

4.5 The seven Ps of the marketing mix

Product: Life cycle

As discussed in [Section 1.1.1 \(/study/app/y12-business-management-a-hl-may-2024/sid-351-cid-174702/book/the-nature-and-role-of-business-id-36498\)](#), a product is the result of a production process where resources are used to create a good or service to satisfy a need or a want. Goods are tangible, meaning they have physical characteristics and can be measured, while services are intangible, meaning they cannot be touched or described by physical characteristics.



Figure 1. Products are created to satisfy human needs and wants.

Credit: Helen Camacaro, Getty Images

Product life cycle

The product life cycle is a model that helps businesses make decisions about a product's marketing mix. The model shows a product's typical trend in sales over time. As products move through the stages, a business may want to change the marketing mix to achieve different objectives. The product life cycle is split into five stages:

- Research and development (R&D)
- Introduction

- Growth
- Maturity
- Decline

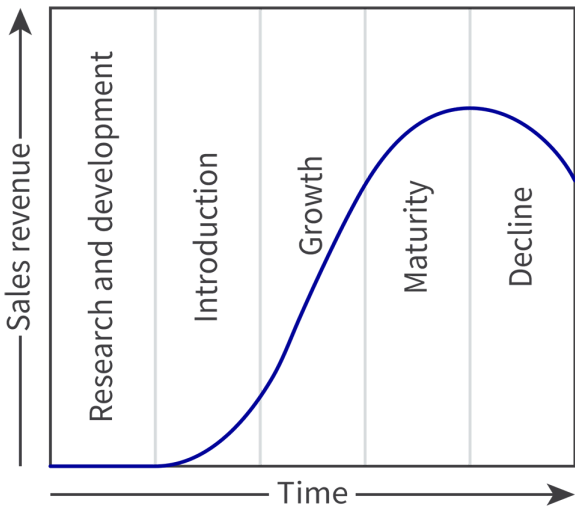




Figure 2. The product life cycle.


Research and development (R&D)

The research and development stage covers all activities that take place before a product is released to the market. There are no sales of the product during this time.

The length of this stage will vary depending on the industry and the product. A new pharmaceutical drug would usually need years of testing before it could be sold to customers. On the other hand, fast fashion brands such as H&M or Zara have a short research and development stage so that they can keep up with current fashion trends. During the research and development stage, the business will focus on three key areas: market research, product development and the preparation of production. These three areas are described in **Table 1**.

Table 1. The three areas of focus within the research and development stage.

<p>Market research (<u>Subtopic 4.4</u> (<u>/study/app/y12-</u> <u>business-</u> <u>management-a-hl-</u> <u>may-2024/sid-</u> <u>351-cid-</u> <u>174702/book/the-</u> <u>big-picture-id-</u> <u>38995</u>))</p>	 <p>Credit: courtneyk, Getty Images</p>	<p>Involves understanding customers' needs and wants using primary and secondary market research.</p>
<p>Product development (<u>Subtopic 5.8</u> (<u>/study/app/y12-</u> <u>business-</u> <u>management-a-hl-</u> <u>may-2024/sid-</u> <u>351-cid-</u> <u>174702/book/the-</u> <u>big-picture-id-</u> <u>39044</u>))</p>	 <p>Credit: Maskot, Getty Images</p>	<p>Includes all activities involved in designing and testing the new product. Ideas need to be generated and narrowed down to a single one. Then prototypes are built, old ideas are discarded and designs are refined. Innovative new ideas are protected using copyright and patent laws (<u>Subtopic 3.4</u> (<u>/study/app/y12-</u> <u>business-</u> <u>management-a-hl-</u> <u>may-2024/sid-</u> <u>351-cid-</u> <u>174702/book/the-</u> <u>big-picture-id-</u> <u>39045</u>)).</p>

<p>Preparing production</p>	 <p>Credit: Monty Rakusen, Getty Images</p>	<p>Involves actually making the product. Suppliers and production facilities are found and initial inventories/stocks of the product are produced, built up and shipped to distributors.</p>
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Concept

Sustainability

In the development process of a product, sustainability should be an integral part of the entire innovation. Environmentally friendly raw materials (for example bamboo, cork and teak) should be considered in the development process. It is also important to think about the final disposal of the product and the possibilities of reuse to avoid waste.

