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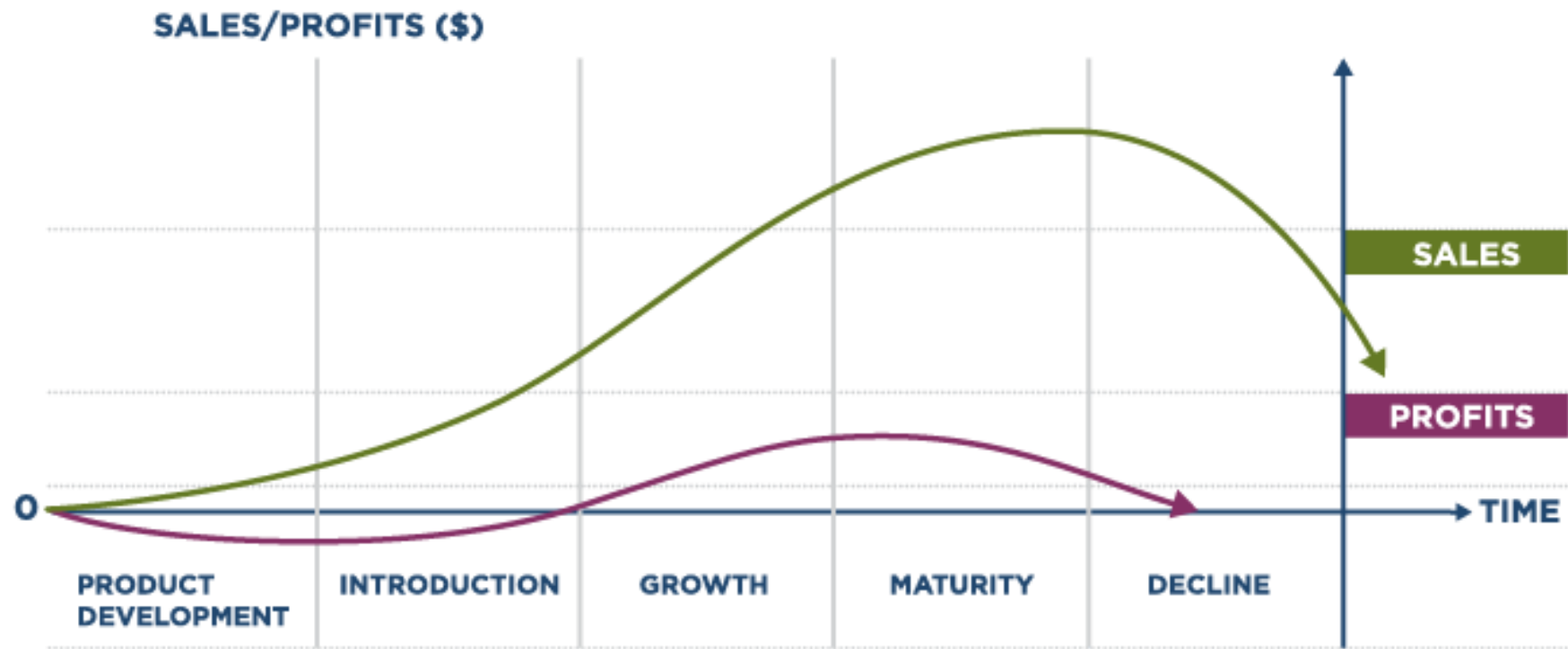
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E-Content BBA402- Marketing Management

