

## **THE EFFICIENCY OF PROMOTIONAL INSTRUMENTS RELATED TO THE PRODUCT LIFE CYCLE STAGES**

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**ABSTRACT:** *Regarded as a planning tool, PLC (product life cycle) strongly contributes to the identification of the main marketing challenges that may arise throughout the life of a product/service. Thus, the marketing management has the opportunity to develop and implement those solutions designed to optimize each of the 4P of marketing mix: product (quality), price, distribution (placement) and promotion. The communication program has an essential role, because the company presents through it its "product" to actual or potential customers in order to convince them of the benefits of purchasing/using it. The efficiency of the promotional instruments involves an appropriate allocation of funds needed to promote the product/service in relation to the stage of its life cycle.*

**KEY WORDS:** *PLC; product; promotion; market share*

**JEL CLASSIFICATION:** *M30*

### **1. INTRODUCTION**

The product life cycle is the period between the time of the product appearance on the market and the time of disappearance from its circulation area. The product life cycle (PLC) reflects the evolution of the sales and profits of a product over its lifetime.

The concept of product life cycle involves four aspects (Lefter, et al., 2006, p.405): products have a limited life; the product sales go through distinct phases, each leading to changes, opportunities and different problems for the seller; profits rise or fall in different phases of the life cycle; products require in each phase different strategies in terms of marketing, finance, production, supply and human resources.

The product/service life cycle reflects its nature and its potential on the market they are traded on.

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## 2. PROMOTIONAL INSTRUMENTATION IN RELATION TO THE STAGE OF PRODUCT LIFE CYCLE

The marketing decisions used in the product development policy should always refer to its life cycle. The research of product life cycle can generate ideas for: timely recovery of a new type of product, the product reorientation to other segments of consumer or the withdrawal of stale product from manufacturing and commercialization (Marin, 2006, p.63).

Whereas PLC shows the evolution of a product/service and less of the market, companies should consider an analysis of the latter. Thus, if in the introduction stage competitors are few, and among the clients are mainly the "innovators" (they are the first who adopt the new product; are usually young people who like to "try" and react quickly to new and have a high education level), in the growth stage the competition is much stronger and the consumers are the "early adopters" (people who choose the new products very carefully in order to avoid any risk; are reliable persons; their point of view is essential in decision making on purchasing a new product/service).

At maturity, the product has a stable competition, that tends to decrease, and customers are part of the "middle majority" (provident people regarding the choice of the products, even sceptic ones; they buy the product after it has been already accepted by a big number of consumers).

In the decline stage, the number of competitors is decreasing, and those who accept the product are the "late adopters" (conservative people who accept the product after it has become a traditional one).

Taking into account the issues mentioned above and the fact that it takes time for releasing a new product and obtaining profits from its sale, the costs for promoting the product/service are essential and vary in relation to stage of its cycle life (Kotler, 2002, p.836):

1. In the **introduction stage**, the commercial and noncommercial advertising are the most cost-effective ones, followed by personal selling, in order to gain market coverage, and by sales promotion, aiming to stimulate trial purchases.
2. In the **growth stage** the use of all promotional tools can be reduced, because the order impel itself through the publicity made by satisfied customers.
3. In the **maturity stage**, sales promotion, advertising and personal selling – in this order – again play an important role.
4. In the **decline stage**, the sales promotion continues to be intense, the commercial and noncommercial advertising are reduced and the sales representatives give only minimal attention to the product.

Currently, there is a tendency of reducing the products/services life cycle the move from one stage to another taking place rapidly.

## 3. STUDY CASE: THE LIFE CYCLE OF ZU RADIO

The presentation of the life cycle of ZU Radio is based on the reporting of the volume of attracted advertising station at the time, and reporting the number of

listeners at the time. The reporting is made at the volume of advertising because the information about turnover, sales, profits are not available.

**The product life cycle** has five distinct stages:

**1. The product development** begins with the idea of a product and the market on which the product will be introduced is researched and analyzed. In this period, the investments will increase, the necessary production equipment will be purchased, the product will be designed etc.

For ZU Radio station the product development was short, in the year 2008, because ZU Radio is part of Intact Press Concern which has experience in this field. Also, ZU Radio broadcasts on the News FM frequency, in Bucharest, and nationally, on more than 20 radio frequencies of the FM Romance station.