You were exposed to circular business models in [Section 1.3.6 \(/study/app/y12-business-management-a-hl-may-2024/sid-351-cid-174702/book/tool-circular-business-models-id-36523\)](#). In the research and development phase, businesses can design products that eliminate waste, that circulate again and again through production, and that regenerate nature.

Some promotion may be possible during the research and development stage. It is normal for cinemas, for example, to promote films months before they are released. This can help to build a ‘buzz’ about the film. The same can be found in the different subscription-based streaming service platforms, where new seasons of series are introduced some months before the launch day.

Introduction

The introduction stage of the product life cycle is when the product is released to the market. Consumers can buy the product if they wish. Initial sales are likely to be low, but they will be growing. The business must make consumers aware that the product exists. Promotion should focus on the unique selling point (USP) of the product. The business needs to carefully consider the pricing strategies and the distribution channel.

Luxury cosmetics brands, for example, will advertise in magazines, demonstrate their products in luxury department stores, and sponsor influencers to test and review their products. Additionally, the use of social networks is a key element in the introduction of new products.



Figure 3. Promotion is an important part of the introduction stage of the product life cycle. The use of influencers on social media can be particularly effective.

Credit: Alistair Berg, Getty Images

Growth

The growth stage refers to a period during which the increases in product sales are accelerating. The percentage change in sales is increasing.

If a business wants to continue the growth in this phase, it will need to find new target markets. This will lead to an adaptation of the marketing mix. Pricing strategies may need to be changed. Distribution channels may need to be expanded, perhaps to mass-market retailers. Finally, promotional messages will be adapted, with the aim of raising awareness in the new target markets.

Maturity

The maturity stage is a time of high and steady sales revenue. Sales will still be growing, but perhaps at a slower and slower rate. The market may be crowded, or saturated, with competition.

Marketing objectives during the maturity phase will focus on building customer loyalty. During maturity, marketing budgets may be cut as businesses are no longer attempting to increase sales from new customers. The combination of high sales revenues and falling promotional costs lead to high profits.

Decline

The decline stage of the product life cycle is a period of falling sales and/or loss of market share. The product may have lost its unique selling point in a highly competitive market. Technology may be outdated. Customers' needs may have changed in such a way that the product no longer satisfies them.

Products may still be profitable during decline. Although sales will be falling, marketing costs may be low too. Prices may be reduced to target price-conscious consumers. This message can be reinforced by shifting distribution channels to discount retailers. When products begin to make a loss, where revenues are lower than costs of production, they are finally withdrawn from the market.



Figure 4. Audio cassettes experienced a decline in sales due to technology changes and were removed from markets.

Credit: Rolfo Brenner / EyeEm, Getty Images

Concept

Change and creativity

Changes, or lack of changes, in the external environment such as technology innovations and sociocultural changes can impact a product's life cycle. In markets where change is slow, some products may stay in the maturity phase for a long time. Where changes are more rapid, products may have a very short life cycle, being replaced quickly in the market by new creative responses to human needs and wants.

Activity

Learner profile: Inquirers

Approaches to learning: Research skills (information literacy); Thinking skills (transfer)

Why do some products have much longer life cycles than others?

Carry out some brief research on the following products to identify one or more reasons for their short or long product life cycles. You may want to remind yourself of the STEEPLE factors covered in Section 1.1.5 ([/study/app/y12-business-management-a-hl-may-2024/sid-351-cid-174702/book/tool-swotsteeple-analysis-id-36504](https://study/app/y12-business-management-a-hl-may-2024/sid-351-cid-174702/book/tool-swotsteeple-analysis-id-36504)), making links to the external environment.

