Product Life Cycles

The sales of most products change over time, in a recognizable pattern which contains distinct periods or stages. The standard life cycle includes introduction, growth, maturity and decline stages.

The introduction stage, following a product's launch, generally involves slow growth. Only a few innovative people will buy it. There are probably no profits at this stage because of the heavy advertising, distribution and sales promotions expenses involved in introducing a product onto the market. Consumers must be made aware of the product's existence and persuaded to buy it. Some producers will apply a market-skimming strategy, setting a high price in order to recover development costs. Others will employ a market-penetration strategy, selling the product at as low a price as possible, in order to attain a large market share. There is always a trade-off between high current profit and high market share.

During the growth period, 'early adopters' join the 'innovators' who were responsible for the first sales, so that sales rise quickly, producing profits. This generally enables the producer to benefit from economies of scale. Competitors will probably enter the market, usually making it necessary to reduce prices, but the competition will increase the market's awareness and speed up the adoption process.

When the majority of potential buyers have tried or accepted a product, the market is saturated, and the product reaches its maturity stage. Sales will stabilize at the replacement purchase rate, or will only increase if the population increases. The marketing manager has to turn consumers' brand preference into brand loyalty.

Most products available at any given time are in the maturity stage of the life cycle. This stage may last many years, and contain many ups and downs due to the use of a succession of marketing strategies and tactics. Product managers can attempt to convert non-users, search for new markets and market segments to enter, or try to stimulate increased usage by existing users. Alternatively they can attempt to improve product quality and to add new features, sizes or models, or simply to introduce periodic stylistic modifications. They can also modify the other elements of the marketing mix, and cut prices, increase advertising, undertake aggressive sales promotions, seek new distribution channels, and so on, although here additional sales generally come at the cost of reduced profits.

A product enters the decline period when it begins to be replaced by new ones, due to advances in technology, or to changes in fashions and tastes. When a product has clearly entered its decline stage, some manufacturers will abandon it in order to invest their resources in more profitable or innovative products. When some competitors choose to withdraw from a market, those who remain will obviously gain a temporary increase in sales as customers switch to their product.

Not all products have this typical life cycle. Some have an immediate rapid growth rather than a slow introductory stage. Others never achieve the desired sales, and go straight from introduction to maturity, although of course this should have been discovered during test marketing before a fullscale launch. Fads and gimmicks - for example, toys people buy once and once only to stick on car windows - have distinct life cycles, both rising and declining very quickly.