sales start to fall fast as a result product range is reduced. The product faces reduced competition as many players have left the market and it is expected that no new competitor will enter the market. Advertising cost is also reduced. Concentration is on remaining market niches as some price stability is expected there. Each product sold could be profitable as developmental costs have been paid at earlier stage. With the reduction in sales volume overall profit will also reduce. At decline stage :-

1. The product faces reduced competition,
2. The sales volume reduces,
3. The price is likely to fall,
4. The placement is selective, and
5. The promotion is focused on reminding.

