

Product

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Product and Services

- Product—Anything that can be offered to a market for attention, acquisition, use or consumption that might satisfy a want or need. It includes physical objects, services, persons, places, organisations and ideas.
- Services—Activities, benefits or satisfactions that are offered for sale. Services are products that consist of activities, benefits or satisfactions that are offered for sale that are essentially **intangible and do not result in the ownership of anything**. Examples are banking, hotel, haircuts

Levels of product Product

- Planners need to think about the product on three levels. Each level adds more customer value.
- The most basic level is the core product, which addresses the question: What is the buyer really buying?
- The core product stands at the centre of the total product. It consists of the core, problem-solving benefits that consumers seek

Core product (Core Customer Value)

- —The problemsolving services or core benefits that consumers are really buying when they obtain a product.
- A woman buying lipstick buys more than lip colour. Charles Revson of Revlon saw this early: 'In the factory, we make cosmetics; in the store, we sell **hope**.'

Actual Product and Augmented Product

- Actual product—A product's parts, quality level, features, design, brand name, packaging and other attributes that combine to deliver core product benefits. Planners turn must turn the core benefits into an actual product.
- Augmented product— Additional consumer services and benefits built around the core and actual products by the planners.

AUGMENTED PRODUCT

Installation

ACTUAL PRODUCT

Packaging

CORE PRODUCT

Core benefits or services

Delivery
and
Credit

After Sale
Services

Brand
Name

Quality

Styling

Features

Product Support

Warranty

Product Classifications

- **Consumer Products** are products and services bought by final consumers for personal consumption.
- **They include**
 - Convenience products
 - Shopping products
 - Speciality products
 - Unsought products

Convenience Products

Features:

- Frequent purchase
- Little planning
- Little comparison between brands, little shopping effort
- Low customer involvement (not costly)
- Low price
- Widespread distribution, available at convenient locations
- Mass promotion by producer
- Ex: Tooth paste, magazines, detergent

Shopping Products

- Less frequent purchase,
- Much planning, shopping effort
- Comparison of brands on price, quality, style
- Higher price
- Selective distribution in fewer outlets
- Advertising and personal selling by both producer and resellers
- Ex: Furniture, home appliances, clothing

Speciality Products

- It is a consumer product with unique characteristics
- Strong brand preference and loyalty, special purchase efforts
- High price
- Widespread distribution in many outlets
- More carefully targeted promotion by both producer and resellers
- Ex: luxury goods, rolex wathches, refregerators, TVs, branded cars etc

Unsought Goods

- Little product awareness, little knowledge, consumer does not normally think of buying.
- Price varies
- Distribution varies
- Aggressive advertising and personal selling by producer and resellers.
- Ex: Life insurance, Red Cross blood donations

Product decisions

- Quality: The characteristics of a product that bear on its ability to satisfy stated or implied customer needs.
- Major positioning tool
- It has a direct impact on product performance.
- It is closely linked to customer value and satisfaction
- Quality is "freedom from defects"
- "Quality is when our customers come back (to buy more), and our products don't!"
- High quality means high consistency in performance

Product design and style

- Design is larger concept than style. It contributes to usefulness. It begins with deep understanding of customer needs. It involves shaping the customer's product-use experience
- Style is the appearance of a product. It is eye catching.
- Ex:
Nano car : stylish, comfortable;fuel efficient engine;meets all safety requirements ;
environmental friendly

Branding

- A name, term, sign, symbol, design, or a combination of these that identifies the product of sellers and differentiates them from the those of competitors
- Ex: Amul milk, Amul Ice Creams
- Godrej steel almirah
- Haldiram's snacks
- Canon camera

Branding Benefits to Consumers

- Brand names help customers identify products that might benefit them
- Brands speak of features such as product quality and consistency.
- Consumers believe that they will get same features, benefits and quality each time they buy.

Branding benefits to sellers

- The seller's brand name and trade mark provide legal protection for unique product features that otherwise might be copied by competitors
- The brand name becomes the basis of product's special qualities.
- Good brands create loyal customers who buy the same brand
- Branding helps the seller to segment markets
- Ex: Toyota Motor Corporation can offer the major Lexus, Toyota, and Scion brands, each with numerous sub-brands such as Camry, Prius, Matrix, Yaris, Tundra, Land Cruiser, not just one general product for all consumers.

Branding Strategy

- Brands represent consumer's perceptions and feelings about a product and its performance
- They exist in the heads of the consumers.
- Products are created in the factory but brands are created in the minds
- A powerful brand has high brand equity.
- Brand equity is the differential effect that knowing the brand name has on customer response to the product
- It measures the brand's ability to capture customer preference and loyalty. A positive brand equity means customers react more favorably to it than to an unbranded version of the same product.

