**Explain Product life cycle?**

**Sales**

**Time**

**Introduction**

**Decline**

**Maturity**

**Growth**

* Following diagram shows the product life cycle, we will further see what all these stages mean from the **basis of 4Ps of Marketing**:

1. **Introduction:**
2. **Product:** Basic Product to be introduced.
3. **Price:** Money Invested + Margin cost.
4. **Place:** Selective Distribution (because you are introducing in limited market)
5. **Promotion:** Create awareness and trials.
6. **Growth:**
7. **Product:** Expansion/ Extension of product (types and varieties)
8. **Price:** Penetration strategy to be used (initially price should be low, slowly and gradually it should increase.)
9. **Place:** Intensive Distribution (It should be everywhere)
10. **Promotion:** Spend heavy on advertisements. Heavy promotion should be there.
11. **Maturity:**
12. **Product:** Retaining the market share, increase the profits, diversification, related and unrelated products should be introduced.
13. **Price:** At par with the market.
14. **Place:** More intensive distribution.
15. **Promotion:** Convert product into brands by telling about the advantages/ benefits.
16. **Decline:**
17. **Product:** Think about loyal customers. Phase out the product.
18. **Price:** Decrease the pricing.
19. **Place:** Selective distribution.
20. **Promotion:** It should be done for loyal customers only or else decrease the promotions, limited promotions should be there.

**Explain BCG Matrix?**

* It is also called as **‘Boston Consulting Group’** Matrix.

**Relative Market Share**

**Market**

**Growth**

**Rate**

**Star**

**??**

**Dog**

**Cash Cow**

**Low**

**High**

**Low**

**High**

* It is use for resource allocation. It is SBU (Independently monitored business companies: technique with which main company allocate resources to its other companies)
* Relative means In comparison to something.
* Relative market share means in comparison to market leader.
* Market growth rate means at what percentage, the market is growing.
* Explanation of the above diagram:

1. **High market growth and low relative market share:** Introduction of product life cycle (??) **Product:** Basic Product to be introduced. **Price:** Money Invested + Margin cost. **Place:** Selective Distribution (because you are introducing in limited market) **Promotion:** Create awareness and trials.
2. **High market growth and high relative market share:** Growth of product life cycle (Star) **Product:** Expansion/ Extension of product (types and varieties) **Price:** Penetration strategy to be used (initially price should be low, slowly and gradually it should increase.) **Place:** Intensive Distribution (It should be everywhere) **Promotion:** Spend heavy on advertisements. Heavy promotion should be there.
3. **Low market growth and high relative market share:** Maturity of product life cycle (Cash cow) **Product:** Retaining the market share, increase the profits, diversification, related and unrelated products should be introduced. **Price:** At par with the market. **Place:** More intensive distribution. **Promotion:** Convert product into brands by telling about the advantages/ benefits.
4. **Low market growth and low relative market share:** Decline of product life cycle (Dog) **Product:** Think about loyal customers. Phase out the product. **Price:** Decrease the pricing. **Place:** Selective distribution. **Promotion:** It should be done for loyal customers only or else decrease the promotions, limited promotions should be there.

**Sums of BCG Graph:**

|  |  |  |  |
| --- | --- | --- | --- |
| **SBU’s** | **Market share (%)** | **Sales of 1999 (Cr.)** | **Sales of 2000 (Cr.)** |
| A | 10 | 100 | 120 |
| B | 12 | 80 | 120 |
| C | 14 | 200 | 350 |
| D | 18 | 250 | 400 |
| E | 31 | 70 | 80 |
| F | 7 | 150 | 200 |
| G | 6 | 80 | 100 |
| H | 2 | 60 | 65 |

* Find the relative market share and market growth rate.
* To find relative market share, find the maximum market share from the above SBU’s
* Therefore, maximum = 31. So we will divide each and every SBU’s market share with 31 and multiply it with 100.
* Relative market share would be:

|  |  |
| --- | --- |
| **SBU’s** | **Relative Market share (%)** |
| A | 10/31 X 100 = 32.25% approx. 32% |
| B | 12/31 X 100 = 38.70% approx. 38% |
| C | 14/31 X 100 = 45.16% approx. 45% |
| D | 18/31 X 100 = 58% |
| E | 31/18 X 100 = 172.22% |
| F | 7/31 X 100 = 22.35% approx. 22% |
| G | 6/31 X 100 = 19.35% approx. 19% |
| H | 2/31 X 100 = 6.45% approx. 6% |

* To find market growth rate, we use the formula as:

Final sales – original sales multiply by 100.

