



GLOBAL JOURNAL OF MANAGEMENT AND BUSINESS RESEARCH
Volume 11 Issue 10 Version 1.0 October 2011
Type: Double Blind Peer Reviewed International Research Journal
Publisher: Global Journals Inc. (USA)
Online ISSN: 2249-4588 & Print ISSN: 0975-5853

The Significance of Distribution Channel and Product Life Cycle in the Management of an Organization the Nigerian Experience

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Introduction - In recent times, business organizations operate on large and specialized, scales, which have all, resulted in increased production. As a result of this increased production, direct marketing to consumers had become very expensive and inefficient. Marketing channel decisions are among the most complex and challenging decisions facing the firm As man passes his life in phases: birth, childhood, adolescence, adulthood, old age and death so do products as evidenced in the product life cycle theory. The objectives of this paper are to assess the significance of distribution channel and product life cycle on the survival and growth of business organizations in Nigeria. Efforts are made to discuss in details the conceptual framework of distribution channel and product/life cycle. Finally it is posited that distribution channel and product life cycle are highly significant in the management. This paper is divided into four sections namely: introduction, distribution channel, product life cycle and conclusion and recommendations.

GJMBR Classification : JEL Code: M31, D11



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I. INTRODUCTION

In recent times, business organizations operate on large and specialized, scales, which have all, resulted in increased production. As a result of this increased production, direct marketing to consumers had become very expensive and inefficient. Marketing channel decisions are among the most complex and challenging decisions facing the firm. As man passes his life in phases: birth, childhood, adolescence, adulthood, old age and death so do products as evidenced in the product life cycle theory. The objectives of this paper are to assess the significance of distribution channel and product life cycle on the survival and growth of business organizations in Nigeria. Efforts are made to discuss in details the conceptual framework of distribution channel and product/life cycle. Finally it is posited that distribution channel and product life cycle are highly significant in the management.

This paper is divided into four sections namely: introduction, distribution channel, product life cycle and conclusion and recommendations.

II. DISTRIBUTION CHANNEL

A product is not important to the consumer, if it is not available when and where it is wanted. A product reaches customers through a channel of distribution. Decision areas include: selecting and manning the middlemen, storage, handling and transporting the product. Marketing channels are very crucial in structuring marketing decisions. This is because without the channels; products will never get to the customers who need them. Channel decisions can only be productive if there is goal congruence between the company and its channel members. However, intermediaries/middlemen who direct products to dysfunctionalities will set in if channel conflicts occur between them as marketing channels are very crucial for the success or other wise of marketing efforts. Pride and Ferrell (1985) define marketing channel or channel of distribution as “a group of interrelated customers”.

Rachman and Mescon (1982) see channel of distribution as “a sequence of marketing agencies (such as wholesalers and retailers) through which a product passes on its way from the producer to the final user”. Richard (1976) et al defines channel of distribution as “a combination of middlemen that a company uses to move its products to the ultimate purchaser”. Bonne and Kurt (1980) regard marketing channels as “the paths that goods and title to them follow from producer to consumer”. A distribution channel consists of the set of people and firms involved in the transfer of title to a product as the product moves from producer to ultimate consumer or business user. A channel of distribution always includes both the producer and the final customer for the product in its present form as well as any middlemen such as retailers and wholesalers. The act of bridging the gap between producer and consumer and provide the purchaser with a convenient means of obtaining the product that he or she wishes to buy. In moving goods to convenient location for the consumer, channels provide form, time, place and ownership utility. **Form utility** is the want satisfying capability that is created when a good produced. **Time utility** is the want satisfying capability that is created when a product is made available to customers when they want it. **Place utility** is want satisfying capability that is created when a product is made readily accessible to potential customers. Products have no value to the consumer in the manufacturer’s warehouse until it is made available to consumers where they want to buy them. **Possession utility or ownership utility** is want-satisfying capability that is created when title of a product is transferred from the manufacturer to the buyer at the point or time of purchase (retail store). Possession utility is the want-satisfying capability that is created when a customer buys the product – that is when ownership is transferred to the buyer. Marketing functions performed in channels of distribution can be grouped as those that are necessary to a transaction those that are required for the physical exchange of goods and those that facilitate both the transaction and the physical exchange. Channel decision-making involves establishing and maintaining the institutional structure in marketing channels.

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A company wants a distribution channel that not only meets customers' needs but also provides an edge on competition. Some firms gain a differential advantage with their channels to design channels that satisfy customers and outdo competition, an organized approach is required which comprises of a four sequence decisions: (i) specifying the role of distribution (ii) selecting the type of channel (iii) determining intensity of distribution (iv) Choosing specific channel members - that is selecting specific firms to distribute the product.

a) Selecting the Type of Channel

Some firms adopt direct distribution a situation where producer deals with final customer, with no middlemen providing assistance. In contrast, a channel producer, final customer, and at least one level of middlemen represents indirect distribution.

b) Major Channel of Distribution

Diverse distribution channels exist today. The most common channels for consumer goods, business goods, and services are described as follows:

c) Distribution of Consumer Goods

Five channels are widely used in marketing tangible products to ultimate consumer:

- Producer → consumer
- Producer → retailer → consumer
- Producer → wholesaler → retailer → consumer
- Producer → agent → wholesaler → retailer → consumer

d) Distribution of Industrial/Business Goods

A variety of channels is available to reach organizations that incorporate the products into their manufacturing process or use them in their operations. The four common channels for business are:

- Producer → user
- Producer → industrial distributor → user
- Producer → agent → user
- Producer → agent → industrial distributor → user.

e) Distribution of Services

The intangible nature of services creates special distribution requirements. There are only two common channels for services.

