

Read the article below about product life cycles. For each question 1 – 5, mark one letter (A, B, C or D).

Product Life Cycles and Sales Strategy

One of the most important concepts in sales management and marketing is the product life cycle. This is a historical record of the life of a product, showing the stage in its life the product has reached at a particular time. By identifying the stage that a product is in or may be heading towards, companies can formulate better marketing plans. All products have 'lives' in as much as they are created, sell with varying profitability over a period of time, and then become old-fashioned and are replaced or simply no longer produced. A product's sales position and profitability can be expected to fluctuate over time and so, at each successive stage in the product's cycle, it is necessary to adopt different tactics.

The two main features of the product life cycle are unit sales and unit profit. The unit sales figures usually jump on introduction, as a response to heavy advertising and promotion, as customers buy the product experimentally. This is generally followed by a levelling off while it is evaluated – the length of this period depending on the use to which the product is put. Then, unit sales rise steadily through the growth phase to the maturity phase, when the product is widely accepted, and so on to saturation level. By this time, competitors will have entered the market with their own version and, from this point, the sales team will have to work even harder to win all additional sales. Eventually, the product's sales decline as better versions enter the market and competition becomes too strong.

In retrospect, most firms know what happened to their products from launch to withdrawal. They can compile this information from the records of unit sales.

Unfortunately, unit sales are not the complete story as it is unit profit that is the decisive factor, although this is not always recorded accurately. It is this figure that sales management has to monitor, though, to ensure an effective marketing strategy and to produce effective profits.

At launch, the product is costed accurately on the basis of production costs plus selling costs. Initially these remain fairly stable, but, when the product is proving successful, competitors will bring out their own 'copy-cat' products. With a competitor in the field, the original firm has to respond in order to maintain its market position. It can run special sales promotions, improve deliveries, make more frequent sales calls and so on. Often the extra expenditure is not accurately charged to the product and the result is that, long before unit sales are noticeably falling, the unit profit has already fallen.

The product life cycle, then, presents a picture of what happened in the product's 'lifetime', so how can this be used as an ongoing aid to management decision-making? Every sales manager has a chart on which the progress of sales is plotted and this can be used as a guide to the stage of development each product is currently in. An essential management skill is being able to interpret sales results and draw in the stages as they occur. Deciding where each stage begins and ends can be a random exercise, though usually the stages are based on where the rate of sales growth or decline becomes pronounced.

1. According to the text, the end of a product's life cycle is marked by
 - A a sharp rise in production costs.
 - B the product becoming outdated.
 - C an increase in customer complaints.
 - D less support from sales management.

2. What does the writer say about sales management in the first paragraph?
 - A Companies should spend more time on their sales planning.
 - B There are many managers who need to improve their sales performance.
 - C Most sales managers fail to recognise which stage a product has reached.
 - D The sales approach should change with each phase of the product life cycle.

3. According to the text, a greater sales effort is required for a product when
 - A it is particularly innovative.
 - B the advertising budget has been cut.
 - C rival companies start to produce something similar.
 - D consumer interest switches to a new product category.

4. According to the text, a good marketing strategy must primarily be concerned with
 - A sales statistics.
 - B product details.
 - C consumer data.
 - D profit information.

5. According to the text, profit levels may fail to correspond to the volume of sales because
 - A the full selling costs have not been taken into account.
 - B the production costs were not estimated correctly.
 - C there are unforeseen problems with distribution.
 - D there has been a lack of economic stability.

In tasks 6-10 fill in the gaps, using NO MORE THAN 4 WORDS AND/OR NUMBERS from the text for each answer.

1. It is essential to use various strategies, because revenues can _____ over a period of time

2. The unit sales figures are usually high at the beginning due to _____ and promotion

3. Unit sales rise gradually until the final stage called _____
4. Unit profit needs to be constantly observed to guarantee _____
5. It is impossible to track the beginning and ending of each stage, so it is usually _____