Brand strength Measurement

- 1. Differentiation(What makes the brand stand out)
- 2. Relevance (How consumers feel it meets their needs)
- 3. Knowledge (How much consumers know about the brand)
- 4. Esteem (How highly consumers regard AND respect the brand)

Major brand strategy decisions

- They involve:
- Brand positioning (attributes, benefits, beliefs and values)
- Brand name selection (Selection, protection)
- Brand sponsorship (Manufacturer's brand, Private brand, Licencing,Co-branding)
- Brand development (Line extensions,Brand extensions,Multi brands,New brands)

Attributes

- P&G invented disposable diaper category with Pampers brand
- Attributes include fluid absorption, fit and disposability

Benefits

- Pampers provides Skin health benefits from dryness
- Volvo (Safety)
- FedEx (guaranteed on-time delivery)
- Nike (performance)
- Mercedes Benz (quality)

Beliefs and values

- Pampers are more about parent-child relationship and total baby care, relaxation during journeys etc.
- Brands create excitement, surprise, passion surrounding a brand
- A brand is the company's promise to deliver specific set of features, benefits, experiences consistently to buyers.
- The brand's promise must be simple and honest

Brand name selection

- It should suggest something about product's benefits and qualities (Fair & Lovely, Fair & Handsome, Sugar Free Natura)
- It should be easy to pronounce, recognize and remember (Tide, Nirma,iPod Touch)
- The brand name must be distinctive (Lexus, Indica)
- It should be capable of registration and legal protection
- It should translate into foreign languages easily(Standard Oil of New Jersey rejected the name Enco which means a stalled engine when pronounced in Japanese, and changed it into Exxon)

Brand sponsorship

- The manufacturer has 4 sponsorship options
- 1. National brands (Own brands, manufacturer's brand)
- Ex: Sony Bravia HDTV, Kellogg's frosted flakes
- 2. Manufacturer may sell to resellers who give the product a private brand name (Store brands, Distributor's brand)
- 3. Some companies license names or symbols previously created by other manufacturers (Licensing) for a fee
- 4.Co-branding (Two established brand names of different companies are used on the same product)

Co branding examples

- Citibank + Jet Airways both created Jet Citi Travel Card
- Citibank + Big Bazar created Citi Big Bazar Credit Card
- Hero Cycles of India + Honda of Japan . gave Hero honda (in 1984) Hero group bought the shares of Honda in 2010. Hero MotoCorp was formed in August, 2011 as a new corporate entity.

Brand Development Strategies

- **1. Line extensions** (new forms,colors,sizes,ingredients,flavors of existing product category).

Ex: **Bata** expanded into regular shoes, premium shoes, sports shoes, sandals, socks,monsoon-wear etc.
(in footwear category)

HUL offers Lux, Rexona, Lifebuoy,Pears in Soap product category

- **2. Brand extension** (extending same brand name to new product categories).

Ex: Maggi brand name is extended to Maggi Noodles, Maggi Tomato Ketchup, Maggi Soups

- **3. Multi brands** : Companies often introduce additional brands in the same category)
- Procter & Gamble (P&G) includes Pampers, Gain, Tide, Pantene, Crest etc.
- FaceBook includes Facebook app, Messenger, Instagram, whatsApp,Portal, Calibra
- **4. New Brands** : Companies create new brands for new product category for which the company's current brand names are not appropriate. TataMotors created Tata Ace brand targeted small transportors who just started transport business.

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Product Category

Existing

New

Existing

Line Extension

Brand Extension

New

Multi brands

New brands

Figure: Brand Development Strategies

Packaging

- It includes the activities of designing and producing a container or wrapper for a product.
- The package may include :
 - the product's immediate container,
 - a secondary package that is thrown away when the product is about to be used and
 - the shipping package (transport package) to store, identify and transport the product.

Functions of packaging

- Its primary function is the product safety. It contains the product and protects it.
- It attracts attention of customers
- It describes the product features
- It makes the sale of the product

Specific Elements of Packaging

- Size
- Shape
- Materials
- Colour
- Text (qualities about product, company details etc). To support product's position, marketing strategy.
- Brand mark

Packaging Strategies

- **Family Packaging** (the entire product line closely resemble one another)
- **Re-Use Packaging** (a package can be reused for other purposes after the product has been exhausted or taken out of it). Boost or Horlicks Jar can be used for storing spices etc after the product is consumed.

- **Multiple Packaging** (A number of heterogeneous products to be used by one consumer are placed in a single package)Cosmetic items are placed in a single box.
- **Ecological Packaging** (to protect physical environment)
 - Use of returnable bottles, containers
 - Use of light weight packaging material
 - Use of decomposable containers

Labelling

- They are simple tags attached to products or complex graphics that are part of package.
- A label carries only the brand name or a great deal of information.
- It identifies the product or brand , grade of the product ,describe several things about the product, promote the product.