Original sales

So, the market growth rate would be as follows

|  |  |
| --- | --- |
| **SBU’s** | **Market Growth rate (%)** |
| A | 20% |
| B | 50% |
| C | 75% |
| D | 60% |
| E | 14% |
| F | 33% |
| G | 25% |
| H | 8% |

* After that we need to plot Market growth rate and relative market share on the graph.

**What is marketing and why is it important to study marketing and what is marketing myopia?**

* Identification of a need and satisfying those needs is termed as Marketing.
* Understanding customer behaviour for profits for the expansion of the business for wealth maximization.
* When an organization gives more important to the customer’s needs than profit is marketing myopia.

**What is Need, Want and demand?**

* **Need:** Getting you in a state of deprivation. Example: Breakfast.
* **Want:** Specific need becomes want. Example: Upma.
* **Demand:** Want + buying ability or buying power.

**Explain concept of line extension and Product line extension?**

* **Line Extensions** occur when a **company introduces additional items** in the same product category under the same brand name such as new flavours, forms, colors, added ingredients, package sizes.
* The company is marketing the value and quality of the existing product line to introduce more choices to consumers.
* Indian example is HUL's Wheel vs. RIN both which offers the same core benefit which is a washing detergent, but targeted at different segments.
* An example would be a new pack size of an existing food product line, such as children’s breakfast cereals. In retailing, an example is the opening of a new branch of a franchised store, or a convenience-store version of a supermarket chain.
* **Line extension is "Different brand, same products".**
* **E.g.: Toyota and Lexus (both are cars produced by the same company but use different brand names)**
* **Product line extensions** are **a process where companies with an established brand alter the factors of a product or products to satisfy a refined segment in the market**. There are two types of product line extensions, horizontal and vertical.

1. **Horizontal extensions:** It consists of keeping the price and quality consistent, but changing factors like flavour or colour to differentiate the products.
2. **Vertical extensions:** It consists of increasing and decreasing the quality and price to create inferior and luxury goods. These product line extensions are often closely related to existing products in a brands portfolio, but targets specific brand consumers through this approach.

* An example of a product line extension is the Toyota Lexus brand, which is a high-end extension of the basic Toyota brand that targets consumers looking for bargains. Diet Coke is a product extension of Coke, introduced to meet the need for a low-calorie cola drink. Gillette introduced shaving creams as complementary products to its razors, and the Campbell Soup Company, which diversified its soups by introducing chicken flavours, such as creamy chicken noodle.
* **Line extension** can be done in three ways:

1. **Down market stretch**:

* A company positioned in the upper or the middle segment of the market may decide to introduce low priced products.
* This may be due to strong growth opportunities in the low priced market segment, competitors trying to eat up market share by entering the low priced range or the company feels the upper end of the market is stagnating.
* For example: Gillette was known for its upper end shaving razors. But it introduced **Gillette Vector** as a low priced Gillette Vector to cater to the lower end of the market.

1. **Up- Market stretch:**

* Companies may wish to enter the upper end of the market for more growth, higher margins, or simply to position themselves as full-line manufacturers.
* For example: Bisleri introduced a special variant of packaged water **“Bisleri Vedica”**, claimed to be having special minerals.

1. **Two way stretch:**

* Companies serving the middle market might decide to stretch their line in both directions. This is usually done to gain market dominance.
* For example: Titan first introduced watches in the middle price segment. It then stretched its range to premium segment watches **(Titan edge, Nebula and Xylus)** and the economy segment **(Titan Sonata).**

**Explain concept of brand extension?**

* **Brand extension** is a common method used by **companies to launch a new product** by using an **existing**[**brand**](http://www.investopedia.com/terms/b/brand.asp)**name** on **a new product in a different category**. A company using brand extension hopes to [**leverage**](http://www.investopedia.com/terms/l/leverage.asp)**its existing customer base** and [**brand loyalty**](http://www.investopedia.com/terms/b/brand-loyalty.asp)**to increase its profits with a new product offering.**
* An existing brand that gives rise to a brand extension is referred to as **parent brand**. If the customers of the new business have values and aspirations synchronizing/matching those of the core business, and if these values and aspirations are embodied in the brand, it is likely to be accepted by customers in the new business.
* Brand extension is marketing strategy in which a marketer launches a new product with well-developed brand using the same brand name. Brand use this strategy to increase visibility and leverage equity.
* Brand extension may be successful or unsuccessful.
* **Instances where brand extension has been a success** are as follows:

