UNIT 4 CUSTOMER NEED *VS* PRODUCT LIFE CYCLE

Structure

4.0 Objectives

4.1 Introduction

4.2 Understanding of Customer Needs

4.2.1 Factors Influencing Customers' Needs.

4.2.2 How Can Understanding Customers' Needs Helps the Organization to Serve Better?

4.3 What is the Product Life Cycle ?

4.3.1 Factors Determining the Length and Shape of Product Life Cycle

4.4 Advantages and Disadvantages of Understanding Product Life Cycle

4.5 Why Should We Link Customer Needs with Product Life Cycle.

4.6 Determinants of Product Life Cycle

4.7 Let Us Sum Up

4.8 Key Words

4.9 Terminal Questions

4.0 OBJECTIVES

After studying this unit, you will be able to:

- Explain factors influencing customers' needs
- Explain the concept of product life cycle
- Describe the determinants of the product life cycle

4.1 INTRODUCTION

Understanding customer needs is crucial for success in retail business. It helps retailers determine what products to offer, how to price them, and how to market and promote them to attract and retain customers. Retailers can gather information about customer needs through various methods such as market research, customer surveys, focus groups, and analyses of sales. By understanding customer needs and preferences, retailers can tailor their offerings to meet those needs and create a positive shopping experience that leads to customer loyalty and repeat business.

4.2 UNDERSTANDING OF CUSTOMER NEEDS

There are many types of customers' needs that businesses/retailers must consider to meet the needs of their target market strongly. Some of the most common types of customer needs include:

1. **These are Basic Needs which a Customer possesses: They want good quality products, good reliability or durability, and affordability means the** right pricing with good promotions.

2. **Emotional Needs:** Customers also have emotional needs, such as the desire for self-expression, status, and identity. Retailers can meet these needs by offering products that allow customers to express their personality and individuality. Emotional needs are generally connected with unconscious aspirational needs. If a retailer manages it well, then he wins the trust of the customer.

3. **Social Needs:** Customers' needs have for social interaction and belonging. Retailers can meet these needs by creating a sense of community through their branding, marketing, local connect programs and customer service.

4. **Personal Needs:** Personal needs refer to individual preferences and lifestyle choices. Retailers can meet these needs by offering various products that cater to different customer segments and personal preferences.

5. **Psychological Needs:** These are the deeper, more unconscious needs that customers have, such as security, safety, and the need for control. Retailers can meet these needs by providing products and services that help customers feel secure and in management.

These are some of the most common types of customer needs. Retailers must understand the needs of their target market and cater to those needs to build a successful business.

4.2.1 Factors Influencing Customers' Needs

- **Demography** – Customers' age, gender, income, education level, marital status and other demographic factors influence the customer's to need. Young customers centralprefer fashionable clothes. In contrast, old customers prefer simple clothes without having any central element in them.

- **Social and Cultural Norms:** - Customers' social value system and cultural base needs influence the customer needs. It changes from state to state or even country to country. It depends on social trends and cultural trends influencing the needs. In one country, meat is a product popular due to their culture, and in another country, mostly vegetarian food-eating customers.

- **Emotional Needs**: These needs are based on the customer's personal liking based on emotions like happiness, belongingness, and security needs.

- **Marketing:** Customer needs are also built based on the types of marketing campaigns that are triggered for them. Customers generally start behaving as per marketing campaigns normally. It is influenced by the basic marketing push by the brand in the market.