- Producer → consumer
- Producer → agent → consumer

f) Multiple Distribution Channels

Many perhaps most, producers are not content with only a single distribution channel. Instead, for reasons such as reaching two or more target markets or avoiding total dependence on a single arrangement, they employ **multiple distribution channels**. The user of multiple channels occurs in several distinct situations such as reaching different types of market when selling:

- The same product to (for example, sporting goods or computers) to both consumer and business markets.
- Unrelated products (margarine and paint; rubber products and plastics).
- Multiple channels are also used to reach different segments within a single market when:
- Size of the buyers varies greatly. Albarka airline may sell directly to travel departments in large corporations, but rely on travel agents to reach small businesses and ultimate consumers.
- Geographic concentration differs across parts of the market. A manufacturer of industrial machinery may use its own sales forces to sell directly to customers that are located close together, but may employ agents in sparsely populated markets.

g) Typical Activities of a Middleman

Sales Specialist For Producer

- Provides market information
- Interprets consumers' wants
- Promotes producers' products
- Creates assortments
- Stores products
- Negotiates with customers
- Provides financing
- Owns products
- Shares risks



Purchasing Agent For Buyer

- Anticipates wants
- Subdivides large quantities of a product
- Stores product
- Transports products
- Creates assortments
- Provides financing
- Makes products readily available
- Guarantees products
- Shares risks

These channels or intermediaries are institutions that have specialized in rendering distributive services both to the producers and consumers. They are of three types:-

a) **Merchant Middlemen**:- This category of intermediaries buy and take title to the goods they buy from producers (e.g. wholesalers and retailers).

b) **Agent Middlemen**:- They look for markets for the producer and receive commission or fee for expediting exchanges e.g. sales representatives.

c) **Facilitators**:- This group of intermediaries render services that facilitate the movement of goods and services from the point of production to point of consumption e.g. warehousing, transportation etc.

Intermediaries also perform what we call equalization function by providing time, place and ownership utilities, which help to increase the value of products. Intermediaries equally obtain information about consumers (Social outlook, economic profit, demographic characteristic, concentration and dispersion etc) and pass them to producers to assist them in planning their productions to attune them to the environment. They assist producers in advertising, promoting and pricing of their products for the markets. In addition they are risk takers (e.g. goods becoming obsolete in their hands with time during storage, pilfering, damage from fire etc). Also some production/economic activities are financed by them. In most cases they buy from and pay the producers and sell to consumers in appropriate sizes at credit. From the above analysis, the importance of middlemen in the marketing of goods and services shall not be overemphasized. In conclusion, the reasons for their importance are as summarized below:

- a) Middlemen reduce the number of transactions required, thereby reducing cost:- The contribution of middlemen is important. Shipping products to too many retailers by manufacturers without a wholesaler who can perform this duty incurs costs, which are reflected in the prices charged for products. If the number of transactions can be reduced through the use of middlemen, costs will be less and lower prices will result.
- b) Middlemen perform marketing function:- Middlemen are valuable because they perform almost every marketing functions. They can conduct marketing research, advertise, employ sales force and engage in physical distribution. They can also maintain inventories, extend credit and collect debts, and provide a variety of services to their customers. Manufacturers therefore can shift the performance of these functions from themselves to middlemen.
- c) Middlemen are specialists:- Since middlemen may be specialists in performing some marketing functions, their efficiency in performing these

functions which are normally shifted to them by manufacturers results to lower costs and hence lower prices for the products in the hands of customers.

- d) Middlemen perform the concentration and dispersion functions:- Two important functions by middlemen are the concentration and dispersion functions. Concentration is the consolidation of small lots into larger lots for more economic shipment performed mainly by wholesalers/distributors and dispersion, which is breaking large lots into smaller, lot sizes for convenient purchase by consumers performed by retailers.
- e) Middlemen enhance the value of products:- Mainly because of the ability of middlemen to store and transport products, the values of these products are enhanced. Through storage, time utility is created. These products become more valuable to consumers because they are made available when the consumers want to purchase them. On the other hand, products are more valuable if they are made available at convenient locations to the customers i.e. the products have place utility. This utility is created by middlemen who transport these products to stores close to population concentrations.
- f) Middlemen bring buyers sellers together:- They also play the role of bringing buyers and sellers together by matching buyers who seek certain products with sellers who offer them.
- g) Middlemen act as information sources:- They provide information on the market and competition to the companies.
- h) Middlemen save companies money:- For new companies that lack financial competence or established companies that do not have adequate financial resources as they expand their operations, middlemen perform these costly marketing functions for them.
- i) Middlemen are valuable for companies marketing new products:- Companies trying to sell products in new markets may lack the experience of these new markets which middlemen who possess such can perform.
- j) Middlemen are valuable for companies marketing new products:- New products that are substantially different from existing product lines always pose as problems for the innovating firm to market. Middlemen who possess the requisite skill and experience help these companies for the introduction of these new products.
- k) Middlemen are helpful for small companies:- Small companies which are not strong financially and often lack product and market expertise, make use of retailer and wholesalers to their advantage.