1. **Wipro** which was originally into **computers** has extended into **shampoo, powder, and soap.**
2. **Mars** is no longer a famous **bar** only, but an **ice-cream, chocolate drink and a slab of chocolate.**

* **Instances where brand extension has been a failure** are as follows:

1. In case of new **Coke**, Coca Cola has forgotten what the core brand was meant to stand for. It thought that taste was the only factor that consumer cared about. It was wrong. The time and money spent on research on new Coca Cola could not evaluate the deep emotional attachment to the original Coca- Cola.
2. **Rasna Ltd** is among the famous soft drink companies in India. But when it tried to move away from its niche, it hasn’t had much success. When it experimented with fizzy fruit drink **“Oranjolt”**, the brand bombed even before it could take off. **Oranjolt** was a fruit drink in which carbonates were used as preservative. It didn’t work out because it was out of synchronization with retail practices. Oranjolt need to be refrigerated and it also faced quality problems. It has a shelf life of three-four weeks, while other soft- drinks assured life of five months.

* **Advantages of brand extension** are as follows:
  1. It increases brand image.
  2. Cost of developing new brand is reduced.
  3. Consumers can now seek for variety
  4. There are packaging and labelling efficiencies.
  5. The expense of introductory and follow up marketing programs is reduced.
* **Disadvantages of brand extension** are as follows:
  1. Brand extension may get loss of reliability, if it is extended too far.
  2. There can be chances of damaging the image of the brand by the new product.
  3. If the brand extension has no advantage over competing brands then it may lead to failure.

**Explain concept of brand equity?**

* **Brand equity** refers to a **value premium** that a **company generates from a product with a recognizable name,** when compared to a **generic equivalent**. Companies can create brand [equity](http://www.investopedia.com/terms/e/equity.asp) for their products by making them memorable, easily recognizable, and superior in quality and reliability. Mass [marketing campaigns](http://www.investopedia.com/terms/m/marketing-campaign.asp) also help to create brand equity.
* It is a set of brand assets and liabilities linked to a brand name and symbol, which add to or subtract from the value provided by a product or service.
* Brand equity is an intangible asset that depends on associations made by the consumer.
* There are at least three perspectives from which to view brand equity:
  1. **Financial:**

1. One way to measure brand equity is to determine the price premium that a brand commands over a generic product.
2. For example, if consumers are willing to pay 100/- more for a branded television over the same unbranded television, this premium provides important information about the value of the brand.
3. However, expenses such as promotional costs must be taken into account when using this method to measure brand equity.
   1. **Brand extensions:**
4. A successful brand can be used as a platform to launch related products. The benefits of brand extensions are the leveraging of existing brand awareness thus reducing advertising expenditures, and a lower risk from the perspective of the consumer.
5. Furthermore, appropriate brand extensions can enhance the core brand. However, the value of brand extensions is more difficult to quantify than are direct financial measures of brand equity.
   1. **Consumer – based:**
6. A strong brand increases the consumer's attitude strength toward the product associated with the brand.
7. Attitude strength is built by experience with a product. This importance of actual experience by the customer implies that trial samples are more effective than advertising in the early stages of building a strong brand.
8. The consumer's awareness and associations lead to perceived quality, inferred attributes, and eventually, brand loyalty.

* **Strong brand equity provides the following benefits:**

1. Facilitates a more predictable income stream.
2. Increases cash flow by increasing market share, reducing promotional costs, and allowing premium pricing.
3. Brand equity is an asset that can be sold or leased.