- **Customers Personalization Behaviour:** Customers generally sometimes behave based on personal preferences or past usage behaviours or referrals. It is usually driven by the specific needs of the customer.
- **Easy Usage or Convenience:** Sometimes customers want accessible product features and convenience which drives customer needs.
- **Safety and Long Life**: Customers generally prefer the product if it is long-lasting and safety-wise easy to use with risk-free issues.
- **Globalization:** Customers' needs are also driven by globalization. Today, world commerce is connected. Customers always look for advanced or technology driven or superior products, and when they find it they switch to that product.
- **Economic Conditions:** When the economy impacts customers' income, like in COVID 19, then customers switch to cheaper products with a similar promises to them. Also, in inflation, customers switch to more affordable options available in the market.
- **Psychological Factors:** Customers' psychological needs and emotions play a significant role in shaping their preferences. Factors like personal values, aspirations, and emotional triggers can influence buying decisions.
- **Lifestyle Change in Customers Life:** Changes in lifestyle, work patterns, and family structures impact customers' needs. For example, city traffic congestion led to switching to Metro trains rather than own vehicle usage.
- **Technology Advancements:** Due to changes in technology, customers prefer to switch to advanced products with advanced features. Also, in the environmental changes' customers like to switch to eco-friendly product options.

4.2.2 How can Understanding Customers' Needs Helps the Organization to Serve Better?

- **Through Customer-Centric Approach: By understanding the real needs of the customers, companies improve their products and services and build their strategies around it to cater for** the customers effectively. Customer centricity improves loyalty push with the customers and builds long-lasting relationships with the customers.
- **Effective Marketing Campaigns:** By knowing exactly what the customer needs, effective marketing promotional campaigns are built which satisfy customers as well as bring the right ROI (Return on investment) to all the marketing campaigns.

- **Customization of Products and Services:** By knowing the real needs and requirement companies build their product and services basis personalisation approach and build customisation of product and services around it which brings lot of customer satisfaction.
- **Adaptability to Change:** Markets and customer preferences evolve. Organisations that understand their customers are better equipped to adapt to these changes and pivot their strategies as needed.
- **Market Expansion:** As organisations expand into new markets or demographics, understanding the unique needs of those segments is crucial. Tailoring offerings to specific needs helps in successful market entry.
- **Brand Image:** - Meeting customer needs builds loyalty and brand image in the market among competitors. It creates brand image from short term to long term basis as now customers provide positive reviews of the product and services.
- **Data Driven Decisions:** Organisations which are correct solid data-savvy are likely to take immediate and right choices, which make very strong customer relationships and brand loyalty among customers.
- **Innovation and Differentiation:** Companies make also that are data savvy and make product basis data, reviews, and feedback are more likely to build innovation in their product and services and look different in the market against competitors.

4.3 WHAT IS PRODUCT Life CYCLE?

The product life cycle is a framework that describes a product's stages from conception to retirement, including introduction, growth, maturity, and decline. It helps companies understand the trajectory of a product's sales and profitability over time and make informed decisions about its future. The length and shape of the product life cycle can vary depending on factors such as the product category, competition, and market trends.

The product life cycle is a concept in marketing that describes the stages a product goes through, from its development to its decline. The four stages of the product life cycle are:

1. **Introduction Stage –** In this stage, the product is new in the market. The manufacturer builds the product by comparing it with existing products in the market. He will always try to make a better product. Once the product is launched in the market, a distribution model is formed, for example, distributors, retailers, franchises, online, etc. This is a stage where customers have seen the product for the first time. He feels the product and starts consuming it. The availability of the product is not everywhere; hence, once it keeps going to more markets, it moves to the growth stage. The product's success depends on quality, reliability, and proper pricing. How a product is solving the customer problem effectively.

2. **Growth**: The product gains traction, and sales increase rapidly. The company focuses on expanding production and distribution to meet demand. In this positioning of the product, the stage is entirely of growth. The company put all sales resources into building a network. They work on a good marketing budget to establish the product in the market.

3. **Maturity**: Sales growth begins to level off, and the product may become saturated. The company may focus on cost-cutting and improving efficiency to maintain profitability. Currently, the company focuses on making the product stronger either through changes in packaging, different offers, or freebies with the product to sustain its sales. Companies generally don't kill the product at this stage but rather focus on reviving the sales.

4. **Decline**: Sales decline and the product may eventually be phased out. The company may discontinue the product or reposition it in the market. The product is saturated in the market. This product cannot be improved anymore. Competition has already built superior products which are much more advanced. Product sales have continuously declined despite marketing efforts.