Distribution's role within a marketing mix is getting the product to its target market. Distribution is the arrangement necessary to transfer ownership of a product and transport the product from where it is produced to where it is finally consumed. The most important activity in getting a product to market is arranging for its sale and the transfer of title from producer to final consumer. Other common activities (or functions) are promoting the product, storing it, and assuming some of the financial risk during the distribution process. Typically however, firms called middlemen perform some of these activities on behalf of the producer or the consumer.

h) Functions of Marketing Channels

The following are the important functions member of the marketing channel perform:

- Gathering information on the changing needs in the market and pass them on to the producers. By so doing, they perform part of the research team.
- Ordering goods, usually in bulk, thereby, reducing the cost of storage by the producers. Ordering is a way of letting the producers know of the demand level in the market.
- Taking title to the products they help to the market.
- Bearing risks of storage due to theft, climatic changes and even cost of warehousing.
- Helping in financing trade through acquisition and allocation of funds required to carry inventory at any level of the marketing channel.
- Being responsible for negotiating the final price and other terms of the offer for the eventual transfer of ownership.
- Providing a sales force enabling manufacturers to reach many small customers at a relatively low cost. These intermediaries have more contacts and are often more trusted by the buyers than is the distant manufacturer.

i) Different Channel Levels Available to a Marketing Manager

There are different channel levels available to a marketing manager and these include:

- a) Zero Level: This is when producers sell directly to consumers without any intermediaries (direct marketing).
- b) One Level: When the producer sells through two intermediaries.
- c) Two Level: When the producer sells through two intermediaries.
- d) Multi Channel: When producers sell through several intermediaries.

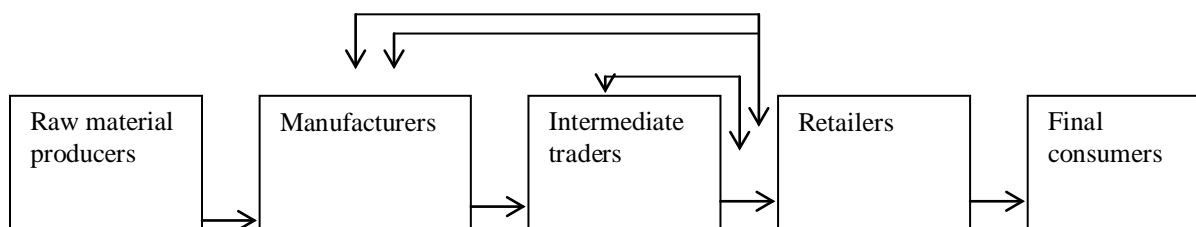
A cursory look at marketing channels in everyday use is enough to convince the marketing manager that there is nothing as the best marketing channel. The best for one product, may not be the best for another. Instead of searching for a best channel for all products, the marketing manager has to analyze alternative channels in the light of consumer needs in order to determine an optimum channel (s) for the firm's products. Today's marketing channel may change tomorrow, putting into consideration the other marketing variables.

j) Marketing Functions Performed in Channels of Distribution

Marketing functions performed in channels of distribution can be grouped as those that are necessary to a transaction, those that are required for the physical exchange of goods, and those that facilitate both the transaction and the physical exchange. In short, these groups can be termed transactional, logistical, and facilitating function.

Transaction functions: Transactional functions include buying, selling and risk assumption.

Figure 1 : Important Channels of Distribution



Channels decision-making involves establishing and maintaining the institutional structure in marketing channels. By aiding demand and supply chain analysis, the internet is revolutionizing distribution and logistics and creating value-added chains. This in turn has led to a strategic re-think of how business should be done. In

some business segments customers are contacted directly, while in others extranets are created to link together the company, its suppliers and its customers in a bid to create "value chain integration" which is necessary for seamless and efficient operations.

Advantages And Disadvantages Of The Use Of Middlemen

Advantages Of Agents

1. Cost
2. Establish Connections
3. Multiplicity Of Products Handled
4. Seasonal Products
5. Small And/or Unknown Principals
6. Product-Minded Principals

Disadvantages Of Agents

1. Weaker Control
2. Variations In Sales Methods
3. Discipline
4. Lack Of Flexibility

Advantages Of Distributors

1. The distributor provides an additional sales force.
2. Additional advertising is provided if the distributor has a catalogue and the manufacturer's products are presented in it.
3. The cost of dealing with small order is eliminated.
4. The distributor enables business to be done at the grass roots level, which is particularly important where the manufacturer seeks widespread distribution of his product, perhaps in remote geographical areas.
5. The local distributor is well placed to service end users through immediate availability of the end product, though such a service obviously depends on the distributor's stocking and physical distribution capability.
6. The distributor can reach markets and customers not concentrated on by the producer's salaried sales force, e.g. small contractors, infrequent users, etc.
7. Advertising and promotion are available through distributor mailing lists.
8. A distributor network provides an opportunity for the producer to promote his name and image on a large scale.

Disadvantages Of Distributors

1. The manufacturer must put out time and effort to monitor the activities of distributors.
2. The manufacturer's own local sales force must spend time servicing the distributor.
3. There is always the possibility of conflicting sales efforts.
4. The manufacturer's field sales force may be reluctant to process orders through distributors as this lessens the commission enjoyed by the sales force.
5. The producer must have distributor-oriented advertising and product literature available if required.
6. Assistance and education of distributor personnel may be mandatory.
7. A reorientation of the manufacturer's sales and marketing personnel to distributor thinking must be achieved.

k) Factors Affecting Choice of Channel

For the purpose of this paper, the factors influencing the choice of channel levels have been grouped into four thus:

Marketing Considerations

- Type of Market
- Number of potential customers
- Geographic concentration of the market
- Order size

Production Considerations

- Unit value
- Perishability
- Technical nature of a product

Middlemen Considerations

- Service provided by middlemen
- Availability of desired middlemen
- Producer's and middlemen's policies

Company Considerations

- Desire for channel control
- Services provided by seller
- Ability of management
- Financial resources

l) Determining intensity of Distribution

Here, the company most desired on the intensity of distribution - that is, how many middlemen will be used at the wholesale and retail levels in a particular territory. There are three major categories of intensity ranging from intensive to selective to exclusive.

