Marketing Throughout the Product Life Cycle

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Prereading Questions
1. What is a product life cycle?
2. What factors influence how long a product’s life cycle will last?

The zipper is an example of a humble, low-tech product that has managed to live an exceptionally long life. Invented in the 1800s, the zipper was not used in men’s clothing until the 1930s. These “hookless fasteners,” as they were once called, were originally intended for use on high-buttoned shoes. It took time to be used in men’s trousers because competitors argued that this “newfangled gadget” could result in serious injuries (ouch!). In 1936 the Prince of Wales adopted the zipper and was the first monarch to “sit on a throne zippered.”

In fact, many products have very long lives. The product life cycle is a useful way to explain how product features change over the life of a product. We have talked about how marketers go about introducing new products, but launching a product is only the beginning. Product marketing strategies must evolve and change as they continue through the product life cycle.

The concept of the product life cycle does not relate to a single brand but to the generic product. Thus, we talk about the life cycle of personal computers, not Compaq computers, of automobiles, not Mustangs. Some individual brands may have short life expectancies. Who remembers the Nash car, or Evening in Paris perfume? Others seem almost immortal: A Boston Consulting Group study found that 27 or 30 brands that were number one in 1930 are still number one today. These brands include Ivory soap, Campbell’s soup, and Gold Medal flour.

The Introduction Stage
We can divide the life of a product into four separate stages. The first stage of the product life cycle, shown in Figure A (p. 394), is introduction when customers get their first chance to purchase the good or service. During this early stage, a single company usually produces the product. If the product is accepted and profitable, competitors will follow with their own versions. During the introduction stage, the goal is to get first-time buyers to try the product. Sales (hopefully) increase at a steady but slow pace. Also evident in Figure A, the company does not make a profit during this stage. Why? Two reasons: research and development (R&D) costs and heavy spending for advertising and other promotional costs.

During the introduction stage, pricing may be high to recover the research and development costs (demand permitting) or low to attract large numbers of consumers. For example, the Panasonic digital Palmcorder has a suggested retail price that’s about
double that of Panasonic's nondigital Palmcorders and is designed to appeal to consumers who are willing to pay dearly for the latest technological advances. The high cost helps Panasonic recover its R&D costs.

How long does the introduction stage last? How long the introduction stage lasts depends on a number of factors, including marketplace acceptance and producer willingness to support the product during its start-up. In the case of the microwave, sales in countries such as Japan were much stronger, which supported the product through its long introduction stage.

Not all products make it past the introduction stage. For a new product to be successful, consumers must first know about it. Then they must believe that the product is something they need. Thus, marketing during this stage often focuses on informing consumers about the product, how to use it, and its benefits. Overall, 38 percent of all new products fail.

One of the most noted examples of products that never got past the introduction stage is the Ford Edsel automobile. Introduced in 1957 and named after the only son of Ford's founder, the Edsel was designed to compete with such cars as the Chrysler New Yorker. It boasted high horsepower, tail fins, three-tone paint jobs, wraparound windshields, a "horsecollar" grille, and a push-button gearshift. The problem was that consumers didn't like the Edsel (many considered it just plain ugly) and only 110,847 Edsels were made before Ford abandoned the car, making the word Edsel synonymous with failure.

The Growth Stage

The second stage in the product life cycle, the growth stage, sees a rapid increase in sales while profits increase and peak. Marketing's goal here is to encourage brand loyalty by
convincing the market that this brand is superior to others in the category. In this stage marketing strategies may include the introduction of product variations to attract market segments and grow market share. When competitors appear, markets must use heavy advertising and other types of promotion. Price competition may develop, driving profits down. Some firms may seek to capture a particular segment of the market by positioning their product to appeal to a certain group.

The Maturity Stage

The maturity stage of the product life cycle is usually the longest. Sales peak and then begin to level off and even decline while profit margins narrow. Competition grows intense when remaining competitors fight for a piece of a shrinking pie. Because most customers have already accepted the product, sales are often to replace a "worn-out" item or to take advantage of product improvements. For example, almost everyone owns a television so companies typically sell new TVs when consumers' sets die. During the maturity stage, firms will try to sell their product through all suitable retailers because product availability is crucial in a very competitive market. Consumers will not go far to find one brand when others are closer at hand.

To remain competitive and maintain market share during the maturity stage, firms may tinker with the marketing mix. Competitors may add new "bells and whistles" to their products' features, as when producers of potato chips and other snack foods modify their products. When consumers turned from high-fat snacks, chip makers gave them baked, "low-fat" products. In 1998 Frito-Lay introduced its WOW! Line of fat-free chips. And television manufacturers are hoping to invigorate sales with new flat-screen TVs.

Attracting new users of the product is another strategy used in the maturity stage. Market development, means introducing an existing product to a market that doesn't currently use it. Many U.S. firms are finding new markets in Eastern Europe for products whose domestic sales are lagging. For example, in the early 1990s, when IBM personal computers lost popularity in the United States, the company was able to capture a large percentage of the exploding Eastern European computer market.

The Decline Stage

The decline stage of the product life cycle is characterized by a decrease in product category sales. Often this is because new technology has made the product obsolete, as when computers caused the decline of the typewriter. Although a single firm may still be profitable, the market as a whole begins to shrink, profits decline, and suppliers pull out. In this stage, there are usually many competitors with no one having a distinct advantage.

A firm's major product decision in the decline stage is whether or not to keep the product. Once the product is no longer profitable, it drains resources from the firm—resources that could help develop new products. If the decision is to drop the product, elimination may be handled in two ways: phase it out by cutting production in stages and letting existing stocks run out, or simply drop the product immediately. If the established market leader anticipates that there will be some residual demand for the product for a long time, it may make sense to keep the product on the market. The idea is to sell a limited quantity of the product with little or no support from sales, merchandising, advertising, and distribution and just let it "wither on the vine." Some classic products have been able to hang in there with little or no marketing support, such as the Pilot Stapler, which has been on the market for 70 years.