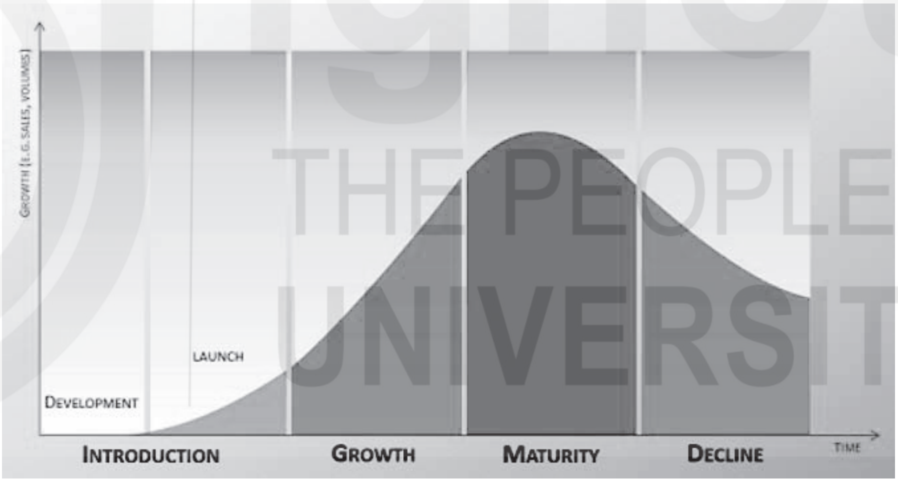

Figure 4.1: Shows the product life cycle

4.3.1 Factors Determining the Length and Shape of Product Life Cycle

Product Characteristics: The characteristics of the product play an important role. Complex and innovation-based products might take longer to move from the introduction stage to maturity due to the time required for development and consumer adoption. On the other hand, products with short development cycles might experience a rapid life cycle.

Product Market Demand and Saturation: The level of demand and the saturation point of the market influence how quickly a product moves through its stages. High demand can accelerate the growth stage, while saturation can lead to a shorter maturity stage and a quicker decline.

Technological Advancements: Rapid technological changes can shorten a product's life cycle as newer and more advanced products quickly replace existing ones. Products heavily reliant on technology are more likely to experience shorter life cycles.

Competitive Landscape: The market competition level affects a product's life cycle. Intense competition might lead to shorter growth and maturity stages as competitors vie for market share and price wars.

Consumer Adoption Rate: The speed at which consumers adopt a new product affects its life cycle. If a product gains rapid acceptance and becomes a trend, it can experience a quicker growth phase.

Marketing and Promotion Efforts: Effective marketing strategies and promotions can influence the pace of each life cycle stage. Well-executed marketing can accelerate growth and maturity by attracting new customers or rekindling interest.

Economic Conditions: Economic factors such as recession or prosperity can impact consumer spending. Economic downturns might lead to shorter growth stages, while economic upturns could prolong maturity.

Regulatory and Legal Factors: Changes in regulations, industry standards, or legal requirements can impact a product's life cycle. New regulations might necessitate modifications or lead to early obsolescence.

Consumer Preferences and Trends: Shifts in consumer preferences or emerging trends can alter the trajectory of a product's life cycle. A product that aligns well with a popular trend might experience an extended growth stage.

Product Innovation: Continuous product innovation can lead to introducing new features or variations, which can extend the maturity stage or even revive a product in decline.

Globalisation and Market Expansion: Entering new markets or regions can extend a product's life cycle by introducing it to new audiences and demographics.

Distribution and Accessibility: The availability and accessibility of a product in various distribution channels can influence how quickly it gains market share and reaches maturity.

Price and Value Proposition: Pricing strategies and perceived value affect consumer willingness to adopt and retain a product. Effective pricing can influence the speed of movement through different life cycle stages.

Cultural and Social Factors: Cultural differences and societal changes can impact how well a product is received in different markets, affecting its life cycle.