Product Mix

- It has a full list of products offered for sale by a company.
- It has 4 dimensions (Width, Length, Depth and Consistency)
- **Width** is the number of different product lines the company carries.
- **Length** consists of total number of items the company carries within its product lines.
- **Depth** refers to the number of versions offered of each product in the line.
- **Consistency** refers to how closely related the product lines are (with one another) in end use, production requirements, distribution channels or some other way.
- Ex: Bajaj Electricals has different product lines (width or breadth):
 - bulbs, fluorescent lights, mixies and grinders, toasters, pressure cookers.

Product Line

- A group of products that are closely related because they function in a similar manner, they are sold to the same customer groups, they are marketed through the same type of outlets, or fall within given price ranges. They are used together.
- Ex: Lux, Rexona, Liril, Lifebuoy together form a product line in **bathing soap category** by Hindustan Unilever Ltd

Product mix

<-----Length ----->

- Product line-1 1-a 1-b 1-c 1-d 1-e
- Product Line-2 2-a 2-b
- Product Line-3 3-a 3-b 3-c
- Product Line-4 4-a 4-b

Product Mix Length = Total no. of items from all lines = 12

No. of different product lines = 4

Average length of each line = $12/4 = 3$

Sony

- It has 4 primary product businesses
- Sony Electronics
- Sony ComputerEntertainment (Games)
- Sony Pictures Entertainment(movies, tv shows, music, DVDs)
- Sony Financial Services (Life insurance, banking,and other offerings)

Sony Electronics

- **Product Mix Width** consists of several different product lines the company carries.
- **Sony Electronics**, in short, has the following 4 different lines.
 - 1. Cameras & Cam recorders
 - 2. Computers
 - 3. TV and home entertainment products
 - 4. Mobile electronics

Product Mix Length

- **Product Mix Length** (refers to *total number of items the company carries within its product lines*)
- Sony carries many products within each line.
- In Camera & Cam recorder line, the following products:
 - 1. Digital camera
 - 2. Cam recorders
 - 3. Photo printers
 - 4. Memory media
- **(Note:** The product line length signifies how many products a given line includes)

Depth of Digital cameras

- **Depth** refers to number of various versions available in each product in the line.
- In "digital cameras" (a product from Camera & Camrecorder line) there are various versions:
 - Different sizes (big, medium, small)
 - Different shapes/styles
 - Different colors if any
 - Different configuration(number of pixels, memory storage capacity etc)

Consistency

- It refers to **how closely the product lines are related to one another** in end use, production requirements, distribution channels, or some other way.
- Sony product lines are fairly **consistent** in that they perform similar functions for buyers and go through the same distribution channels.

The width of the HUL Product mix:



❖ *The width of the product mix refers to the number of different product line the company carries*

E.g:

- ✓ *Personal wash*
- ✓ *Laundry*
- ✓ *Skin care*
- ✓ *Oral care*
- ✓ *Deodorants*
- ✓ *Colour cosmetics*
- ✓ *Ayurvedic personal and health care*

✓ Shampoo

✓ Tea

✓ Coffee

✓ Foods

✓ Ice cream

$Width = 12$

The length of the HUL Product mix:



❖ *The Length of the product mix refers to the total number of items in the product mix.*

E.g:

- ✓ *Personal wash: Lux, Lifebuoy, Liril, Hamam, Breeze, Dove, Pears, Rexona*
- ✓ *Laundry: Surf excel, Rin, Wheel*
- ✓ *Skin care: Fair & Lovely, Ponds, Vaseline, Aviance*
- ✓ *Oral care: Pepsodent, Close up*
- ✓ *Deodorants: Axe, Rexona*
- ✓ *Colour cosmetics: Lakme*
- ✓ *Ayurvedic personal and health care: Ayush*

- ✓ Shampoo: Sunsilk, Clinic
- ✓ Tea: Brooke Bond, Lipton.
- ✓ Coffee: Bru
- ✓ Foods: Kissan, Annapurna, Knorr
- ✓ Ice cream: Kwality walls

Product Mix Length = 30
Average Length of each line = $30/12 = 2.5$

The Depth of the HUL Product mix;

- ❖ *The depth of the product mix refers to the number of variants of each product offered in the line*