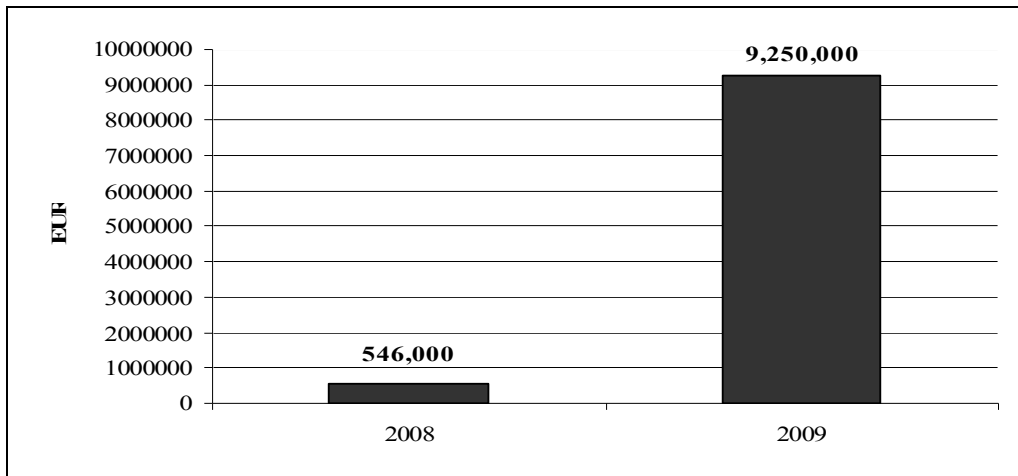
In the process of development of ZU Radio were established the following aspects (Intact Media Group, 2010): project leaders: Bogdan Stratulat – CEO, Tony Tesiu – Programs Manager, Camelia Levintza Steller – Marketing & PR Manager; format: contemporary hits; coverage: Romania, through a network of 20 stations in Bucharest and in the most important cities of the country; target audience: urban population aged 15 to 30 years; key elements: the matutinal program presented by Mihai Morar and Daniel Buzdugan taken from 21 Radio, the broadcast in dialogue with listeners of Mircea Badea. The investment in equipment were EUR 500.000 because they also used the equipment purchased for News FM and FM Romance (Neacșu, 2008).

**2. The introduction** is the period of slow growth; there are no profits in this period because the introduction costs are high. The product introduction on the market is one of the most expensive stages because of the high costs of promotion compared with other stages of product life cycle.

ZU Radio station was officially launched with the autumn grid of Antena 1 TV station, and the first transmission was made on September 29, 2008. The launching campaign was conducted by the Marketing Department of ZU Radio and the Friends Advertising agency. Starting with September 1, 2008 a teasing campaign ("Who is ZU?") took place on various channels of communication. In this teasing campaign the <http://whoiszu.blogspot.com> blog was created and 133 comments were posted about this question. In Bucharest were placed banners and meshes, and nationally, the TV spots of the campaign were broadcasted ("Who is ZU?", "Bungee Jumping", "The Spinner", "Squash", "On windshield"); the advertising models appeared in the major newspapers (Tomescu, 2008).

Because ZU Radio is part of Intact Press Concern, this is promoted by the means of this media group. Thus, the TV spots of the ZU Radio are broadcasted on the Antena 1, Antena 2 and Antena 3 TV channels, the advertising models are published in the National Journal and in the Sports Gazette, the online banners of ZU Radio are posted on the [jurnalul.ro](http://jurnalul.ro), [antena1.ro](http://antena1.ro), [so.sfin.ro](http://so.sfin.ro) sites etc.