i. Intensive Distribution

A firm with intensive distribution policy seeks to achieve a wide distribution for its products. This in essence means that the firm will make use of as many outlets as possible perhaps a combination of both direct and indirect methods of distribution are likely to be out into use. Such intensive distribution aims the product at the mass marketing and the distribution strategies implemented tend to carry the product to all the nooks and corners of the market. For instance soft drinks industries such as NBC Plc, 7up Plc, cosmetics industries like PZ Plc and others. With this type of distribution there is likelihood that the company is unable to have adequate control over the product and the cost is likely to be higher.

ii. Selective Distribution

With selective distribution however, not every outlet or channel will be utilized. The firm will rather rely on a few outlet to handle the products. The firm may resort to this method if the product involved is of a durable nature and requires an after-sales service or it is associated with certain prestige. The firm will therefore use as the criteria for selection the middlemen's experience and the ability to handle the product effectively in terms of after sales servicing required and the necessary promotional activities to be undertaken.

These conditions will certainly eliminate opportunists middlemen who may only be interested in making quick fortune and brisk money without paying adequate attention to the desire of the firm and the need of the customers. It is therefore not uncommon for firms with this selective distribution strategy in view to advertising for middlemen handle certain product place a lot of emphasis on the financial capability, product experience and other virtue, considered as pre-requisite.

iii. *Exclusive Distribution*

Exclusive distribution entails the granting of exclusive rights to a single seller in with a particular territory or area to sell the company's products such a right therefore provides that the firm supplies all the necessary tools including promotional device to the seller. The seller in turn undertaken to handle only the firm's middlemen all stand to gain from such arrangement. The middlemen get larger commission because his mark-up is high, he also commands the prestige of such a role. The firm on the other hand, is free from the burden of having to handle completely the marketing of its products and it is in the better position to fight off competition. Example of products that lend themselves to exclusive distribution include product like computer, air-conditioner, oil product, auto products, accessories, lift etc.

Shapiro (1977) observed that one of the most frustrating problems facing marketing is the management of their distribution channels. The concept of channel management hinges on issues as price maintenance, channel selection and appointment, channel control, and channel motivation.

III. PRODUCT LIFE CYCLE

A poet once said, "life is like the playful cackle of a million geese". As life is interesting for humans, so it happens to be interesting for products. The concept of the Product Life Cycle (PLC) was popularized by Theodore Levitt in 1965, and since then the fad had caught on. Product Life Cycle (PLC) is the progression of a product from birth to death, typically thought to encompass four stages (1) introduction (2) rapid growth (3) maturity, and (4) decline. In essence, the term 'product life cycle' describes a product's sales history from its introduction to the market to its withdrawal from the market. The graphs, which usually accompany discussions of a product life cycle, represent sales volume curves. The theory is that products begin their commercial lives with the first sale; sales rise as the life of the product continues until a peak is reached, and them decline until the company considers that their overall contribution to revenue does not justify maintaining their presence in the market. Clearly, the nature of the cycle varies tremendously from product to product. The product life cycle concept involves an

understanding that each product typically flows through several distinct product life cycle stages as sales volume is plotted over time. Identifying when a product has reached any one of these stages is not always easy. Sometimes, a product can be lifted (backwards or forwards) from one stage to another by specific marketing tactics. Also a product is so associated with a company conveying an image of quality, reliability, tradition etc that the company may decide to retain it as part of its product portfolio, even though, according to the life cycle theory, it is well into the 'decline' period. Therefore, all products follow a product life cycle, but the shape of the cycle itself rarely follows the textbook version exactly, there are many variations on the theme.

Introduction: The introductory stage, sometimes called pioneering stage, a product is launched into the market in a full-scale marketing program having gone through product development, including idea screening, prototype, and market tests. This is a period of slow sales growth as the product is introduced in the market. Profits are non existent because of the huge capital investment in product introduction and because this is the time to find acceptance by would-be purchasers and there is a slow growth in sales. Only a few firms sell the product, unit costs are high because of low output, there may be early teething troubles with production technology and prices may be high to cover production costs and sales promotion expenditure as much as possible (e.g. colour televisions, CD – ROM Disc, Computers, Video cassette recorders, pocket calculators were all very expensive when first launched. The product for the time being is a loss-maker. Because consumers are unfamiliar with the innovative product or feature, a pioneering firm's promotional program is designed to stimulate demand for the entire product category rather than a single brand. The introductory stage is the most risky and expensive stage because of huge amount of money to be spent not only on the development of the product but also to seek consumer acceptance of the offering.

Growth: (Market – acceptance stage): This is a period of rapid market acceptance and substantial profit improvement. New customers buy the product and production rises, unit costs fall. Since demand is strong, prices tend to remain fairly static for a time. However, the prospect of cheap mass production and a strong market will attract competitors so that the number of producer is increasing. Mostly as a result of competition, profits start to decline near the end of the growth stage.

As part of firm's efforts to build sales and, in turn, market share, prices typically decline gradually while manufacturers. Spend a lot of money on product improvement, sales promotion and distribution to obtain a dominant or strong position in the market.

Maturity: In the early part of maturity stage, sales continue to increase but at a decreasing rate. This is a period of a slowdown in sales growth because the product has achieved acceptance by most potential buyers. Profits stabilize or decline because of increased competition. This is the longest period of a successful product's life. Eventually, sales will begin to decline so that there is over capacity of production in the industry, severe or intense price competition occurs, profits fall and some producers leave the market. Seeking to differentiate themselves, the remaining producers extend their product lines with new and improved models or modify their products or searching for new market segment.

