

## Product Life Cycle Stages

Traditionally, the product life cycle has been viewed as having four distinct stages:

**INTRODUCTION:** A new product (or concept) is introduced to the market on a very limited basis and subject to changes in design and technology. Demand is small and growing slowly. Advertising expenditures are high as a percentage of sales (increased awareness is being sought), channels are courted to stock the product and push it, and a skimming price strategy is most probable.

**GROWTH:** If the product makes it past the early stages, demand begins to accelerate at increasing rates. Competition becomes a critical factor as others try to copy or improve on the product, and brand differentiation begins to develop. Promotional strategy shifts to establishing brand preferences among old and new customers alike. Larger production runs and technological advances permit lower prices; while unit margins may decrease, total profitability reaches its peak during this period.

**MATURITY:** Demand grows at a decreasing rate, or stabilizes according to external factors such as substitutes, replacements, and growth rates in population and income. The market is saturated with producers engaged in substantial communication expenditures aimed at maintaining market share. Product differentiation on the basis of either price or marginal product changes, or both, is critical for survival. Competition takes its toll of marginal producers resulting in higher industry concentration.

**DECLINE:** Over-capacity and a decrease in per capita demand signify the end to all but a few efficient producers, who often lower promotional expenditures and spare each other any further grief. The product is allowed a graceful exit from the public mind.