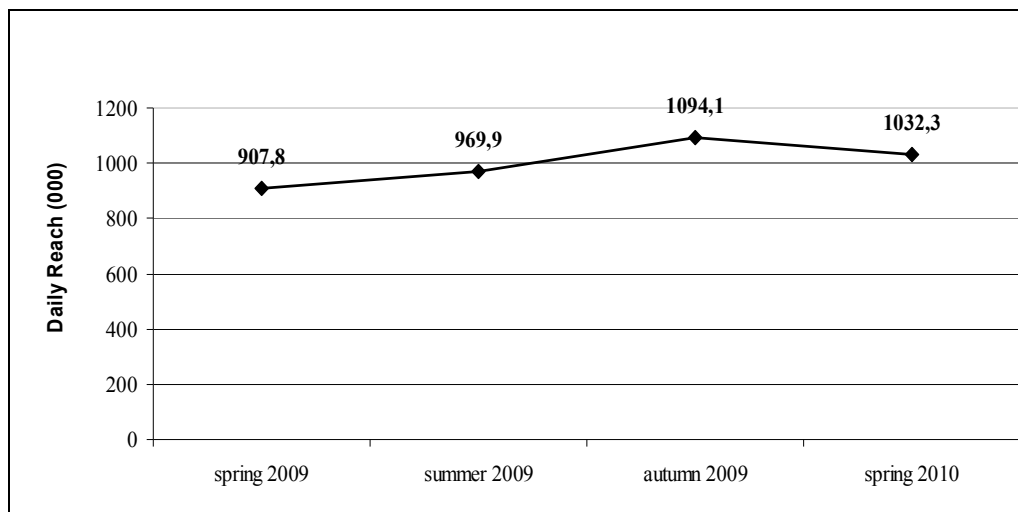
**3. The growth stage** is a period when the sales register important increases, with an ascending trend; the company pays more attention to product quality and creating a favorable image among consumers. Starting with the second quarter of 2008 the sales of ZU Radio began to increase gradually, reaching in 2009 a value of cashed advertising of EUR 9.5 million (Figure 1).



Source: Initiative Media, 2009, pp. 25; Initiative Media, 2010, pp. 40

**Figure 1. The value of cashed advertising (ZU Radio, 2008 – 2009)**

This increase can also be observed from the analysis of the number of radio listeners, that, a year after launch, in autumn 2009, reached a total of 1,094,100 listeners per day in urban areas, registering an increase of 124,000 listeners per day related to summer 2009 (Figure 2), according to Radio Audience Survey (R.A.S.).

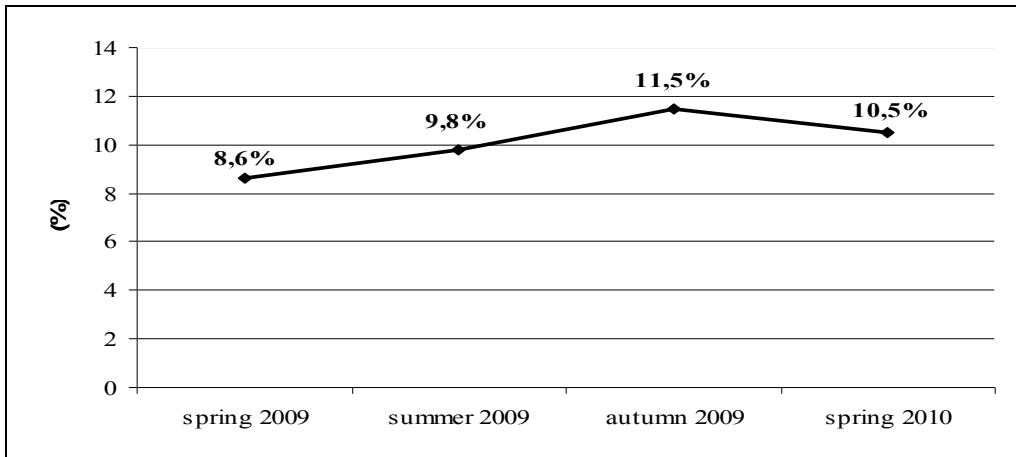


Source: IMAS & Mercury Research (2009-2010) Study of Radio Audience, [Online], Available at: <http://www.audienta-radio.ro/default.aspx?id=7>, [Accessed 21 June 2010]

**Figure 2. The number of listeners of the ZU radio, in urban areas**

Regarding the market share, in the urban area, ZU Radio registered a 11.5% share in the autumn of 2009, being 2.9% higher than the market share registered in spring 2009 (Figure 3). According to the latest results of S.A.R. for the spring of 2010,