Decline (Revitalizing stage): This is the period when sales show a downward drift and profits erode. This is the phase when the manufacturer has finally to decide whether to accept that the decline in sales and profitability is such that the product should be discontinued or to implement previously prepared plans to revitalize it through price reduction, alter the packaging or select other channels of distribution or develop a small market niche and remain moderately successful in the decline stage in order to prolong its profitable life. If a product remains on the markets too long, it will become unprofitable and the decline stage in its life cycle then can give way to a 'senility' stage.

Inevitably, decline stage set in for most products because of the following reasons:

- The development of a better or less expensive product to fill the same need.
- The need for the product disappears, often because another product development.
- People simply grow tired of a product, so it disappears from the market.

IV. REASONS WHY PLC IS USEFUL

There are three main reasons why product life cycle is useful to the management of an organization. They are:-

- 1) Forecasting sales:- It helps to forecast sales at different stages of the product life cycle.
- 2) It suggests different marketing strategies at different stages of the product life cycle. Precisely, the marketing programme should contain an appropriate mix in product quality, price, distribution, promotion, and mega-marketing strategies.
- 3) It shows the importance of planning for the totality of a new product or service from its introduction stage to the decline or disappearance of the product in the market.

Characteristics, Marketing Objectives And Marketing Strategies Of The Four Stages Of Product Life Cycle

1.	CHARACTERISTICS	INTRODUCTION	GROWTH	MATURITY	DECLINE
	Sales	Lows sales	Rapidly rising sales	Peak sales	Declining sales
	Cost	High cost per customer	Average cost per customer	Low cost per customer	Low cost per customer
	Profits	Negative	Rising profits	High profits	Declining profit
	Customers	Innovators	Early adopters	Middle majority	Laggards
	Competitors	Few	Growing number of imitators	Stable number beginning to decline & intense	Low, declining number
2.	MARKETING OBJECTIVES	Create product awareness and trial	Maximize market share	Maximize profit while defending market share	Reduce expenditure and milk the brand.
3.	STRATEGIES OVERALL	Market development	Market penetration	Defensive positioning	Efficiency or exit
	Product	Undifferentiated, offer a basic product	Improved items, offer product extensions, services warranty	Diversify brands and items Differentiated	Pruned line phase out weak Models.
4.	PRICING	Charge cost plus mostly likely high	Lower over time price to penetrate market	Lowest price to march or best competitors	Cut price increasing
5.	DISTRIBUTION	Scattered, build selective distribution	Intensive build intensive distribution	Intensive build more intensive distribution	Selective: phase out unprofitable outlets
6.	PROMOTION	Category awareness	Brand preference	Brand loyalty	Reinforcement

7.	ADVERTISING	Build product awareness among early adopters and dealers	Build awareness and interest in the mass market stimulate wide trial	Stress brand differences and benefits	Reduce to level needed to retain hard core loyals
8.	SALES PROMOTION	Use heavy sales promotion to entice trail	Reduce to take advantage consumer demand.	Increase to encourage brand switching	Reduce to minimal level.
9.	MANUFACTURING	Subcontracting short runs over capacity	Centralize shift to mass production under capacity	Many short runs decentralize	Revert to subcontracting.

Source: Chester R. Wasson (1978) *Dynamic Competitive Strategy and Product Life Cycles* (Austin: 7 x: Austin Press)
John A. Kleber (1976) *Planning Corporate Growth with inverted Product Life Cycle*, "Long Range Planning" October pp12-29 and Peter Doyle (1976) "The Realities of the Product Life Cycle". *Quarterly Review of Marketing Summer*.

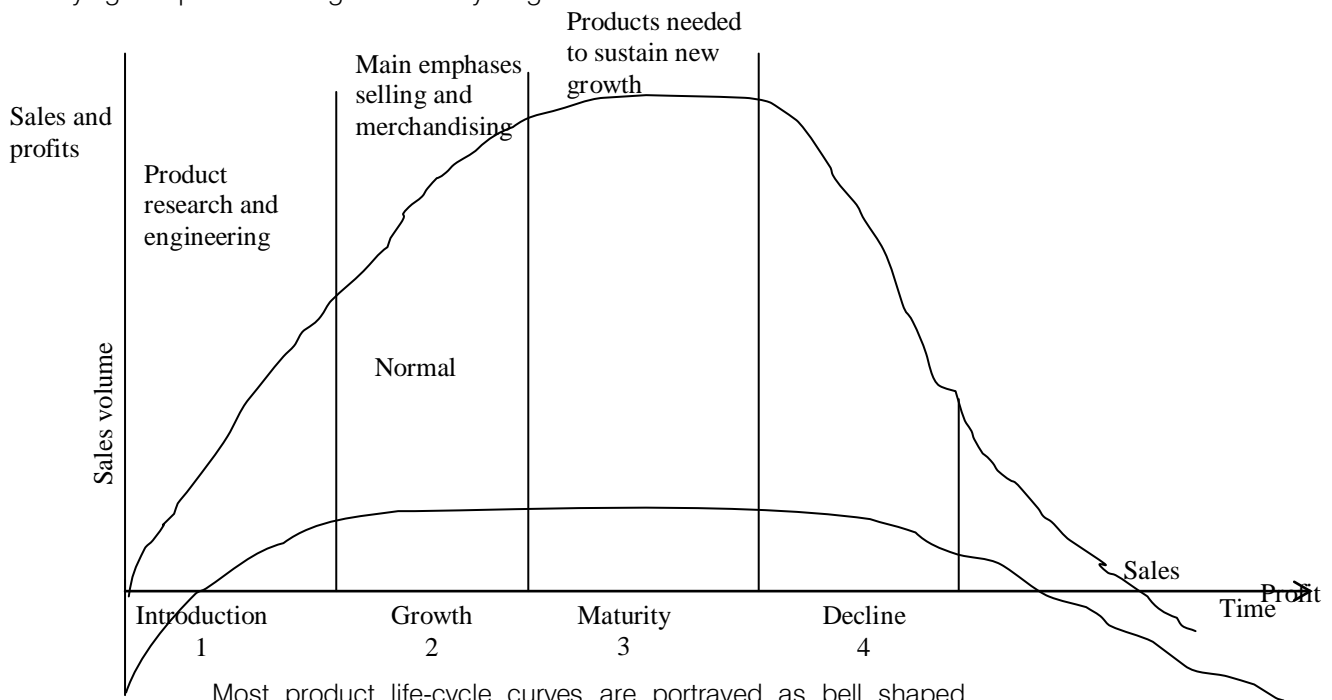
A product life cycle consists of the aggregate demand over an extended period of time for all brands comprising a generic product category.