4.4 ADVANTAGES AND DISADVANTAGES OF UNDERSTANDING PRODUCT LIFE CYCLE

The Product Life Cycle (PLC) is an essential framework for understanding the stages its product goes through from conception to decline. In the context of customer needs, some of the advantages of using PLC are:

Customer Awareness: PLC helps businesses understand the evolution of customer needs and preferences during the different stages of a product's life cycle. Generally, a lot of research work goes into building the product. Here, customer awareness, need of the specific product, product attributes, benefit of the product, competition of the product and their market share. All is checked before producing the product. It all happens due to the overall understanding of customer need, aspiration, and product perception.

Market Segmentation: By understanding customer needs, businesses can segment the market and target specific groups of customers with tailored products and marketing messages. The market segmentation results are derived through extensive market research related to the development and its customers. Till the time complete analysis does not give confidence level to the company. The product conception process is incomplete till the time 100% confidence is not achieved to build the product.

Product Development: PLC enables businesses to identify the best time to launch new products, making it easier to capitalise on customer needs and market opportunities.

Resource Allocation: PLC helps businesses make informed decisions about resource allocation by identifying which life cycle stages require investment. This is a most critical activity. Missing out on this actionable may delay the launch or delay the product to reach the growth phase faster. Some times instead, we have seen that when a product hits the maturity stage, some companies leave those products. Instead, they should focus hard on reviving the product and giving it a second life.

Market Forecasting: PLC provides a basis for forecasting market trends and predicting future customer needs, helping businesses stay ahead of the curve.

Overall, the Product Life Cycle provides a valuable framework for businesses to understand customer needs and make data-driven product development, marketing, and resource allocation decisions.

Disadvantages of the Product Life Cycle

The product life cycle always looks easy to plan and implement but, in my view, it is extremely difficult. Sometimes a product’s sales might never rise beyond the introduction stage or enter a decline state just before going into a subsequent rise. This is basically due to rigid strategies or managers' or companies’ skill set issues to visualise in advance to plan better.

Product life cycles can be **self-fulfilling**. Each stage has a set of recommended right actions. Consequently, when a product begins to behave negatively as if it is in decline, managers might decide to discontinue that product because that is the protocol. One should not be too emotional about the product. If data or despite doing everything nothing is happening, it is better to stop it. Meanwhile, it could be that the product was merely dipping in sales due to economic externalizations, which will eventually lift.

1. **Over-simplification:** The product life cycle theory assumes a linear and predictable progression of stages, but the process can be much more complex and non-linear.

2. **Ignores External Factors:** The theory does not consider external factors such as market changes, competition, and technological advancements that can significantly impact product success.

3. **Assumes all Products Follow the Same Pattern:** Not all products will follow the same pattern; some products may never reach maturity and may remain in the introduction or growth stage indefinitely.

4. **Focuses on Product Rather than Customer:** The product life cycle theory primarily focuses on the product itself, ignoring customers' evolving needs and preferences.

5. **Limited Actionable Insights:** The theory does not provide practical insights for companies to adapt to changes in customer needs and maintain product relevance throughout the product life cycle.

Check your Progress. A

1 Define product life cycle critical element.

....

....

....

....

2 Why vitalis customer need essential to be connected to the product life cycle?

....

....

....

....

3 Define the advantages of the product life cycle.

....

....

....

....

4 Define market segmentation in the context of the product life cycle.

…………………………………………………………………………………

…………………………………………………………………………………

…………………………………………………………………………………

…………………………………………………………………………………

4.5 WHY SHOULD WE LINK CUSTOMER NEED WITH PRODUCT LIFE CYCLE?

Linking customer needs with the product cycle helps companies to ensure that their products meet the customers evolving needs and expectations of the retailer's target customers. This can produce higher customer satisfaction, loyalty, and higher top-line and gross profits.

By regularly analysing and linking customer critical feedback to product design and development, companies can stay ahead of the competition and continue to deliver products that meet market demand.

Additionally, aligning customer needs with the product cycle helps to prioritise resources and optimise the development process, leading to a more efficient use of time and resources.