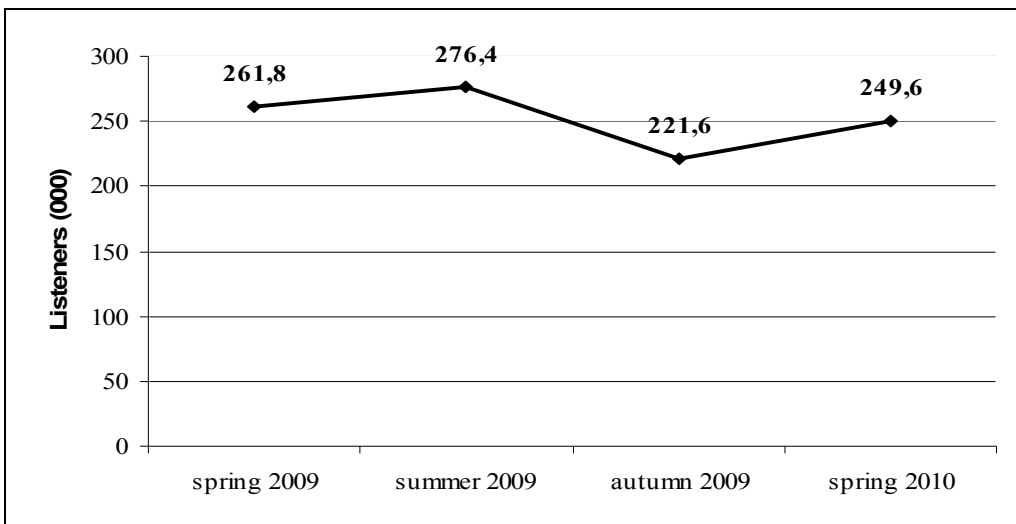
the urban market leader is Romania News Radio with a market share of 15.3%, followed by KISS FM - 15.2% and Europa FM – 12.6%. Nearly two years after its launch, ZU Radio is on the fourth place, with a market share of 10.5% (Figure 3).



Source: IMAS & Mercury Research (2009-2010) Study of Radio Audience, [Online], Available at: <http://www.audienta-radio.ro/default.aspx?id=7>, [Accessed 21 June 2010]

**Figure 3. The market share of ZU Radio, in the urban area**

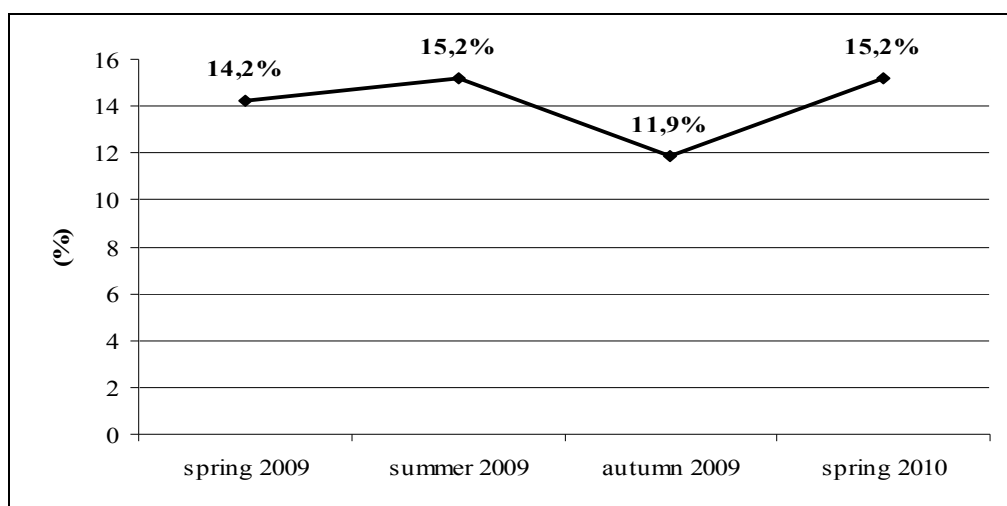
According to S.A.R., in Bucharest, ZU Radio reached a number of 249,600 listeners per day in the spring of 2010, registering an increase of 28,000 listeners per day related to autumn 2009 (Figure 4.).



Source: IMAS & Mercury Research (2009-2010) Study of Radio Audience, [Online], Available at: <http://www.audienta-radio.ro/default.aspx?id=7>, [Accessed 21 June 2010]

**Figure 4. The number of the listeners of ZU Radio in Bucharest**

Regarding the market share, in Bucharest, the ZU Radio station has registered a 15.2% share in the spring of 2010, this being 3.3% higher than the market share recorded in autumn 2009 (Figure 5). According to the latest results of S.A.R. for the spring of 2010, the market leader in Bucharest is Romania News Radio with a market share of 20.1%, followed by ZU Radio with a 15.2% share and KISS FM with a 11.4% share. 21 Radio station is on the fourth place with a 10.5% market share.