Lecture 19- Product Life Cycle and Strategies

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Product Life Cycle



PRODUCT LIFE CYCLE

Stages of Product Lifecycle

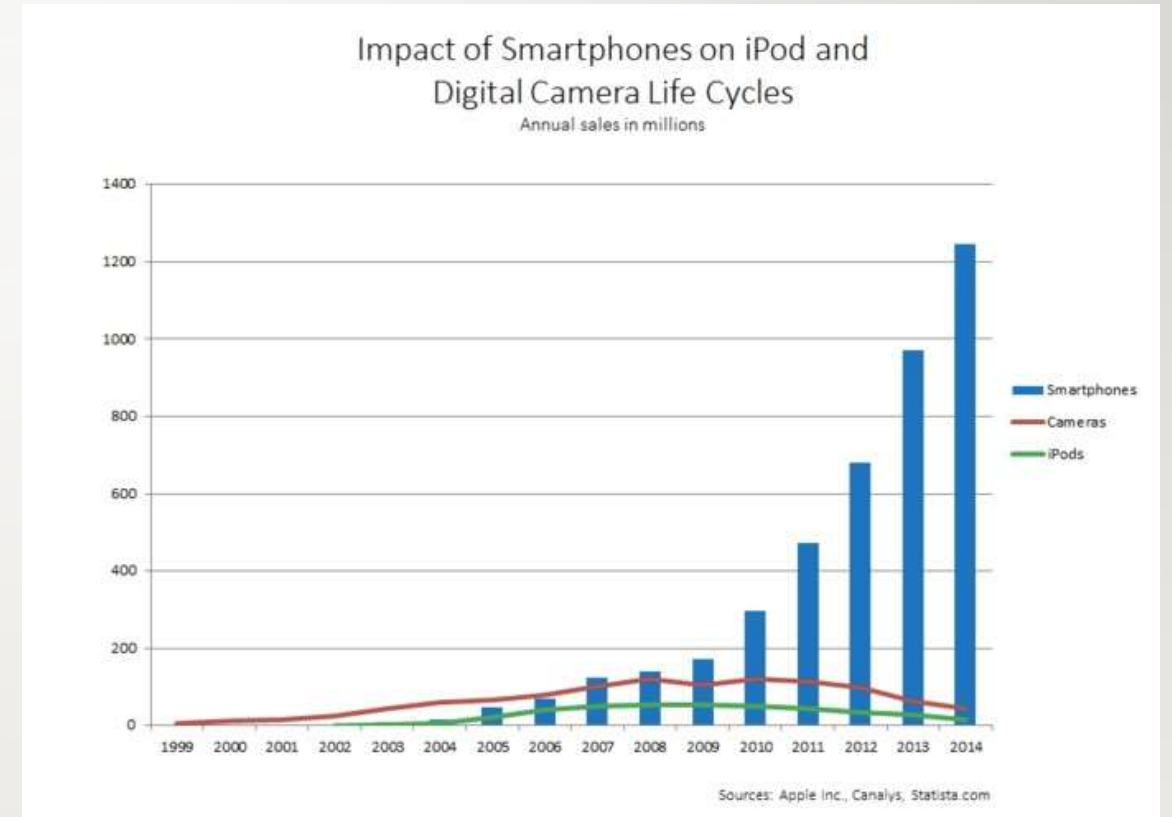
- 0. Product Development Stage
 1. new product ideas are generated and tested; investment is made
 2. sales have not begun
- 1. Market Introduction Stage
 1. costs are very high with slow sales volumes to start
 2. little or no competition
 3. demand has to be created and customers have to be prompted to try the product
 4. makes little money at this stage
- 2. Growth Stage
 1. costs reduced due to economies of scale as sales volume increases 2. profitability begins to rise
 2. public awareness increases
 3. competition begins to increase with a few new players in establishing market, increased competition leads to price decreases

Stages of Product Lifecycle (Continued)

- 3. Maturity Stage
 1. costs are lowered as a result of increasing production volumes and experience curve effects
 2. sales volume peaks and market saturation is reached
 3. new competitors enter the market, prices tend to drop
 4. brand and feature diversification needed to maintain market share
 5. profits decline
- 4. Decline Stage
 1. costs increase due to loss of economies of scale as sales volume declines, prices and profitability diminish
 2. profit becomes more a challenge of production/distribution efficiency than increased sales

Practice Question 1

- How does this graph show a limitation in the Product Lifecycle Model?



Product Line

A product line is a group of products marketed by an organization to one general market

They have some characteristics, customers, and/or uses in common, and may also share technologies, distribution channels, prices, services, etc

There are often product lines within product lines.