A life cycle can be graphed by plotting aggregate sales volume for a generic product category over time, usually years. In this typical life cycle, the profit curve for most new products is negative (signifying a loss) through much of the introductory stage. In the latter part of the growth stage, the profit curve starts to decline while sales volume is still rising. Profits decline because the companies in an industry usually must increase their advertising and selling efforts and/or cut their prices to sustain sales growth in the face of intensifying competition during the maturity stage.

Introduction a new product at the proper time will help maintain a company's desired level of profit.

To say that a product has a life cycle is to assert four things.

1. Products have a limited life
2. Product sales pass through distinct stages, each posing different challenges, opportunities, and problems to the seller.
3. Profits rise and fall at different stages of the product life cycle.
4. Products require different marketing, financial, purchasing, manufacturing, and human resources strategies in each stage of their life cycle.



Most product life-cycle curves are portrayed as bell shaped.

The Product Life Cycle (PLC) concept can be used to analyze a product category, a product form, a product, or a brand.

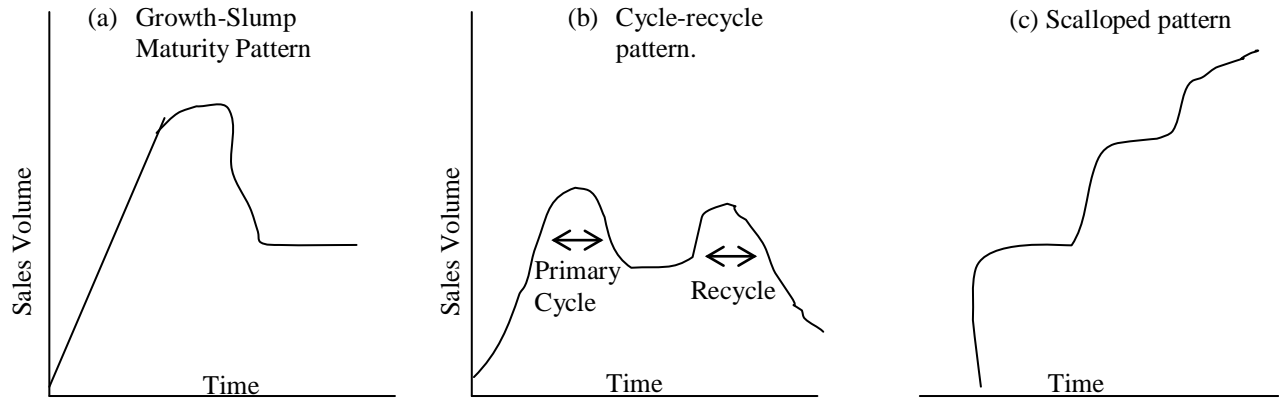
Product categories have the longest life cycles. Many product categories stay in the maturity stage

indefinitely and grow only at the population growth rate. Some major product categories typewriters, newspapers – seem to have entered their decline stage of the Plc. Some others fax machines, cellular

telephones, bottled water – are clearly in the growth stage.

- Product forms follow the standard Plc more faithfully e.g. manual, electric and electronic typewriter.

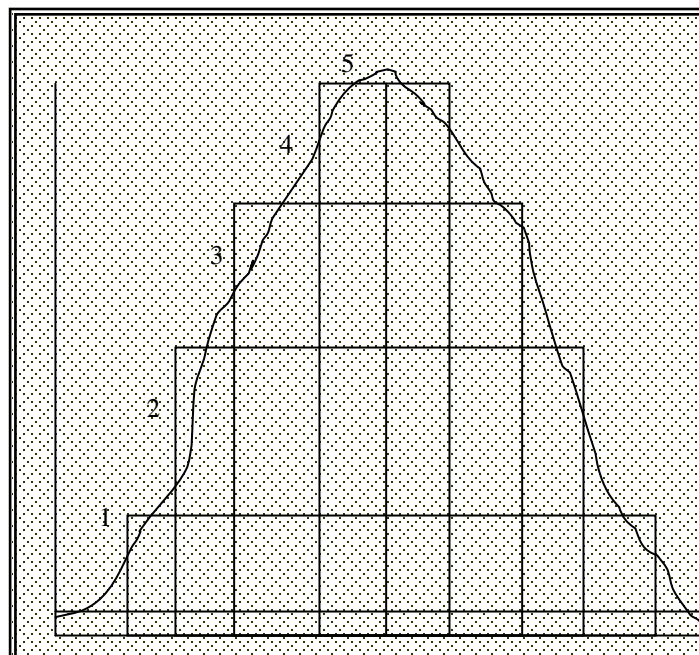
- Product follow either the standard Plc or one of several variant shapes.
- Branded products can have a short or long Plc although many new brands die an early death, some brand names have a very long Plc and are used to name and launch new products.