Sursa: IMAS & Mercury Research (2009-2010) Study of Radio Audience, [Online], Available at: <http://www.audienta-radio.ro/default.aspx?id=7>, [Accessed 21 June 2010]

**Figure 5. The market share of ZU Radio, in Bucharest**

The good results of ZU Radio, obtained in a relatively short period of time, are based on the marketing campaigns of the station. They permanently organize various competitions for listeners, through which ZU Radio offers money prizes and ensures the maintenance of the audience. "Zuperfans take supermoney" and "Zubingo" are the most recent contests in which listeners have won prizes of 100 euros, and that of 130,000 lei.

An important element in the marketing campaigns is the online promotion through their website, [www.radiozu.ro](http://www.radiozu.ro), which recorded 367,332 unique customers per month in May 2010, according to the Study of Audience and Internet Traffic.

Another means of online promotion used by this radio station are: the Facebook communication platform, in which the station has recorded over 38,000 fans, and the blog, launched at the same time with the teasing campaign.

**4. The maturity** is the period when the sales continue to grow, but with a gradually descending percentage, the level of the profit remains constant or decreases due to higher marketing expenses. In this stage, the company's success is linked of the differentiation capacity of the product and the ability to create a consumer brand fidelity. Although, in the maturity stage, many products appear to remain unchanged over a long period of time, the most successful ones are renewed in order to meet the changing consumer needs. To keep the product in the maturity stage, Product

Managers should not rely on the simple management of products, but they should modify the product or other elements of the marketing mix. ZU Radio did not reach the stage of maturity, but through the undertaken marketing activities they aim to become the urban market leader.

**5. The decline** is the period in which sales fall, the development of the order become negative, most of the consumers abandon the product. In this stage, some products can recommence the life cycle as a result of favorable circumstances in the market. ZU Radio did not enter yet in the stage of decline because it is still in the growth stage and it doesn't intend to come too soon in this last stage of PLC.

#### 4. CONCLUSIONS

The product life cycle shows on one hand, the product sales and profits, and on the other hand, the consumers, the competition and the marketing specific actions taken from its appearance and until its definitive withdrawal from the market. Basically, the stages of a life cycle are: launch, growth, maturity and decline, but some authors consider the process of creating the product as a separate stage of life cycle, placing it before the product launch. In *the launch stage* of the product, the company's main objective is *to inform consumers* about the appearance of a new product; the level of the costs borne by the organization is very high; the sales volume – quite small, and the profit - negligible, even nonexistent.

*The growth stage* is characterized by an increase of sales and the obtaining of rising profits; the company intends to maximize its market share by practicing a *persuasive promotion in order to create a strong brand preferences*. The number of consumers increase significantly, but there are many competitors and imitators. Thus, the management of the company has to take in consideration the diversification of the products range and the distribution expansion.

In *the maturity stage* the sales volume is stabilized. The organization aims to maintain the competitive advantage through improving the product characteristics, to extend the guarantee and the after – sales services. Even if we talk about a mass consumption, the competition is a fierce one, and as a result, the company practice *a competitive and intensive promotion in order to maintain the brand loyalty*.

In *the decline stage* the sales considerably decrease, because of the appearance of the substitutes on that market and the disappearance of the consumer interest for the company's product. The Management Board should analyze the opportunities of further making profit and establish the optimal time to abandon the product. The product range is limited to the most wanted models, the distribution becomes selective, and *the promotion consists in actions of reminding of the product, only to preserve its image*.

The duration of stages varies depending on the particularities of each product or brand and on some factors, such as: the appearance, the development or the disappearance of some markets or market segments; the competitors price policy; the technological improvements (which influence the duration of the product life cycle stages in the sense of extending or shortening it); the changes related to the purchasing power of consumers, or to their income; the changing attitudes, preferences and

purchasing behavior of consumers; the influence of changes in manufacturing or distribution costs on product prices.

In order to eliminate the drawbacks of each stage of the PLC, the companies aims the making of a balanced offer, with products at different stages of their life cycle. Radio ZU managed to become one of the most listened radio stations in Romania through effective use of promotional instruments in relation to product life cycle. This result is based on commercial and noncommercial advertising and also on the use of sales promotion. The most important components of the promoting policy of Radio ZU are the unprecedented contests for listeners with prize in money and the online promotion.

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