THE PRODUCT LIFECYCLE: INTEGRATING THE MARKETING CLASSIC INTO MODERN RESOURCE ALLOCATION

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ABSRACT

Known as the marketing era, the 1960s is the defining decade when the American corporation evolves from the earlier manufacturing/functional-centric production and sales eras to the marketing-driven, management/consumer-centric era. Marketing becomes the philosophy and strategy by which companies' ***resource allocation*** *policies focus on improving the entire customer experience from need recognition, to product discovery, to post-purchase behavior. It is this era that introduces the frameworks that help managers see the firm as a working customer theory that help marketing managers solve problems driven by the need for customer creation and customer retention. For example, Jerome McCarthy's marketing mix (1960) and Raymond Vernon's product lifecycle (1966) remain cornerstones in marketing strategy formulation. The product lifecycle (PLC) has become the global standard of measuring sales revenue of new products over time tracing the product's introduction, growth, maturity and eventual decline. Among the measures given little attention is the product's contribution to profitability often included in lifecycle models. This paper builds upon the classic PLC framework traditionally aimed at helping marketing managers forecast sales to include helping accounting managers allocate resources within the budgetary process. Using the PLC platform, we demonstrate how incorporating the* ***PLC Budgeting Method*** *can improve the overall management of the resource planning and allocation process.*

Keywords: *product lifecycle; resource planning; allocation process; profitability*

1. INTRODUCTION: THE PLC – A STRATEGY FRAMEWORK AMONG CLASSICS

This research resides in the field of performance excellence a term that explains the rationale for a firm's commitment to continuous improvement. We demonstrate how the classic PLC helps improve the budgeting and resource allocation process – important elements in strategy formulation. A firm's strategy is a portfolio of decisions explaining *why* the firm is pursuing specific aims and *what* policies will safeguard the required outcome. More directly, strategy is the art of planning to win in the game of competition. Unique to the strategy field is the historical development of frameworks that provide the researcher and practitioner a structure by which to contain and analyze the dynamic variables associated with the typical planning process of setting objectives, allocating resources, and controlling for results. Famous frameworks include Igor Ansoff's diversification model where he states, "There is no reason to believe that those [corporations] now at the top will stay there except as they keep abreast in the race of innovation and competition" (1957). Here Ansoff sets the foundation for what becomes fifty years of strategy frameworks all grappling with management's responsibility and challenge to create a *theory of the firm* that answers the big questions such as what drives revenues, costs, and profitability as well as how do we contend with the complexities of competition? Other notable and related frameworks include Drucker's *management by objectives* (1954, 1976), Albert Humphrey's work on *participative planning* (1974), and Michael Porter's work on *value creation* (1985). Each of these speak to the planning process where managers set goals, evaluate how to maximize limited resources, and determine the measures of short-term and long-term profitability.

Both **marketing** and **accounting** are rich with frameworks each delivering interdisciplinary utility to the broad performance improvement planning process. Where the marketing function is to manage customer creation and retention, the accounting function is to manage and communicate financial information. Among the signature marketing models is McCarthy's *marketing mix* (1960) where marketing managers plan for market competitiveness through the budgeting and allocation of resources to align the *product's*