- a) A Growth-Slump Maturity Pattern: Often characteristic of small kitchen appliances. The sales of such product grow rapidly when the product was first introduced and then fell to a "petrified level". The petrified level is sustained by late adopters buying the product for the first time and early adopters replacing the product.
- b) The Cycle – Recycle Pattern: Describes the sales of new drugs. The pharmaceutical company aggressively promotes its new drug, and this produces the first cycle. Later, sales short declining and the company gives the drug another promotion push; which produces a second cycle (usually a smaller magnitude and duration).

- c) Scalloped Plc: Here sales pass through a succession of life cycle based on the discovery of new product characteristics, uses or users e.g. Nylon sales, show a scalloped pattern because of the many new uses that continued to be discovered over time.

The full import of the product life cycle can best be appreciated when one looks at the type of product adopters and their behaviours. Once introduced, the new product will just be noticed and patronized by the innovators who are fashion and fad conscious, and who will go to any length to take on new products.



1) Innovator 2) Early adopters 3) Early majority 4) Late majority 5) Laggards

Peculiarly enough, they are very small in number and hence will make the new product to be at its low level of the introductory sales, prompting the company to advertise heavily and use pricing baits. After this group of adventures are the early adopters who will follow the innovators. Joined together, demand of these two groups will lead to growth in sales. The early majority comes next and thereafter comes the late majority each contributing about 30% of the total demand of the product. As at this stage, the innovators would have shifted to other new product innovations, dragging along some of the early adopters. Hence, sales growth will slow down. By the time the early adopters and some early majority have completely left, the laggards (price conscious customers and very fashion averse people) will start patronizing the product. However, the demand of the laggards will not be able to match the lost demand of the innovators, early adopters, and early majority who would have switched to other products. Hence, the product will enter the decline stage. One major implication of the product life cycle concept is the assistance it provides top management in planning their product replacement strategies. Once a product reaches the maturity stage, management as a matter of rational strategic positioning, should initiate a product replacement process that will eventually lead to the launching of a successor to the about to decline product; such that immediately the decline stage is reached appropriate product phase out strategies can be used to handle the declining product while the newly developed product is launched as a replacement. The strategic catch here is how frequently should products be replaced? Does the reaching of maturity stage of a product really means management should consider dropping it?. In reality, the fact that sales stagnates (a sign of the maturity stage) does not necessarily means that the product had reached its maturity stage, as what might have gone wrong may just be the mismatch of the marketing mix by the company or breakdown of communication or positioning strategy. Instead therefore, of following the product life cycle concept blindly, management must attempt to determine what had gone wrong and then introduce measures to rectify the situation and jump start sales increase. This is where most managers fail as they quickly drop a product that shows the slightest sign of maturity. A mature product should also not be phase out instantly as most managers (especially upon the successful completion of a replacement product) would drop the mature product immediately.

For success and profitability, and as a strong strategic posture, matured products must be carefully handled. The strategies that can be used include: market adaptation strategies, take off strategies as well as recycle strategies. Market adaptation strategies include all market adjustment strategies taken to fortify the product market share from being breached by

competitions, and include the adaptation and improvement through redesigning of product packaging, the intensification of advertising as well as using sales promotional strategies on a periodic basis to boost sales.

Take off strategies are those strategies executed to prevent the mature product sliding into the decline stage and it involves re-launching the product through the use of market repositioning strategies. The product can be given a new re-birth to start off a new life cycle through the redesigning of the product to meet new needs and changing the communication appeal of the product to make it appeal to new market segments. Recycle strategies involve the efforts made at improving the sales of the product on a seasonal and periodic basis so as to elongate its life and give the company more time space to develop replacement products. It includes a combination of price lowering and increase in advertising expenses. Where the product is characterized by low cost, the maturity stage should be handled using the stretch and harvest strategy which involves the elongation of the life of the product (stretching) and investing the sales proceeds in the development of a replacement product (harvesting). However this strategy can only be used where the mature product is facing mild competition. An example of product life cycle concept coming to play is that of Elephant Blue Detergent. When it seemed that the product was entering the decline stage, the manufacturer introduced a new product known as the "New Improved Elephant Blue Detergent. As at now, there are versions of the product that are packaged in cell packs to attract some market segment. Rank Xerox in its own case extended the life cycle of their photocopying machines through carefully planned improvements and launching of improving model with strong advertising appeal – "We taught the world to copy".

A pertinent question to ask is whether or not the product life cycle theory (PLC) is still relevant in international marketing or it is a concept related only to domestic marketing. The answer to this is a qualified yes. This is due to the non uniformity of the marketing environment existing in different countries. Hence a product reaching its maturity stage in country A may be at its growth stage in country B. This is even more dependent on the type of product strategy being used by the manufacturer in marketing its products in international markets. A product like bicycle has definitely declined as a transportation product in the United State of American while in a country like China, the bicycle is still much favoured as a means of transportation. Hence, for the PLC concept to be well exploited in structuring international marketing strategies, the company must take into consideration the nature of its domestic market as compared with those of different international markets, since a product

may be at maturity in its domestic market while it may be at its introductory stage in a particular foreign market, and at the growth stage in another market. Hence, the company must classify the world markets into distinct market groups in accordance to the level of sophistication in those different markets and introduce its mature product in these markets, in rapid succession depending upon the degree of development and sophistication of these markets, in descending order, as a product that has reached maturity in a sophisticated market may not be introduced yet in a technologically and economically backward market. A marketer must therefore exploit to the maximum the time difference between different markets. The PLC concept therefore, enable the international marketer to monitor the progress of its product, its various markets and allow him to ensure the recovery of the amount invested in the product in addition to profits (if any). It also assists in the formulation of marketing strategies at the various stages of the product life cycle and inform the international marketers as to whether to differentiate his existing brand or model or whether to introduce a new product in place of the old. For product life cycle not to be a myth or magic therefore, one would expect companies to analyze the performance of their products/services against the concept of the life cycle. This would enable them to plan a balanced product mix and guide the allocation of marketing efforts. After the analytical processes, then a life cycle profile of the total product line will be developed. The stages involved will include: determining percentage of company's sales and profits which fall within each phase of a products life cycle, calculating changes in the life cycle and profit profiles over a particular number of years; developing target life cycle profile; and developing corporate strategies (new product programme, acquisition, product line rationalization etc).