However, brand equity is not always positive in value. Some brands acquire a bad reputation that results in negative brand equity. Negative brand equity can be measured by surveys in which consumers indicate that a discount is needed to purchase the brand over a generic product

**Explain concept of Product Structure?**

* Definition: Anything that may satisfy your physiological needs.
* It contains the 4Ps.
* Products are tangible in nature.
* They are non – perishable but certain products are perishable.
* They are homogenous, separable things.
* **Product Structure is diagrammatically represented as:**

**CORE BENEFITS**

**TANGIBLE SPECIFICATIONS**

**POTENTIAL PRODUCT**

**AUGMENTED FEATURES**

* **Core Benefits:** It includes the main purpose of the product. Its main functions.
* **Tangible Specification:** It includes the size, colour, shape, alloy used in the product.
* **Augmented Features:** It includes the extra features of the product.
* **Potential Product:** It includes the up – gradation/updating of the product.
* **Example:**

1. **Air Conditioner:**
   * + 1. **Core benefits:** Faster cooling, sleeper mode, conditioner of air.
       2. **Tangible specification:** Colour, size, shape and alloy used, brand name, power of AC, types and tagline.
       3. **Augmented features:** 5 Star, power saver, guarantee, EMIs.
       4. **Potential product:** Wireless AC, Wireless fidelity AC, Mosquito repellent AC, Voice command.
2. **CFL:**
3. **Core benefits:** Lighting.
4. **Tangible specification:** Colour, size, glass, lumen, wattage.
5. **Augmented features:** Less price, guarantee, warranty.
6. **Potential product:** Wireless CFL.

**Explain different Pricing strategies?**

* Price is the value that is put to a product or service and is the result of a complex set of calculations, research and understanding and risk taking ability.
* A pricing strategy takes into account segments, ability to pay, market conditions, competitor actions, trade margins, and input costs, amongst others. It is targeted at the defined customers and against competitors.
* Price is the quantity of payment or compensation given by one party to another in return for goods and services.
* Various pricing strategies are as follows:

1. **Premium pricing:** **High price** is used as a defining criterion. Such pricing strategies work in segments and industries when a strong competitive advantage exists for the company. Example: **Porsche in cars and Gillette in blades**.
2. **Mark – up pricing:** It is added onto the total cost incurred by the producer of a good or service in order to cover the costs of doing the business and create a profit. **Variable cost + fixed cost + some margin = Mark – up pricing.**
3. **Penetration pricing: Price** is **set artificially low to gain market share quickly**. This is done when a new product is being launched. It is understood that prices will be raised once the promotion period is over and market share objectives are achieved. **Example: Mobile phones rates in India, housing loans, etc.**
4. **Skimming strategy: High price** is charged for a product till such time **as competitors allow after which prices can be dropped.** The idea is **to recover maximum money before the product or segment attracts more competitors who will lower profits** for all concerned. **Example: Apple’s I – phone.**
5. **Psychological pricing:** This strategy is commonly used by marketers in the prices they establish for their products. Example: **99/- is psychologically “less” in the minds of consumers than 100/-.** It is a minor distinction that can make a big difference.
6. **Differentiated pricing:** This strategy is used when you have your product in the same city but in two different locations.

Different location

Same Product

Same City

Different location

**Example:** Prices of onions in local market and super market will be different.

**Explain the concept of Segmentation?**

* Segmentation is dividing the entire market into homogenous (similar needs and requirements) groups.
* For better segmentation following things should be consider:
  1. Measurable: Approximation of how many customers are there.
  2. Substantial: You should know how big enough is the group (so that you can earn profits).
  3. Accessible: Within reach so that your transport cost shouldn’t go up.
  4. Differentiable: You should know the profile of the segment.
  5. Actionable: You should have Man, Machine and Materials (Basic requirements should be fulfilled).
* Segmentation can be divided into 4 types:
  1. Geographical: Regions, cities, states, nations.
  2. Demographic: Age, weight, taste, glare, touch, height, income.
  3. Psychographic: Mind, lifestyle, values.
  4. Behavioural: Occasion, benefits, loyal status.

**Explain the David Aaker’s Brand Equity Model?**

* Definition: It is set of assets and liabilities linked with brand name which will either add value or subtract value from brand name.
* If assets are more, liabilities are less – addition to brand name.
* If assets are less, liabilities are more – subtraction to brand name.
* Anything which is negative to or about a brand is a liability.
* There are 4 assets in David Aaker’s Brand Equity Model, they are as follows:
  1. Brand Awareness.
  2. Perceived Quality.
  3. Brand Loyalty.
  4. Brand Association.
  5. Intellectual Properties.
* **Brand Awareness:** Strength of brand presence in your mind. It has 3 parameters:

1. **Brand Recognition:** Some exposure of that brand in the past.
2. **Brand Recall:** Ultimate level of awareness. You are given product category and you give instant response about that brand. Example: Intel (cooperative advertising).
3. **Brand In – dominance:** Middle class people use Vanaspati Ghee for making sweets, it is the product and brand name is “Dalda”. It is called as ‘Brand In – dominance’.

