The Product Life Cycle (PLC) defines the stages that a product moves through in the marketplace as it enters, becomes established, and exits the marketplace. In other words, the product life cycle describes the stages that a product is likely to experience. It is a useful tool for managers to help them analyze and develop strategies for their products as they enter and exit each stage.

The four stages in the product life cycle are:

1. Introduction
2. Growth
3. Maturity
4. Decline

### *1. Introduction Stage*

When a product first launches, sales will typically be low and grow slowly. In this stage, company profit is small (if any) as the product is new and untested. The introduction stage requires significant marketing efforts, as customers may be unwilling or unlikely to test the product. There are no benefits from economies of scale, as production capacity is not maximized.

The underlying goal in the introduction stage is to gain widespread product recognition and stimulate trials of the product by consumers. Marketing efforts should be focused on the customer base of innovators – those most likely to buy a new product. There are two price-setting strategies in the introduction stage:

- **Price skimming**: Charging an initially high price and gradually reducing ("skimming") the price as the market grows.
- **Price penetration**: Establishing a low price to quickly enter the marketplace and capture market share, before increasing prices relative to market growth.

### *2. Growth Stage*

If the product continues to thrive and meet market needs, the product will enter the growth stage. In the growth stage, sales revenue usually grows exponentially from the take-off point. Economies of scale are realized as sales revenues increase faster than costs and production reaches capacity.

Competition in the growth stage is often fierce, as competitors introduce similar products. In the growth stage, the market grows, competition intensifies, sales rise, and the number of customers increases. Price undercutting in the growth stage tends to be rare, as companies in this stage can increase their sales by attracting new customers to their product offerings.

### *3. Maturity Stage*

Eventually, the market grows to capacity, and sales growth of the product declines. In this stage, price undercutting and increased promotional efforts are common as companies try to capture customers from competitors. Due to fierce competition, weaker competitors will eventually exit the marketplace – the shake-out. The strongest players in the market remain to saturate and dominate the stable market.

The biggest challenge in the maturity stage is trying to maintain profitability and prevent sales from declining. Retaining customer brand loyalty is key in the maturity stage. In addition, to re-innovate itself, companies typically employ strategies such as market development, product development, or marketing innovation to ensure that the product remains successful and stays in the maturity stage.

### *4. Decline Stage*

In the decline stage, sales of the product start to fall and profitability decreases. This is primarily due to the market entry of other innovative or substitute products that satisfy customer needs better than the current product. There are several strategies that can be employed in the decline stage, for example:

- Reduce marketing efforts and attempt to maximize the life of the product for as long as possible (called milking or harvesting).
- Slowly reducing distribution channels and pulling the product from underperforming geographic areas. Such a strategy allows the company to pull the product out and attempt to introduce a replacement product.
- Selling the product to a niche operator or subcontractor. This allows the company to dispose of a low-profit product while retaining loyal customers.