

A2 LEVEL Section C

FACT FILES

Technology & Design

For first teaching from September 2011

For first award in Summer 2013

Product life cycle



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design



Learning Outcomes

Students should be able to demonstrate knowledge and understanding of the product life cycle to include:

- Inception, Introduction, Growth, Maturity and Decline;
- Life cycle for Fad, Fashion and Basic Products;



Course Content

The Product Life Cycle

At different times of a products life cycle the various elements of the marketing mix will be combined or used differently by a business. For example when a product is in the decline stage of its life cycle the investment made by the company into promotional and advertising strategies will be low to non-existent as sales of the product will have dropped significantly.

The mix of the 4 P's will also be significantly different for different products and businesses. A multinational business selling a luxury or deluxe car e.g. a Jaguar or Ferrari would have a larger advertising budget and advertising strategy than a micro-enterprise or Small and Medium Enterprise. (SME)



All products have a finite life and their progress from beginning to end can be illustrated by using what is referred to as the 'Product Life Cycle Curve'. The product life-cycle illustrates the life of a product in a market with respect to sales, profits and costs. Sales of a product pass through each of the distinct stages of the products life-cycle.

Through each stage of the life-cycle a products sales are presented with a range of different challenges, opportunities and problems and as a result each stage of the cycle requires different marketing, financing, purchasing, manufacturing and human resource strategies to deal with them.

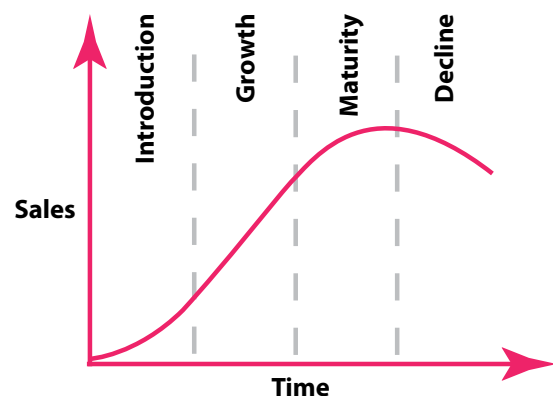


The four main stages of the product life cycle are:

1. Introduction - A product is introduced into the market for the first time.
2. Growth – The product is beginning to be recognised and is becoming more popular
3. Maturity – The product has peaked in terms of costs, profits and sales.
4. Decline – The product is beginning to die out more innovative products are starting to replace it.

These stages are illustrated in the diagram below:

Product Life Cycle Curve



The following table illustrates the main characteristics of the 4 main stages of the product life cycle curve.

Stage	Main Characteristics
1. Introduction	<ol style="list-style-type: none"> 1. Marketing costs are extremely high as consumer product awareness needs to be created 2. Sales are slow 3. There are few to no competitors in the market 4. Demand for the product has to be created 5. Customers have to be encouraged to try the product 6. There is very little profit at this stage 7. Skimming and Penetration pricing may be used during this stage
2. Growth	<ol style="list-style-type: none"> 1. Costs are reduced due to economies of scale (The average cost of a product decreases as output and sales rise.) Larger quantities of the product are produced. 2. Product sales increases significantly 3. Marketing costs will be lower than in the introduction phase as awareness to the product has been created. 4. Product begins to make more profit 5. Consumer awareness of the product increases 6. Competition increases with new companies entering the market 7. New competition leads to potential price decreases. Competitive pricing is used.
3. Maturity	<ol style="list-style-type: none"> 1. Production volumes increase and in effect costs are lowered 2. Product sales peak and market saturation is reached 3. More competitors enter the market 4. Prices drop due to a boost in competitors products in the market 5. Persuasive advertising takes place differentiation of brand and diversification of features are emphasized to increase or maintain market share. 6. Marketing costs are lower than previous 2 stages. Sales promotion techniques are used e.g.: BOGOF 7. Industrial profits decrease
4. Decline	<ol style="list-style-type: none"> 1. Costs become counter-optimal 2. No marketing activity would take place during this phase as product is in decline. 3. Sales start to decrease 4. Profit margin diminishes 5. Any profits are made through distribution and production efficiencies rather than increased sales 6. Remaining stock sold off