* **Perceived Quality:**

Durability

Perceptions

Unique Feature

Reliability

1. Superiority of that product over other products.
2. Create a perception of quality about your products.
3. What perception you have about that brand? Which may be different from actual quality?
4. You can use Perceived quality as a
   1. Driver of financial strategic tools.
   2. If perceived quality is more – you can charge more.
5. Return of Investment directly links with your quality. Perceived quality can be used to get good ROIs.
6. Good quality – good brand and Bad quality – bad brand.
7. Example: Slim sauna belt, Dhanlakshmi suraksha kavach.

* **Brand Loyalty:**

1. Favourable attitude towards that brand and repeatedly purchase of the same brand.
2. Loyalty segmentation (Non – Customers) can be of 4 types:
3. Price switchers: Price sensitive people.
4. Passively loyal: They buy brand as a habit not as a real reason.
5. Fence sitters: They are in – differentiated to the brand.
6. Committed: They will be the truly loyal customers.

* **Brand Association:** Anything that connects / links with your brand.

Example: **Titan** is about the **‘Jingle’**, **Thumbs up** is about **‘Salman Khan’**, **Décor** is about **‘Gauri Khan’**, **Slice and Aamsutra** is about **‘Katrina Kaif’**, **Olay** is about **‘Kalki Koechin** and her **story** and **background music’**.

**What do you understand by New Product Development and discuss it with suitable example?**

* Product development also called as product management is a series of steps that include 8 steps of newly created or newly rebranded goods or services. The objective is to cultivate, maintain and increase a company’s market share by satisfying a consumer demand.
* Not every product will appeal to every customer or client base, so defining the target market for a product is a critical component that must take place early in the product development process.
* Diagrammatic Representation of the Process of New Product Development is as follows:

Idea Generation

Idea Screening

Concept Development

Marketing Strategy Development

Business Analysis

Product Development

Test Market

Commercialisation

* The process of new product development is as follows:

1. **Idea Generation (Objectives, market research, competitors, customer feedback, customer complaints, research & development):** Development will start with a concept. The rest of process will ensure that ideas are tested for their viability so; in the beginning all the ideas are good ideas. Ideas can and will come from many different directions. The best is to start with SWOT analysis which incorporates current market trends. This can be used to analyse your company’s position and find a direction that is in line with your business strategy.
2. **Idea Screening (Discard all those concepts which are not feasible and keep feasible concepts):** It is to ensure that unsuitable ideas, for whatever reason are rejected as soon as possible. Ideas need to be considered objectively, ideally by a group or committee. A specific screening criterion needs to be set for this stage, looking at the ROI and market potential. To avoid product failure, these questions need to be considered carefully.
3. **Concept development (Develop a concept and think of physical attributes related to the product):** Internal opinion isn’t the most important. You need to ask people what matters the most – your customers. Using a small group of your true customer base – those that convert the idea need to be tested to see their reaction. Idea should now be a concept with enough in depth information that the consumer can visualise it. Do they understand the concept? Do they want or need it? This will give you a chance to develop the concept further and considering their feedback, but also to start thinking about what your marketing message will be.
4. **Market strategy development (4Ps):** How will be the product launched in the market. A proposed marketing strategy will be written laying out marketing mix of product, the segmentation, targeting and position strategy and expected sales and profits.
5. **Business analysis (Discuss finance, ROI, Variance, Market share after 5 years, Capital amount):** A business case needs to be put together to access whether the new product/ service will be profitable. Include detailed marketing strategy. Highlighting target markets, product positioning and marketing mix. **Analysis:** whether there is a demand for the product, full appraisal for the costs, competition and identification of a break – even point.
6. **Product Development (Develop Prototype):** This is when a prototype or a limited production model will be created. This means you can investigate exact design and specification and any manufacturing methods, but also gives something tangible for consumer testing for feedback on specifics like look, feel and packaging.
7. **Test Marketing (Select small markets and check if people like your product):** Testing of a product within a specific geographical area. The product will be launched within a particular region so the marketing mix strategy can be monitored and if needed modified before final launch.
8. **Commercialization (Final Launch):** When the concept has been developed and tested, final decisions need to be made to move the product to its launch into the market.

