Evaluate the usefulness of the product lifecycle to a firm

Business, Marketing

In this essay I will look at the advantages and disadvantages of using a product lifecycle, as well as evaluating the usefulness of such a model to a firm. The Product Lifecycle is a part of the portfolio analysis, in which a firm can analyse the stages in a products life. It is a model used to aid with decision making in a firm, and part of the marketing planning process. The shape and length of the lifecycle varies with the different products, as each one is unique. The different stages are launch, growth, maturity, saturation and decline. How useful is the Product Lifecycle?. There are several different uses it holds to a firm. Managers use it because it highlights the need for a firm to change its marketing policies at the different stages of a products life. It then aids them in planning out their marketing strategies. A firm might draw out a Product Lifecycle to identify the stage at which its product is at in the lifecycle, from there they can decide what to do to keep the product alive or to maintain high sales. The Product Lifecycle can be used as an aid to set budgets within a firm as well. For example, if a firm produces a product lifecycle for a product and identifies the stage it is in, this can set budgets for its marketing/promotion department, its production department and its distribution department. For example if a firm sees that its product is still in the growth stages of the lifecycle, they are going to have to invest a lot of money in its development (on promotion and distribution). The Product Lifecycle can also be used to consider what might happen in the near future. Its usefulness in this area is debatable, the Product Lifecycle graph shows a products development up to the present time, it is not a model for the future. It can however help managers predict what could happen in the short term, and to decide measures to keep the lifecycle as they like it. E. G. they may notice that their product is in the maturity stage, and the market is now saturated with competitors and after drawing up a product lifecycle they may realise that there is a decline in sales which indicates they may have entered the decline stage. They will now be able to make a decision based on this knowledge. They can either cease production and let the product slowly disappear (to become a 'dog' in the Boston matrix) or to extend the product lifecycle, with an extension strategy. Extension strategies are a plan of lengthening the lifecycle for a product. The Product Lifecycle helps the marketing dept. decide whether or not an extension strategy is necessary, and if it is, when to implement the strategy. These strategies are usually used in the maturity or the early decline stage of a product. The concept of extension strategies illustrates the usefulness of the product lifecycle as a method of analysing a firm's current position in the market. It allows a firm to 'milk' a product, in this they can obtain the maximum number of sales in the maximum length of time. Without the Product extension strategies would be harder to plan and implement because for them to be effective they must be used at the correct time. The Product Lifecycle identifies when this time is. In closing, (as with the Boston Matrix) the usefulness of the product lifecycle depends on how well the information it shows can be interpreted or acted upon within a firm. It is great if you have a product lifecycle graph for all your products, but it's useless unless your marketing team can put it all to use. The information should be used with other information to get a real idea of what a firm should do. But it also takes a certain amount of business charisma, luck and gut instinct as well as stats and figures to be able to make business success.