

An Approach to PLC in Fast Moving Consumer Goods: A Case Study from Pakistan

Sadaf ZAHOOR^{a,1}, Adeel SHEHZAD^a, Keith CASE^b, Muhammad Usman SARAM^c,
Zain ZAHOOR^a, Ijaz Ahmad CHAUDHRY^d

^a *Department of Industrial & Manufacturing Engineering, University of Engineering & Technology Lahore 54400, Pakistan*

^b *Mechanical, Electrical & Manufacturing Engineering Loughborough University, Loughborough, Leicester, LE11 3TU, UK*

^c *University of Alberta Canada*

^d *Department of Mechanical Engineering University of Management and Technology Lahore, Pakistan*

Abstract:

Fast moving consumer goods (FMCGs) is possibly the toughest and most disciplined of all industries. The survival, market share and profitability of a FMGC organization rely on number of factors including innovative thoughts, focused consumer, competitor analysis and deep marketing knowledge. These factors are necessary considerations throughout the Product Life Cycle (PLC). PLC analysis is considered to be a valuable tool for strategic planning for organizations and was first introduced to track the product's progress in all phases from introduction to disposal. FMCG organizations gain a competitive edge by using a product life cycle approach over those who do not use it. This paper presents a case study of a local FMGC organization and its approach to PLC. The study revealed that the PLC approach has significant effects on the success of the product in the market.

Keywords: Product life cycle, FMGC, Market Share, Strategic planning

1. Introduction

Pakistan has a very large consumer market with a population of 200 million. To cope with the consumer needs, many sectors such as FMCGs, Agri-base business, pharmaceutical, real estate, renewable energy etc have been identified as potential sector for good investment. The term fast moving consumer goods (FMCGs) generally refers to goods of everyday necessity and includes food, dairy products, food packaging and others. As the population of the country grows, the demand for basic necessities also increases. This demand is being met by different international and

national FMCGs organizations. The food market in Pakistan increases 10% annually thus provides good market to FMCGs. However, the market of international branded food products grows 10 to 25% annually [1].

The concept of PLC plays an important role in determining the different phases of the organization's product in the market. The PLC concept was introduced in 1950 to explain the expected life cycle of typical products. A newly introduced product generally undergoes a numbers of phases in the market that are introduction, growth, maturity and decline. These phases follow chronologically and are described in this paper as the Product Life Cycle (PLC). The PLC sequence is closely linked with market dynamics and influences the marketing strategies along with the marketing mix. A graph consisting of revenues versus each phase of PLC is generally referred to as a PLC graph as shown in figure 1.

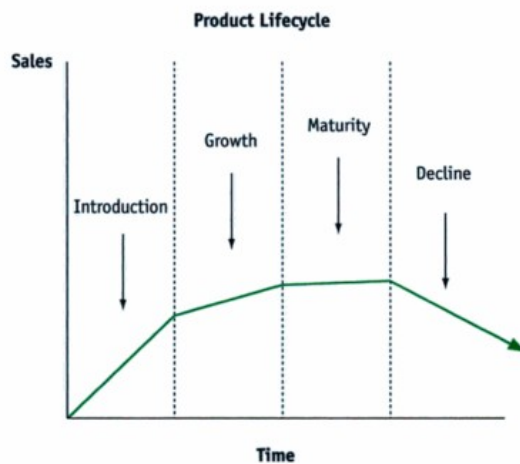


Figure 1. Product Life Cycle Graph [2]

At the introduction phase of PLC, firms focus on the creation of product awareness through marketing mix. In the introduction phase, a firm mostly involved in establishing quality and branding in conjunction with intellectual property protection such as trademarks, copyright etc. The pricing strategy for the new product is very much linked with competition in the market. Prices can be kept high if there are no competitors in the market and vice versa. At the growth phase, sales increase rapidly and the product starts earning profit.

During the maturity phase, the profit starts to decline due to competitors. The product attains its peak during the maturity phase and companies act aggressively to maintain their share in the market due to intense competition. Unfortunately small organizations are likely to die because they cannot afford to sell the product at lower prices which ultimately results in lowering the market share. During the last phase of PLC, the revenues start declining gradually because there are few choices for the

organizations which require careful management to decide either to exit or expand the product life using marketing mix strategies [3].

These four phases of PLC are designed considering the principles of marketing mix which are widely known as 4Ps i.e. Product, Price, Promotion and Place (distribution). In the introduction phase of PLC, branding and excellence level is established for the product. A penetration pricing strategy is used along with selected distribution points and a high level of promotion to aware the consumers.

During the growth phase, the organization's goal is to gain consumer preference and more revenues by improving product quality. As the product comes into its maturity phase, organizations generally create differentiation from competitor products by decreasing prices. In order to strengthen the distribution, organizations may introduce incentives to retailers and product loyalty is built through promotion. Which may be achieved through introducing different incentives to the consumers. At the decline phase, organization needs to tailor new marketing mix strategy including the revival of the products and low pricing strategy. However, selective distribution and promotion are used in the decline phase of PLC.

