The Product Life Cycle (PLC)

The Product Life Cycle (PLC) is based upon the biological life cycle. For example, a seed is planted (introduction); it begins to sprout (growth); it shoots out leaves and puts down roots as it becomes an adult (maturity); after a long period as an adult the plant begins to shrink and die out (decline). In theory it's the same for a product. After a period of development it is introduced or launched into the market; it gains more and more customers as it grows; eventually the market stabilizes and the product becomes mature; then after a period of time the product is overtaken by development and the introduction of superior competitors, it goes into decline and is eventually withdrawn. However, most products fail in the introduction phase. Others have very cyclical maturity phases where declines see the product promoted to regain customers.

Introduction.

The need for immediate profit is not a pressure. The product is promoted to create awareness. If the product has no or few competitors, a skimming price strategy is employed. Limited numbers of product are available in few channels of distribution.

Growth.

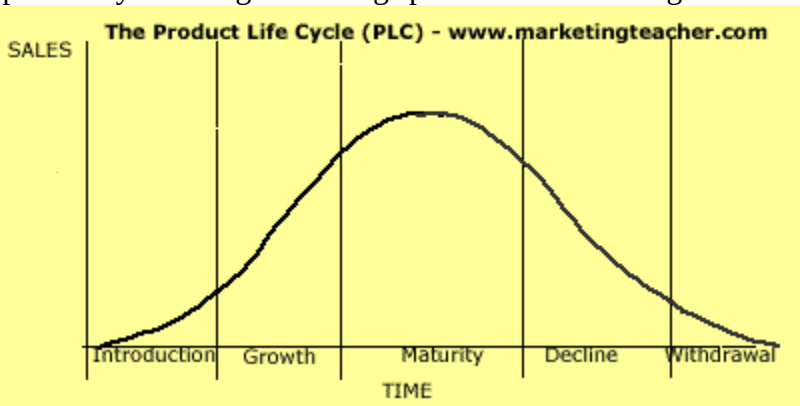
Competitors are attracted into the market with very similar offerings. Products become more profitable and companies form alliances, joint ventures and take each other over. Advertising spending is high and focuses upon building brand. Market share tends to stabilize.

Maturity.

Those products that survive the earlier stages tend to spend longest in this phase. Sales grow at a decreasing rate and then stabilize. Producers attempt to differentiate products and brands are key to this. Price wars and intense competition occur. At this point the market reaches saturation. Producers begin to leave the market due to poor margins. Promotion becomes more widespread and use a greater variety of media.

Decline.

At this point there is a downturn in the market. For example more innovative products are introduced or consumer tastes have changed. There is intense price-cutting and many more products are withdrawn from the market. Profits can be improved by reducing marketing spend and cost cutting.



Problems with Product Life Cycle.

In reality very few products follow such a prescriptive cycle. The length of each stage varies enormously. The decisions of marketers can change the stage, for example from maturity to decline by price-cutting. Not all products go through each stage. Some go from introduction to decline. It is not easy to tell which stage the product is in. Remember that PLC is like all other tools. Use it to inform your gut feeling.