ISSN 2394-3777 (Print)
ISSN 2394-3785 (Online)
Available online at www.ijartet.com

International Journal of Advanced Research Trends in Engineering and Technology (IJARTET)
Vol. 11, Issue 5, May 2024

Product Life Cycle (PLC): An Orientation to Entrepreneurship

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Abstract: Every product has its life cycle as like the human being. A single product can never be marketed forever. There are many cycles in the life of a product from the time when it is manufactured. These cycles determine the profit or loss during the selling of the product. The study of product life cycle is very important for anlysing the marketing strategies for the product. An entrepreneur should understand the product life cycle intelligently and should design its strategy accordingly for attaining success in the market.

Keywords: Product Life Cycle, Entrepreneurship, Product, Strategy.

I. Preliminary View

Product life cycle (PLC) of the product has prominent place in the marketing and marketing is the essence of entrepreneurship. Every stage of the product life cycle of the product has equal importance. The concept of product life cycle is very important to consider these stages in the analytical manner so that effective strategy can be made in advance.

Product Life Cycle (PLC)

A product has the life cycle as like the life of human being which can be divided into four stages:

1. **Introduction**
2. **Growth**
3. **Maturity**

II. Goals

This paper aims to create understanding of product life cycle as follows:

1. To elaborate various stages of product life cycle.
2. To suggest various strategies to be made by the entrepreneur during various stages of PLC.
3. To draw inferences from the entire study.

III. Design

This paper is based on the expressive outline. First of all overview of various stages of product life cycle have been given. Middle segment of the study is related to the strategic management by the entrepreneur through entire life cycle of the product. Concluding part includes the final observations of the authors after studying the role of product life cycle in the entrepreneurship.

IV. PLC and Entrepreneurship

According to William J. Stanton, "From its birth to death, a product exists in different stages and in different competitive environment. Its adjustment to these environments determines to a great degree just successful its life will be."

According to Lipson and Darling, "Life cycle of market offerings-stages of market acceptance through which a market offering passes from introduction to its market death. The stages in a market offering's life cycle are market introduction, market growth, market saturation, market decline and market death."

I. Introduction Stage

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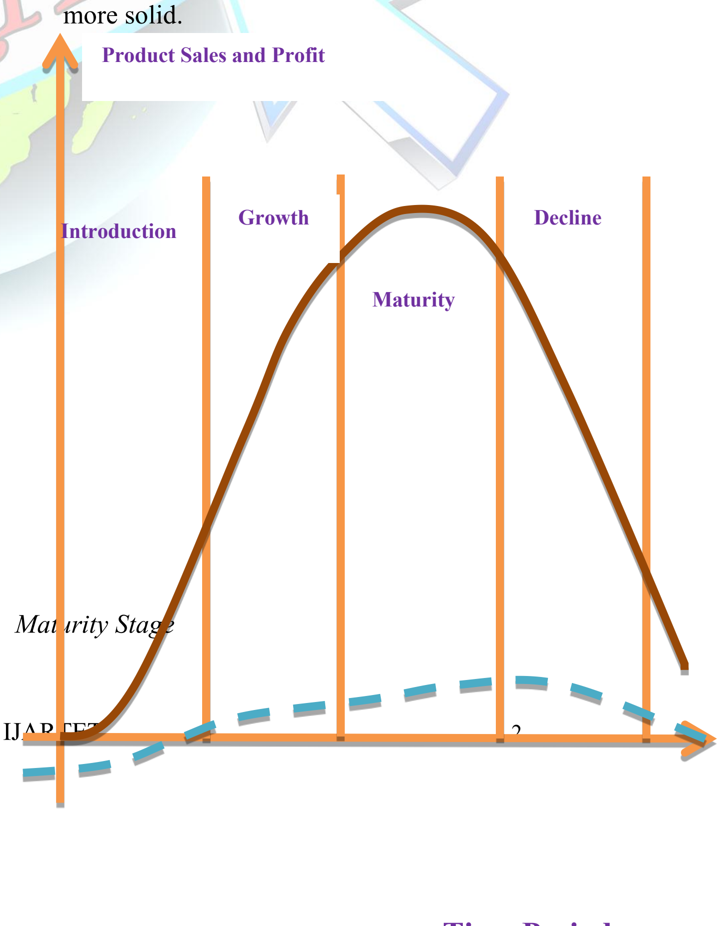
This is the first stage in the life cycle of a product. Following are the main features of this stage:

- Slow Sales: In this stage, the product is introduced in the market. Due to less production and distribution at retailing level, the sale increases at very low rate. People are also reluctant to the new product due to various types risks associated with the product. New product takes time to be familiar among the consumers.
- High Expenditure on Promotion: New product does not have the much popularity in the market. It requires promotion at large, which needs a separate budget. In this stage, huge expenses are incurred on the indoor and outdoor advertisement. Sometimes various costly schemes are offered to the customers that increases the promotional costs.
- High Price of the Product: In this stage, the prices of the product are fixed very high due to less output, higher fixed overheads, higher advertising expenses, low sales, etc. This is the main reason of narrow product line in the introductory stage.
- Low Rate of Profits: When a new product is manufactured, the company has to incur a huge amount on land and building, plant and machinery, labour, office and manufacturing expenditure. In this stage, the profits are very low due to slow sales and higher promotional expenses in the beginning.
- Consumers' Ignorance: New product is very new in the market. Consumers are habitual to purchase a particular product. It is very difficult to make the sale of an entirely product to the customers because they do not have sufficient knowledge about the product.
- Limited Market: The market segment of the new product is very limited. Consumers in this market segment are also less supportive to the product. Hence, the product does not yield much profit in the market in this stage.

II. Growth Stage

This is the second stage in the life cycle of the product. In this stage, the consumers start to accept the product. This stage has following features:

- Increase in Sales at Rapid Rate: Due to acceptance of the product in the market, the sale of the product increases at rapid rate. Existing customers recommend the product to their known people. Higher promotional expenses also help in creating the image of the product in the market.
- Entry of Competitors: When product starts to grab popularity in the market, the competitors enters in the market with their cheap alternatives. This situation increases the competition for the product. The competition in the market starts to affect the sale of the product in the market.
- Higher Profits: In this stage, the firm increases its production to fulfill the demand of new market segments. This process increases the wholesalers and the retailers that results into higher profits.
- Improvement in Product: Due to competition, the firm has to improve its product to increase the sale so that competition can be tackled. New look of the product makes it more popular in the market.
- Reduction in Prices: Due to economies of large scale of production, the firm starts to reduce the prices of the product as the result of which the consumers avail the product at lower prices.
- More Solid Distribution: In this stage, the firm increases the distribution of the product at large so that it can be introduced in more segments. The increase in the number of wholesalers and the retailers makes the distribution system more solid.



III. Maturity Stage

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In this stage, the firm attains its full capacity regarding the manufacturing and promotion of the product. There is no further increase in production and sales of the product. This stage has following main characteristics:

- Increase in Sales at Slow Rate: In this stage, due to competition, the sale of the product increases at very slow rate. There are no new customers of the product in this stage. Due to less demand form the distributors; the manufacturing is also affected in this stage.
- Less Expenditure on Promotion: Due to decrease in sales and less promotional budget, the firm cannot increase its promotional expenses in this stage. The main aim of the firm in this stage is to maintain the existing image of the product.
- Product Innovation: In this stage, the competitors have introduced their cheapest products in the market, which affect the popularity and sales of the product. The company has to innovate its product so that its existing demand can be maintained.
- Reduction in Prices: Competition in the market compels the firm to reduce the prices of the product. This practice helps the firm to maintain its existing market segment.
- Decrease in Profits: There is no increase in the customers of the product in the market. Decrease in demand and prices results into decrease in profits also. Due to decrease in production and profits, the promotional and distributions cots increase in the drastic way.
- Support of Intermediaries: In this stage, the demand and sales of the product is very dependent on the wholesalers and the retailers. They maintain the existing market with their personal promotional efforts and goodwill.

IV. Decline Stage

This is the last stage in the life cycle of the product. In this stage, the increased competition reduces the customers of the firm day by day. The firm has to make an effective marketing strategy in this stage to maintain its product in the market. This stage comprises the following features:

- Sales Decreases at Rapid Rate: In this stage, due to availability of more innovative product in the market, the sale decreases at rapid rate. Customers starts to buy the products of the competitors which is the another main reason for decreased sale.
- Further Reduction in Prices: To maintain the existing share in the market, the firm has to further reduce the price of the product. Another reason for decreasing the prices may the stock clearance so that the loss of obsolescence can be avoided.
- No Expenditure on Promotion: In this stage, due to change in tastes and interest of the customers in the product, the promotion cannot increase the sales of the product at any cost. The number of wholesalers and the retailers is also reduced to avoid distribution costs.
- No Manufacturing: At last, when the sales are totally declined, the company has to stop the production of the product. In this stage, the firm should start to think about the new products as per the interest and tastes of the consumers.

Hence, the above discussion reveals that a product remains in the market from its introductory stage to its declining stage. The firm should make its marketing plans as per these four stage of the product life so that the product can be marketed in the successful manner.

Strategic Management by the Entrepreneur

Let us discuss different marketing strategies that should be framed by the firm to increase the life of its product:

I. Strategic Management During the Introduction Stage

The product is entirely new in the first stage. There is a very low sale in the market due to less popularity of the product among the consumers. High costs of manufacturing and the promotion decreases the profitability of the product during this stage. The firm should consider the following marketing strategies to make the product more successful in the introduction stage:

- Market Entry: Introduce the product in the market after the proper study of the consumer aspirations so that the product can fulfill the same effectively.
- Supply of Information: Provide the necessary information about the product to the customers before launching the product so that they can be familiar with the use of the product.

