Question No.3 Describe the International Product Life Cycle and discuss various life cycle stretching strategies.

Solution: Concept of product life cycle is important for the product planning. The different stages of life cycle may be managed in such a way that the product attaining the maturity or declining stages may be introduced in foreign market. Based on the efficient use of factors of production in a particular country, the product may be exported or imported among different countries.

International product life cycle discusses the consumption pattern of the product in many countries. This concept explains that the products pass through several stages of the product life cycle. The product is innovated in country usually a developed country to satisfy the needs of the consumers. The innovator country wants to exploit the technological breakthrough and starts marketing the products in foreign country. Gradually foreign country also starts production and becomes efficient in producing those commodities. As a result, the innovator country starts losing its export market and finds the import of that product advantageous. In this way, the innovator country becomes the importer of the products. Terpstra and Sarathy have identified four phases in the international product life cycle.

1. Export strength is evident by innovator country

Products are normally innovated in the developed countries because they possess the resources to do so. The firms have the technological know-how and sufficient capital to invest on the research and development activities. The need of adaptation and modification also forces the production activities to be located near the market to respond quickly towards the changes. The customers are affluent in the developed countries that may prefer to buy the new products. Thus, the manufacturers are attracted to produce the goods in the developed country. The goods are marketed in the home country. After meeting the demand of the home country, the manufacturers start exploring foreign market and exporting goods to them. This phase exhibits the introduction and growth stage of the product life cycle.

2. Foreign production starts

The importing firms in the middle income country realise the demand potential of the product on the home market. The manufacturers also become familiar in producing the goods. The growing demand of the products attracts the attention of many firms. They are tempted to start production in their country and gradually start exporting to the low income country. The large production in the middle income country reduces the export from the innovating country. This shows the maturity stage of product life cycle where the production activities start shifting from innovating country to other countries.

3. Foreign production becomes competitive in export market

The firms in low income country also realise the demand potential in the domestic market. They start producing the products in their home country by exploiting cheap labour. They gain expertise in manufacturing the commodity. They become more efficient in producing the goods due to low cost of production. Gradually they start exporting the goods to other countries. The export from this country replaces the export base of innovating country, whose export has been already declining. This exhibits the declining stage of product life cycle for the innovator country. In this stage, the product gets widely disseminated and other countries start imitating the product. This is the third phase of product life cycle where the products start becoming standardised.

4. Import Competition begins

The producers in the low income importing country gain sufficient experience in producing and marketing the products. They attain the economies of scale and gradually become more efficient than the innovator country. At this stage, the innovator country finds the import from this country advantageous. Hence, the innovator country finally becomes the importer of that product. In this fourth stage of product life cycle the product becomes completely standardised

In simple words, the theory of IPLC brings out that advanced (initiating) countries play the innovative role in new product development. Later for reasons of comparative advantage or factor endowments and costs, such a product moves over to other developed countries or middle income countries and ultimately gets produced and exported by less developed countries. Not surprisingly, therefore, those countries such as Taiwan, Hong Kong, Korea, Singapore and even India have emerged as major exporters of growing range of products to USA and western Europe during the last decade and a half.

Life Cycle Stretching Strategies

Depending on the nature of the product and the market, a number of alternate strategies may be considered each by itself or in combination with one or more of others, for stretching the life cycle of a product. One of the most commonly employed strategies is to “reposition” the product, in case it is felt that the strategy would create a better image for the item. For example, consequent to increasing health concerns among people, most companies in cooking oil business have repositioned their brands in recent years, emphasizing the cholesterol free attribute of their product while, in the past, it was not the case. Similarly, condoms have been repositioned in India, the emphasis shifting from family planning to safe sex. The second possibility is to try to bring about quality, improvement in the product .through better engineering and/or use of better quality raw materials and promoting the new product as a more reliable and durable one than the earlier version of the same. This is possible if the product is such that technical quality is the main attribute looked for by the customer in the product, significant quality variations are possible to be brought about in the product and the segment comprises sufficient number of quality conscious buyers. Another strategy could be to bring about feature changes i.e. raising the number of real or fancied benefits of the product to the customer, for example, refrigerators being brought out with two or three doors instead of one door, etc. The fourth possibility is to increase the aesthetic appeal of the product, particularly in the case of fashion items such as garments, hand bags, etc. Nowadays even in products like automobiles, substantial style improvements are brought about frequently.

The above strategies are adopted without the existing version of the product undergoing substantial change, but are subject to minor changes. However, there *are* instances where the firm’s existing product is either replaced by another item meeting the same requirements or in most cases, the firm's existing product and the new product are both made available in the market simultaneously so that the combined sales of the two go to ensure reasonable revenue and profit to the company. For instance, firms normally sell tooth paste and tooth powder or detergent cake and detergent powder together and similarly, a firm in leaf tea business also introduces tea bags. Then, there *are* instances where a company itself introduces a substitute product for its own brand of a product; for example, there are companies selling ball pens and fountain pens with the same brand name and firms promoting the same brand of cotton and blended textiles. Yet another strategy would be to resort to "line extension" i.e. introducing closely related products or loosely related products; instances here relate to firms in the business of items such as shaving brush, shaving cream and shaving blade under the same brand name, food items such as salt and wheat flour and toiletries such as toilet soap and shampoo. In all the cases, the attempt of the firm is to stretch the life cycle of a product at a higher level of sales if possible, or, maintain the same sales level as obtained in the saturation period or even at a lower level which guarantees reasonable return.

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