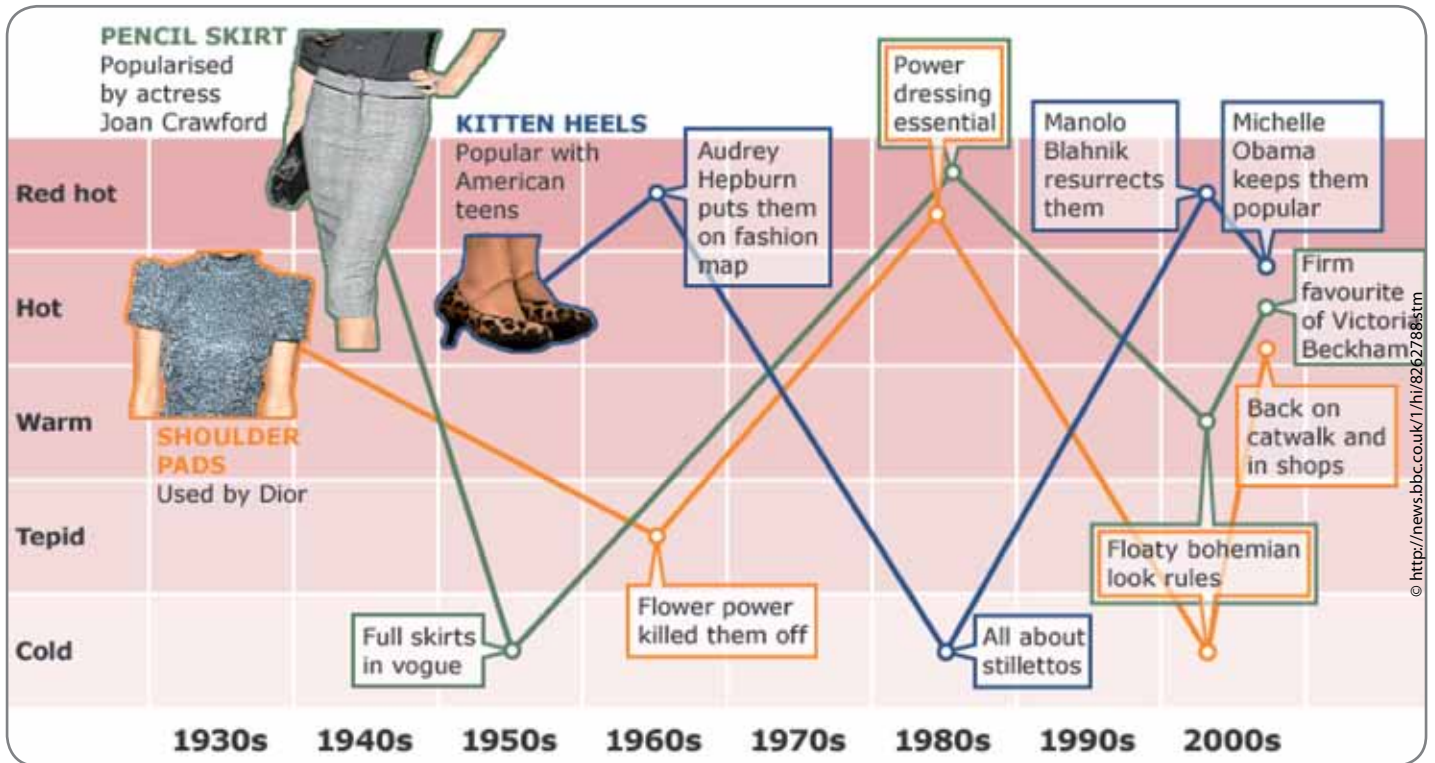
Basic, Fashion and Fad Products

Products have different life expectancies and as a result can generally be split into 3 types of products known as Basic, Fashion and Fad.

Fashion

Fashion products usually last for a shorter period of time than a basic product. Products within this group have a short life-cycle; the length of this cycle follows the latest fashion trend and popular styles. When fashion products have reached maturity their decline is normally quite rapid. Examples of products within this group are: Clothes, House décor etc. The fashion cycle will generally repeat itself every couple of years.

The diagram below illustrates the repeat nature of fashion products.



Basic Products

Basic products offer the longest product life-cycle. Products within this group have a stable and long life-cycle because there is a substantial need for the product in the market. These products will not generally decline unless there is a major product innovation to replace the need for the product. Examples of products within this market are: Cars, Refrigerators, Cookers, and Houses etc. The number of basic products sold are the highest of the 3 types of products (basic, fashion, fad).

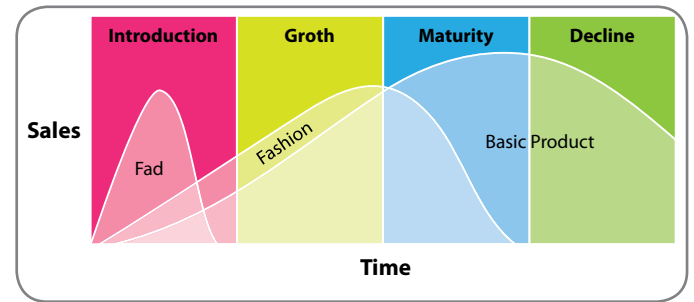


Fad Products

Fad products offer the shortest life-cycle, this life-cycle will experience rapid growth followed by a very steep decline in sales. Fad products are normally adopted by groups of young people. Examples of products within this group are: Furbies, Clackers, Tamagotchi, Roller Disco's, Foam Parties etc.



A products life-cycle is always illustrated by a graph, the shape of a products life-cycle will therefore differ depending on the type of product. The diagram below illustrates the curved nature of these three types of products life-cycles.



Revision questions

1. Give a detailed description of a product life cycle for a specific named product. Include a diagram of the product life cycle.
2. Give the characteristics and an example of a fad and fashion product.
3. What are the factors that influence a products life cycle?
4. How can a company lengthen its products life cycle?