1. **Building Brand Loyalty:** When companies build products based on the need, the brand image and loyalty with the customers is improved. When customer gets the feeling that the company addresses their needs it fosters trust with the customers.

2. **Enhanced Innovation:** Customer needs often drive innovation. By continuously linking customer feedback and preferences to the product life cycle, you can identify opportunities for product improvements and innovative features.

3. **Long Term Sustenance of Product:** Customer needs generally drive innovation. Improvement in the products due to innovation leads to the long-term life of the product in the product market life cycle. Companies earn higher revenue and profits with this approach.

4. **Competitive Advantage:** Customers need analysis and improvement in the products and services that bring loyalty and brand image. It also leads to a competitive advantage for the company in the market, which is good for sustaining the market with good growth.

5. **Enhanced Customer Experience:** An optimum level of customer satisfaction is achieved when all the needs of the customers are addressed one by one. It leads to a higher level of customer satisfaction and growth for the company.

6. **Alignment with Customer Demand:** By understanding customer needs at each stage of the product life cycle, you can ensure that your product

remains relevant and addresses evolving customer preferences. This alignment helps you avoid offering products that are out of sync with the market's demands.

7. **Effective Product Development:** Incorporating customer needs during development ensures that the product meets real-world requirements. This increases the chances of successful market adoption during the introduction stage.

8. **Tailored Marketing and Promotion:** Linking customer needs with the product life cycle allows you to craft targeted marketing messages that resonate with consumers. Your marketing efforts can address specific customer pain points and aspirations as the product progresses through different stages.

9. **Resource Allocation:** Understanding customer needs can guide allocating resources at different stages of the product's life cycle. During the introduction stage, resources might be focused on creating awareness, while in the maturity stage, they could be allocated to maintaining quality and differentiating the product.

10. **Maximized Sales and Revenue:** Meeting customer needs helps extend the growth and maturity phases of the product life cycle. This leads to higher sales and revenue as the product remains relevant and appealing to consumers over an extended period.

4.6 DETERMINANTS OF PRODUCT LIFE CYCLE

Determinants are factors which decisively affect the nature or outcome of something. As we know, customer need is of prime importance. As a company, we should understand each dynamic of customer need. We have stated the same in other chapters.

The determinants of a product's life cycle are:

1. **Market Acceptance**: The level of consumer demand and market adoption of the product. It says that the product introduced in the market or sold by a retailer must be good enough to attract customer attention. It should be the latest trend or technology. It should be from a good brand. If it is not from a known brand, then the retailer must ensure that the product sold is of good quality and that the right due diligence of the product is done accurately.

2. **Competition**: The presence of similar products and the market competition level. At the time of product conceptualisation stage, competition reference points are consideration considered, like their features, technology used to manufacture them, price points, market coverage, market share, and channel it operates within. Once these reference points are identified after the company creates USP (Unique selling proposition) in the product. They, they choose to manufacture the designed new product.

3. **Technological Advancements**: Changes in technology can make a product obsolete or enhance its features. Using the latest technology in the market to produce products firstly attracts new customers, cost goes down, and the feel of the product is better. Choosing the right-suited technology is key for the company.

4. **Economic Factors**: Economic conditions such as inflation, recession, and disposable income levels can impact the product's sales. This is a general phenomenon during Covid 19 almost the entire world was affected due to the conditions not under anybody's control. Careful assessment is needed to determine whether the new product can survive in the above-stated conditions. Economic situation wrong conditions, life, inflation, recession, etc, if wrong customers have less money available to them, buy products. Launching products in the condition could be suicidal also. Careful assessment surely needs to be done before any launch of new products.

5. **Company Objectives and Policies**: The company's goals, strategies, and marketing efforts also play a role in determining the product life cycle. Right-skilled employees with launch experience of new products is required to build a product. The company must have a vision to invest in the channel and marketing of the product launched to give initial support to stand on its own.