It should be noted that new products should not be introduced indiscriminately; the total product range should be evaluated, and related to marketing profitability and market share. Otherwise there is the danger that new products could merely be competing with existing profitable products in a company's range while total market share is not expanded. Above all, the product life cycle theory is particularly valuable in reminding management that innovation strategies are important to business survival and growth.

A more realistic view is that life cycle analysis serves several different roles in the formulation of strategy, such as an enabling condition, a moderating variable, or a consequence of strategic decisions. The life cycle serves as an enabling condition in the sense that the underlying forces that inhibit or facilitate growth create opportunities and threats having strategic implications. Market growth – or the expectation of growth enables competitors for offering products directly to segments previously uneconomic to serve.

The stage of the life cycle also acts as a moderating variable through its influence on the value of market share position and the profitability consequences of strategic decisions. This role is recognized through the inclusion of product growth rates or life cycle stages as a major dimension in virtually all portfolio classification models. Finally, a producer life cycle forecast is not a fait accompli which can only be reacted to but instead is only one of several scenarios that are conditional on competitive actions.

V. REASONS FOR PRODUCT FAILURE

The reasons why new product fails or succeeds are as follows: product deformity in product functioning, poor design, lack of standardization, poor external appearance, poor packaging and labeling, failure by the organization to identify its intended market and determine correctly through marketing research, product poor timing of product introduction whether too soon or too late, improper and poor conceptualization (Buffer and Pletcher 1980) that is some products are found to have higher cost of production than what is anticipated and this would lead to higher per unit prices of the goods than the market is ready to pay for the product which invariably lead to lower sales volume than expected and hence lower profitability, poor marketing communication, poor underlying market intelligence, constraints that bother a new product capacity to attract and hold on to customers (Monrge 1973), competitive problem as a result of product staying too long under market test such that competitors can steal idea about the new product and introduce their own version of the new product into the market thus throwing the innovative company off balance, lack of financial strength to execute adequate promotional strategy to back up the product, poor marketing communication, poor underlying market intelligence, changes in product quality, loss of customer trust, inability to capture enough market, weak products, resource conversion technology, product piracy, some products are forced to decline stage because of some many factors: political, government and its age, social, economic, legal, political – government and its agencies – NAFDAC, SON, ban of major raw materials, imitation – fake and adulterated, poor understanding of customers needs, product defects when very serious may lead to product rejection. Where products have defects or have negative after use effects, it may lead to customer's rejection of the product, or even an avalanche of legal suits by customers seeking damages for injuries they might have suffered due to consuming the product. The cost of damages itself can deal the final blow on the product. Deliberate sabotage from within or outside the firm to kill the product may force the product to decline stage or make it to fail. Therefore, marketers and production managers and quality managers must take careful notice of these factors amidst others to elongate



the use of their product and prevent the ugly specter of product failure.

VI. CONCLUSION AND RECOMMENDATIONS

Product life cycles, in spite of their varying time frames, are a helpful tool for encouraging managers at all levels to think strategically. The great value of the product life cycle concept is that management, knowing what typically happens at different stages in a product's life, should be able to improve its forward planning. Well-timed and effective implementation of specific marketing actions may succeed in extending or stretching out a product's life, especially if they are taken soon enough in the market maturity stage. Planning in advance what steps should be taken to build sales and obtain the best profits during different product life cycle stages is important companies that have these plans can take aggressive actions at the critical times rather than reacting defensively to changing market and competitive conditions.

Since products and services have limited life cycle, it is important for marketing managers to plan the replacement of their "expired" products and services. However, intelligent timing is important in product replacement strategies. Product life cycles are very useful tool for strategies considering the accelerating of change in recent years. In addition to making managers aware of interdependencies among operating areas like research and development, production, finance and marketing, product life cycles force managers to consider the timing of their efforts. As time passes, circumstances inside and outside the organization change. Thus strategies need to be updated and reformulated accordingly.

Channel decision is not a static once-and for all choice, but it is a dynamic part of the over all marketing planning. No matter how well channels are designed and managed, there are bound to be channel conflicts, which can be vertical, horizontal or multi-channels in nature. Distribution channels and product life cycle are very crucial to the success of any form of marketing efforts. Channels and the product life cycle offer valuable insights into allocating resources, analyzing future problems, opportunities and make managers to think strategically. Above all distribution channels and product life cycle are particularly valuable in reminding management that innovation strategies are important to business survival and growth.

In conclusion, this paper cannot be complete without asking why big companies likes Cadbury Nigeria Plc, Paterson Zochonis Industries Nigeria Plc (PZ) Lever Brothers Nigeria Plc (LBN), West African Milk Company Nigerian Plc (WAMCO), West African Portland Cement (WAPCO), Nigerian Bottling Company PLC, 7UP

Bottling Company Plc, etc. employ the services of distributors in marketing their different products. A proper comprehension of the above analysis shows that where a proper channel choice and physical distributive strategy are designed, the growth of the product is not only enhanced, but a relative market share growth of the company will be guaranteed.