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- Promotion: Promote the new product effectively by making the heavy investment in advertisement.
- Encouraging the Customers: Make various types of offers to the customers so that they can be persuaded to purchase the product by leaving the competitive products.
- Distribution Strategy: Frame a proper distribution strategy including the wholesalers and the retailers in every segment of the market so that the product can reach to every customer.
- Offers to Distributors: Persuade the distributors to market the product at priority by providing them the attractive additional benefits on the target sales.
- Pricing Policy: Follow the skimming the cream pricing policy in case of innovative and technical product, but in case of ordinary product, adopt the penetration pricing policy.

II. Strategic Management During the Growth Stage

This is the second stage in the product life cycle. A firm should make the following strategies for making the duration of this stage longer:

- Improvement in Quality: Improve the quality of the product continuously to make the product more useful and attractive.
- Change in the Product: Change the product style by adding the new features to it.
- Entering New Markets: Introduce the product in the new markets, which will increase the sales and profits.
- Popularisation of the Product: Popularise the product among the customers more and more.
- Increase in Distribution Network: Increase in the coverage of the distribution network of the firm to increase the customer base.
- New Retailing Channels: Establishment of new retailing channels to avoid the short supply of the product at local level.
- Reduction in Prices: Reduce the prices of the product to attract the customers of middle and lower level of income.
- Brand Image: Establish the brand image of the product in the market by indoor and outdoor promotion.
- After Sale Services: Maintain the after sale service effectively at local level.

III. Strategic Management During the Maturity Stage

This stage perceives the very low increase in the sales. A firm should adopt following strategies during this stage:

- Research and Development: Conduct research and development activities to modify the product for the new versions so that non-users can be converted into users of the product.
- Improvement in Quality: Improve the quality of product continuously.
- Entering New Markets: Enter into new market segment so that the new customers can be added to the existing customer base.
- Attracting More Customers: Attract the customers of competitors by making various types of offers and suggesting multiple uses of the product.
- Improvement in Packaging: Improve the packaging of the product by making it more attractive reuse able.
- Reduction in Prices: Decrease in prices to increase in the sale.
- Increase in Promotional Activities: Increase the promotional and advertising activities for making the product more popular.
- Credit Facilities: Offer credit facilities to increase the sales.
- Modifying the Marketing Mix: Modify the elements of the marketing mix.

IV. Strategic Management During the Decline Stage

This is the last stage of the product life cycle. The firm should adopt the following strategies during this stage:

- Product Innovation: Innovate the product as per the new tastes of the consumers and to beat the competition.
- Reviewing the Existing Market: Review the existing market possibilities for identifying the new customers.
- Reduction in Production: Reduce the unnecessary manufacturing and distribution costs to avoid unnecessary burden on profits.
- Research and Development: Give more emphasis on the research and development to improve the quality and uses of the product.
- Incentives: Provide incentives and extra benefits to those distributors who compete the target in the stipulated time.
- Schemes for Customers: Introduce discount and prize schemes for the customers so that they can prefer the product in the competitive market.

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- Improvement in Packaging: Improve the packaging so that it can be made more attractive and portable.
- Withdrawal of Product: Withdraw the product from the unprofitable segments.

V. Inferences

Inferences

The product is entirely new in the first stage and here is a very low sale in the market due to less popularity of the product among the consumers. High costs of manufacturing and the promotion decreases the profitability of the product during this stage. In this stage the product should be popularized among the customers by adopting a suitable and effective advertising programme. In the growth stage, the sales increase at rapid rate due to heavy promotional expenses. Consumers are also attracted towards the new product in the market, which increase the market significantly. In this stage the market coverage should be increased by adopting an effective distribution function. Third stage requires more attention of the firm so that the duration of this stage can be increased more and more. Due to increase in competition in the market, it is very difficult to maintain the existing customers in this stage. This stage requires quality improvement at primary basis. Decline stage is a crucial stage because the product starts to enter its obsolescence. Introduction of new alternate products changes the interests and tastes of customers, which decreases the sales drastically. This stage is so critical, even higher promotional expenses cannot increase the sale of the product. A recent study titled, "Entrepreneurial India" has been conducted by the IBM Institute for Business Value and Oxford Economics. According to the findings of this study, 90% of Indian startups fail within the first five years. It has also been found that most common reason for failure is lack of innovation. 77% of venture capitalists who have been surveyed believe that the startups of our country lack new technologies and unique business models. Hence innovation is the major strategy in this stage. Worldwide corporations view India as one of the crucial markets from where future growth is likely to occur. The development in India's consumer market would be mainly driven by a favourable population configuration and increasing disposable income. In this way, the consideration PLC is an urgent task in the area of entrepreneurship.

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