- Fidget spinners
- Pokémon Go
- Nestlé ice cream

Extension strategies

Extension strategies are methods that businesses use to lengthen the maturity stage of the product life cycle. Using extension strategies can be a cost-effective way of extending the sales of a product. It is far easier and less costly to renew an established brand than to launch a new one. Existing brands are likely to have a loyal customer base and established distribution channels. If the right modifications can be made to a product, sales decline can be stopped and profitability can continue.

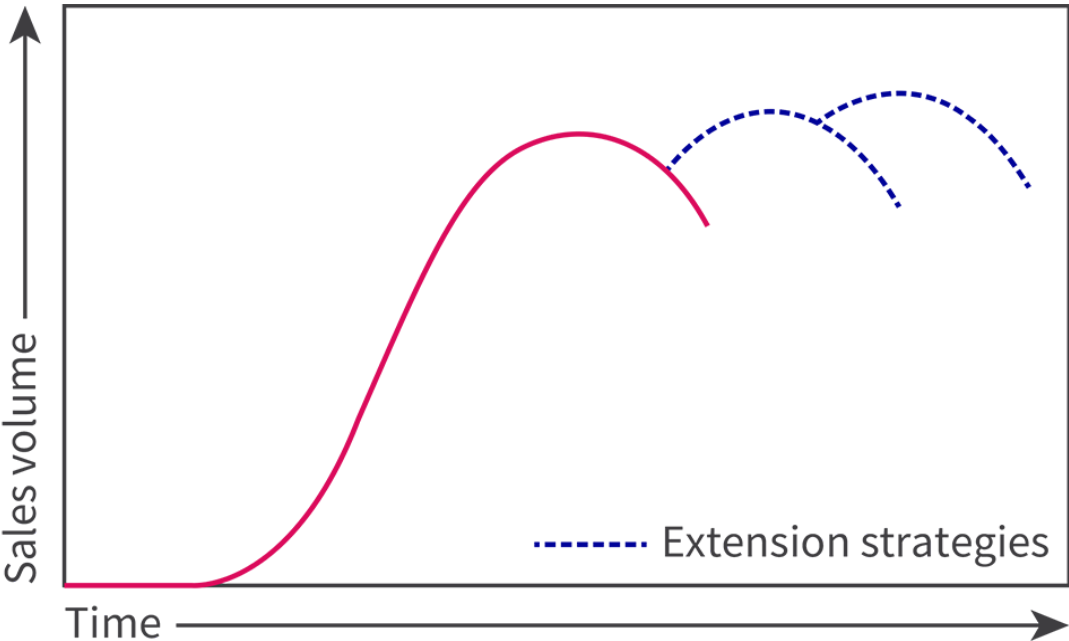


Figure 5. The extension strategy of the product life cycle.

Table 2 shows some examples of extension strategies that a company can implement.

Table 2. Product life cycle extension strategies.

Strategy	Description	Advantage	Disadvantage
Finding a new target market	If a product no longer meets the needs of its existing target market, a new group of consumers could be found.	Sales can increase, especially if the product is received well by the new target market.	Market research is needed to find a new target market; this can be costly.
Redesign of packaging	Changing the material, shape, colour or other characteristics of the packaging.	When done well, this can have a big impact on customer demand.	Some customers may feel tricked and disappointed by new packaging with the same product.

Strategy	Description	Advantage	Disadvantage
Product update	Adding new or different features to products.	Product updates can often be developed quickly at low cost.	Some loyal customers may not like the changes; this can be risky.
Price reduction	Lowering the price of the product.	A new group of consumers can have access to the product. It can also increase sales by preventing existing customers from switching to competing products.	The price reduction may damage the brand image; it could be perceived to be of lower quality.
New promotional strategies	Using promotional campaigns to encourage clients to use the product more often or differently.	Sales can increase with a very small investment in promotion.	Customers may have tired of the product. It may be difficult to change their mental model of how the product can be used.

It is important to notice that businesses sometimes use several extension strategies involving a rebranding strategy, since this enables different elements of the product to be modified. However, it can be a very expensive strategy.