6. **Market Saturation**: The point at which a product has reached its maximum market penetration and further growth is limited. Companies do research to revive the consequences, come out with better products or provide attractive prices with some freebies. A fresh marketing campaign may be planned. Despite doing everything, if the product still does not get enough sales, then it is always better to remove the product from the market.

Check Your Progress B

1 Learn from the internet and discuss market penetration:

……………………………………………………………………………

……………………………………………………………………………

……………………………………………………………………………

……………………………………………………………………………

……………………………………………………………………………

2 Mention some new products launched in the market. What are the USP of such products?

……………………………………………………………………………

……………………………………………………………………………

……………………………………………………………………………

……………………………………………………………………………

3 Define the growth stage of the product life cycle.

……………………………………………………………………………

……………………………………………………………………………

……………………………………………………………………………

……………………………………………………………………………

……………………………………………………………………………

4 Identify four key critical points without which the product life cycle introduction stage cannot be successful.

……………………………………………………………………………

……………………………………………………………………………

……………………………………………………………………………

……………………………………………………………………………

……………………………………………………………………………

4.7 LET US SUM UP

Regarding summing up: Please understand customer need identification is a first step towards building or selling a product. Every product has a life cycle at the time of deciding to choose the product. It is advisable to understand the stage of its product life cycle and then figure out whether this product should be sold to the customers. Remember, good brands will always ensure that their customers get always the best of the product. This mantra is a universal mantra, hence to be remembered always.

Key Learnings;

Customer Need Identification: Recognizing customer needs is the first step in product development or sales.

Product Life Cycle: Before choosing to sell a product, it's essential to understand its stage within its life cycle.

Brand Responsibility: Esteemed brands prioritize providing customers with the best product quality consistently.

Universal Principle: The commitment to delivering quality products is a universal mantra that reputable brands consistently uphold.

4.8 KEYWORDS

Growth Stage: New product is being accepted in the market

Customer Retention: Maintaining the existing customers in the business.

Customer Relationship: Keeping the customers happy and satisfied to have them in the business for a long time

Customer Value Management: It is a potent tool to make the company truly customer oriented and bring success to the company/ business.

Customer Defined Value: Value of the product and services perceived by the customers.

4.9 TERMINAL QUESTIONS

1) Identify the customer's pain points when it comes to customer needs.
2) Highlight critical customer behaviour at the time of buying a product?
3) Explain the maturity stage of a product life cycle.
4) What strategy would you like to adopt at the decline stage?
5) Explain why retailers focus on customer needs.

REFERENCES AND FURTHER READINGS

Kotler & Keller, “Marketing Management 12e”, Prentice Hall, India, 2006. Paul Greenberg, “CRM” 4th edition, Tata McGraw Hill, India, 2010.

Rajiv Lal, John, A., Quetch & V. Kasturi Rangan, “Marketing Management”, Tata McGraw Hill, India.

Girdhar Joshi, “Information Technology for retail”, Oxford University Press.

S.P. Bansal, “Marketing Management”, Kalyani publishers, India.

John Renner, Vice President, Sabre’s Customer Value Management solutions (25/6/ 2004).

Jagdish Sheth and Banwari Mittal, “Customer Behaviour: A Managerial Perspective”,

Thomson South Western 2003.

Khalid and Scott 2005, “Customer value management”, Tata McGraw Hill, New Delhi

Bradley T. Gale, “Managing Customer Value”, Perdue Farms, Chapter 2; Milliken & Co.,

Chapter 3; AT&T, Chapter 4; Parke-Davis, Chapter 5; AT&T Universal Card and United Van Lines, Chapter 5; Gillette, Chapter 7; Johnson & Johnson, Chapter 8; and Lexus, Chapter 9.

Economic Times, June 15th 2011

Delivering Customer Value through Procurement and Strategic Sourcing: A Professional Guide to Creating A Sustainable Supply Network (Available at https://www.barnesandnoble.com/w/delivering-customer-value-through-procurement-and-strategic-sourcing-walter-l-wallace/1124317215?ean=9780133890105

by Walter Wallace, Yusen Xia