Theoretically speaking, the product life cycle curve is bell-shaped; however each product and service has its own unique shape. Some products move faster through their PLC than other available products in the market [4].

2. Literature Review

Neetu studied marketing strategies for FMGC products incorporating the different phases of PLC. The study concluded that middle-level management is responsible for managing the product life cycle [5]. Waseen determined that change in product market and competitors over time results in changing the positioning and differentiation strategies adopted by FMCGs. Product life cycle plays an important role in bringing about this change in positioning and differentiation strategies. Most product life cycle curves are bell-shaped and are typically divided into four phases: introduction, growth, maturity and decline [6].

Kotler considered that the PLC approach is the best tool to conclude products along with market dynamics. The study further concluded that the use of PLC acts as a planning tool to help managers to rank key marketing challenges in each phase of a product's life and to develop market strategy alternatives [7]. Komminos was of the view that a product's life changes with change in the market and that is directly linked to consumer needs. The research further suggested that to meet the changes in consumer needs, either the product has to change or new alternatives proposed to capture the market [8]. Dwyer et al have compared a product to a living organism following the phases from birth to death which is consistent with the philosophy of PLC [9].

As briefed earlier, Pakistani FMCG market is more inclined towards international FMCG brands in comparison to national/local FMCG brands. This contrast builds an extra pressure on local FMCG brands to launch more products and enhance the quality of the existing products in order to remain competitive with these international FMCG brands.

Literature review shows that PLC plays an important role in introducing new FMCGs products. Hence, this case study aims on a local FMCG brand and its approach towards utilizing PLC while launching new products.

3. Research Objectives

The literature review leads to the following research objectives for the present study:

- To identify the role of PLC implementation in the product success of FMGCs.
- To identify how the PLC approach helps FMGC organizations in gaining market share.

4. Methodology and Approach

This study was carried out in a local pioneering fast moving consumer goods organization in Pakistan mainly dealing in packaged food. There were three main categories of products by the organization i.e. dairy products, juices and nectars and ultra heat treated (UHT) milk. The organization produces two main types of products including major products and value added products. Major products were the main market share products and value added products were launched occasionally to increase the organization's revenue. Two products from value added category were selected for this research, i.e. extra energy milk and liquid tea whitener. The organization's product life cycle approach related to these two products was studied in detail during the research. The data were collected from team involved in developing and marketing these two products through interviews. Data at the consumers end was gathered from 200 users (male +female) through specially designed questionnaire.

5. Results and Discussion

In the case of extra energy milk, it was revealed from the study that the introduction phase of PLC was not considered properly as suggested by the literature. The introduction phase includes consideration of the 4Ps (product, price, distribution, promotion). The first P i.e. product was not considered properly as a gap was observed between consumer requirements for the specific product and the characteristics of the actual product. The product contained a high fat level to provide extra energy but it was subsequently revealed that this produced unpleasant effects on consumer health. The product characteristics were considered to be one of the major flaws in the PLC of product under study. It was further observed that "promotion" was also poorly designed in the introduction phase. Literature suggested that the promotion time should be high for products which are introduced first time in the market. A high promotion time is required to make aware the consumers about the product specifications and to create a high demand for the product. The organization did not pay much attention for the promotion of the product, possibly due to the organization's country-wide reputable brand name. It is noted that distribution was the only strong market mix strategy in the introduction phase owing to organization's strong outreach throughout the country. It was observed that due to improper design of the introduction phase of PLC, the specific product did not experience the growth and maturity phases and directly fell into the decline phase.

In the case of liquid tea whitener, the study revealed that this product also suffered a badly designed introduction phase of PLC. The pricing strategy of the marketing mix was not designed according to the market trends. Initially the organization earned high

revenues through setting a skimming strategy of pricing possibly due to the brand name of the organization. With the passage of time competitors introduced similar products using a market penetration strategy of pricing. The low cost equally competitive product of international FMGC brand resulted in a rapid decline of sales of the product under study. It was further observed that in order to create differentiation for liquid tea whiteners in the market, more awareness to the consumers was required. More focus on the designing of promotion was required in the introduction phase. The organization overlooked this marketing mix strategy in the introduction phase because of the good reputation of the organization. On the other hand, competitor's focused on "promotion" to create differentiation for their products in the market and therefore the product under study failed to attract consumers. The above cited issues caused the product failure in the introduction phase of PLC. Neither the extra energy milk nor the liquid tea whitener experienced the growth or maturity phases.

6. Conclusions

Following conclusions were drawn from the present study:

- A product's success lies in proper designing of the PLC phases.
- PLC proves as competitive weapon to compete in the market.
- The reputation of the organization is not the only factor in the successful acceptance of a product by the consumers.
- Focus on the "4Ps" of every phase of PLC is essential to make a competitive product

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