**Explain the concept of Product mix?**

* Product mix consists of 3 types:

1. Consistency
2. Width
3. Depth

* Diagrammatic representation of product mix is as follows:

Width

Depth

Consistency

* **Width:** How many product lines you are operating. Example: HUL: Oil care, Hair care, Skin care, Soaps, Deodorants, and Detergents.
* **Depth:** How many variations you have for particular product. Example: Soaps by HUL has 9 different categories.
* **Consistency:** Whenever you share any product line with other product line. That product line is consistent with that parameter.

**Explain the classification of Product in detail?**

* Definition: A product is anything that can be offered to the market that might satisfy a want or need. A product is a set of tangible and intangible attributes, which may include packaging, colour, price, quality, brand and seller’s services and reputations.
* The concept of product classification consists of dividing products according to specific characteristics so that they form a structured portfolio. In general manufacturers use an informal product classification system but there are also many standardized methods of product classification devised by various industry organisations.
* Diagram of classification of products is as follows:

**Convenience goods**

**Shopping goods**

**SHOPPING HABITS**

**Speciality goods**

**Unsought goods**

**Non – Durable goods**

**Durable goods**

**DURABILITY AND TANGIBILITY**

**Services**

**Materials and parts**

**INDUSTRIAL GOODS**

**Capital items**

**Supplies**

1. **Convenience Goods:** These are basically low – priced, nationally advertised items like cigarettes, toffee, or blades and matchboxes. These are bought frequently but consumers rarely shop actively for them because they are low value items whose price and quality do not justify active involvement. They are widely available at many outlets. They have 3 subclasses as:
2. **Staple goods:** This includes bread, milk, eggs, butter which is bought routinely because the family regularly consumes them. The decision to buy these products is programmed after the first time when the consumer puts them on his list of regular items.
3. **Impulse goods:** This includes savvy magazines and toffees and chocolates (placed at a child’s eye level). The desire to buy staple goods may cause the consumer to go shopping. The desire to buy impulse goods is a result of the shopping trip.
4. **Emergency goods:** This results from urgent and compelling needs. Often a consumer pays more than if this need had been anticipated. Example of this would be hotels permit shops vending toothbrushes and shaving blades set up in the lobbies to cater to travellers who have forgotten theirs at home.
5. **Shopping Goods:** These goods include price and quality comparisons. Shoppers spend more time, cost and efforts to compare because they perceive a higher risk in buying these products. They can be homogenous or heterogeneous.
6. **Special Goods:** For these products, consumers have strong convictions as to brand, style or type. Mitsubishi Lancers, Ray – Ban Glasses, Leica Cameras and Johnny Walker Scotch Whiskey are some of the examples. Consumers will go out of their way to locate and buy these products because they perceive quality and other benefits in owing them.
7. **Unsought Goods:** They are products which are present in the market but the potential buyers do not know that such product exist or there can be a possibility that the buyer don’t want it. There are two types: Regularly unsought products and new unsought products.

**Life insurance and doctor’s services in an emergency are the examples of regularly unsought products and oral polio vaccines are the example of new unsought product.**

1. **Non – Durable Goods:** These consist of tangible goods that are low priced and purchased frequently such as shampoos, deodorants, etc. They are heavily advertised.
2. **Durable Goods:** These are also tangible goods but are targeted for many users. For this more personal selling is required as well as guarantee is to be provided, resulting in higher margins. Example: Chairs and couches.
3. **Services:** These are intangible goods. They require more quality control and credibility than non – durable goods and durable goods.
4. **Materials and Parts:** This includes raw materials and manufactured materials and parts. Raw materials consist of farm products (wheat, cotton, etc.), natural products (fish, lumber, etc.)
5. **Capital Items:** these aids in the buyer’s production or operations including installations and accessory equipment.
6. **Supplies:** This includes operating supplies (Lubricants, coal, paper, etc.) and repairs maintain items