- Example: full range of Tylenol products, or over-the-counter medicines



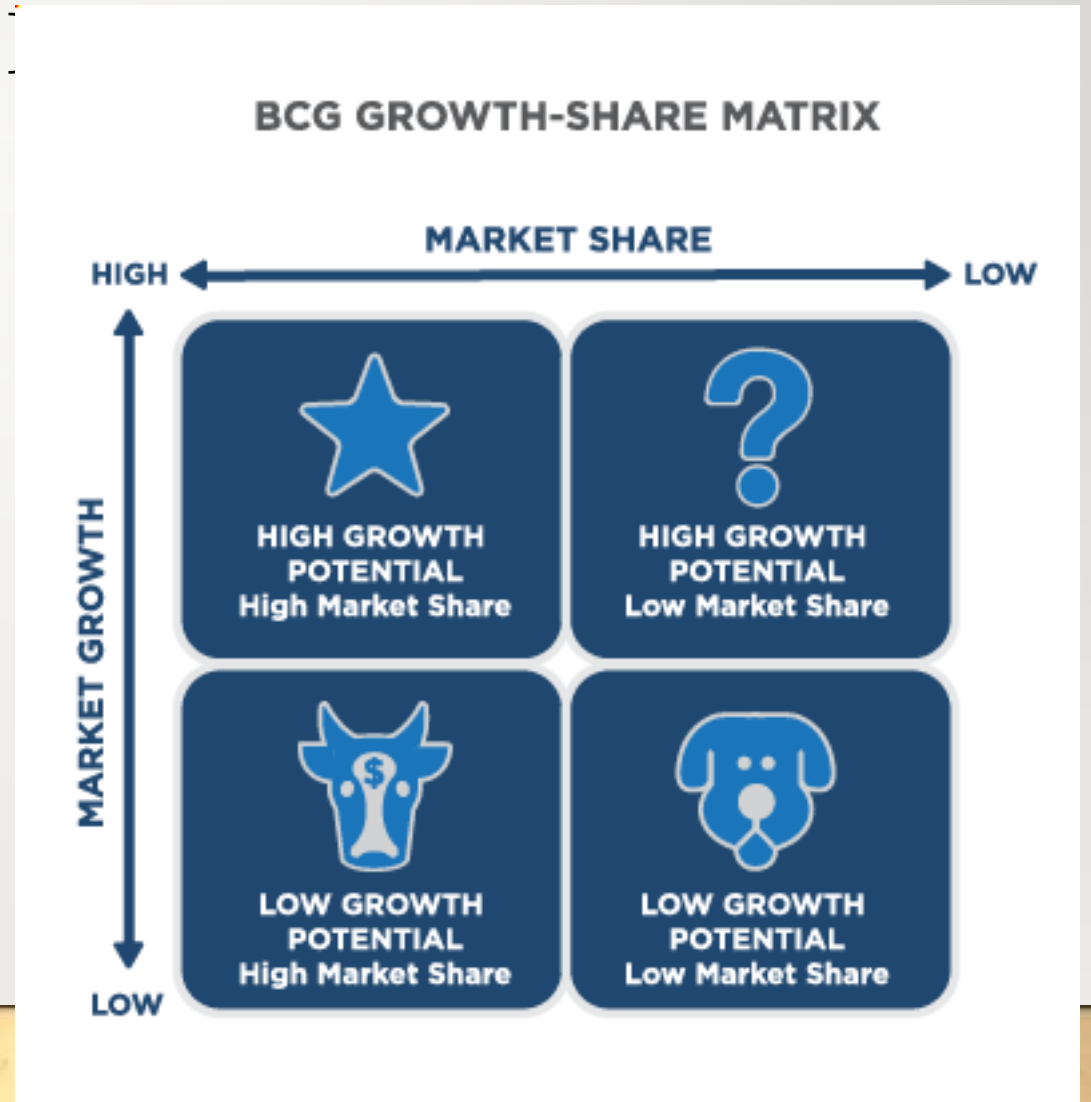
Strategic Business Unit

A strategic business unit or SBU is a self-contained planning unit for which discrete business strategies can be developed.

- An example of a strategic business unit is consumer health care products.

Using the Growth-Share

- Companies evaluate product portfolios and SBUs using the growth-share matrix



Product Life Cycles and Growth-Share

- Knowing about the product life cycle is also important to understanding market growth