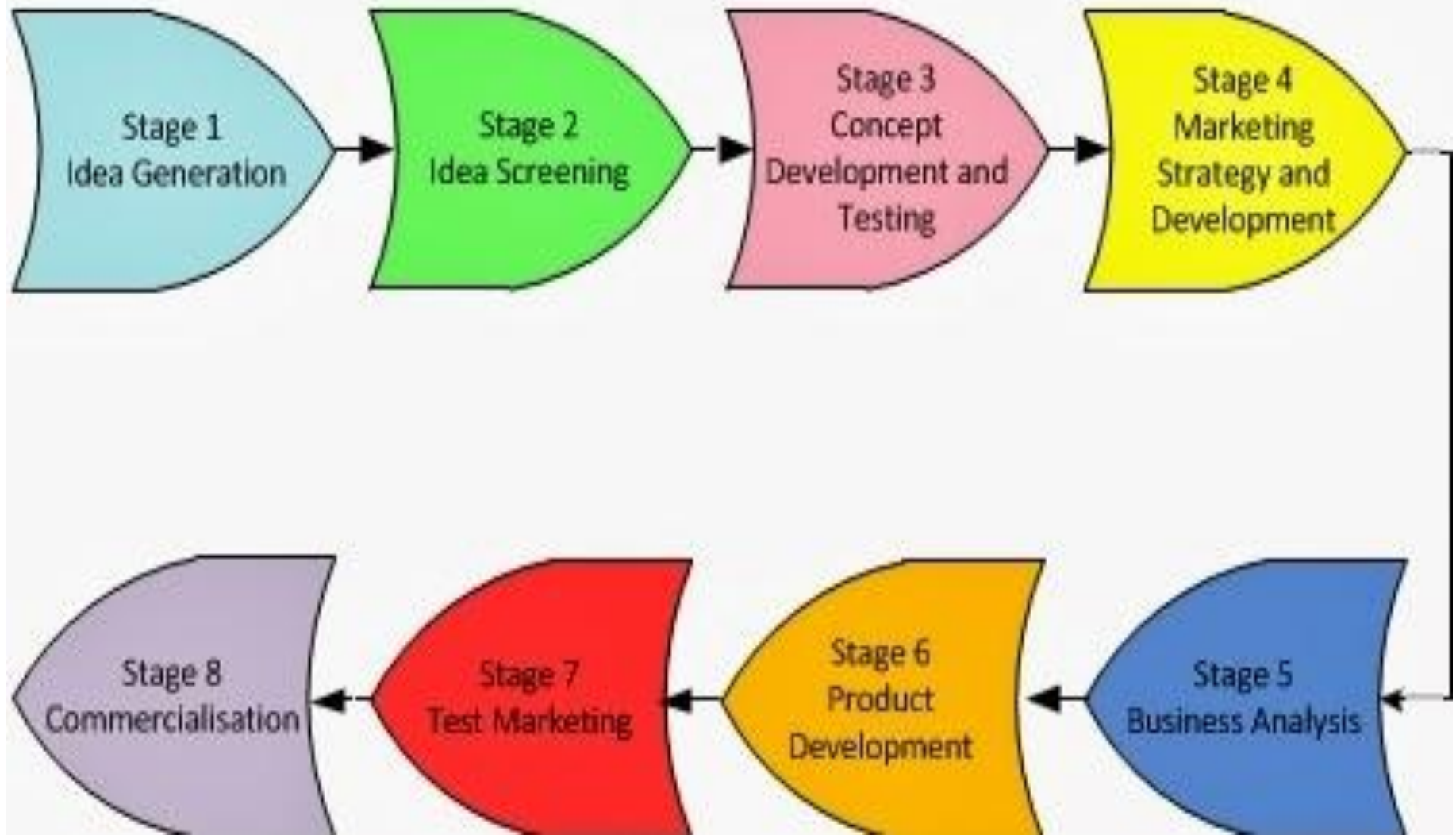
E.g: If close up toothpaste comes in three formulation and in three sizes, close up has a depth of 9 (3×3)

The Consistency of the HUL Product mix;

- ❖ *The consistency of the product mix refers to how closely related the various product lines are in the use, production requirement, distribution channel or in any other manner.*

HUL Product line are not consistent because of its large width.

New Product Development



- **Idea generation**— The systematic search for new-product ideas.
 - -Internal sources like employees, executives, scientists of R&D, engineers, manufacturing staff, sales people, and top management.
 - -External sources like customers, competitors, distributors, suppliers
- **Idea screening**—Screening new-product ideas in order to spot good ideas and drop poor ones as soon as possible. Ideas that will turn into profitable products are considered.
- **Concept Development:**
 - Product idea—An idea for a possible product that the company can see itself offering to the market.
 - Product concept—A detailed version of the new-product idea stated in meaningful consumer terms.
 - Product image—The way consumers perceive an actual or potential product

- Concept Development: Develop a practical battery powered all electric car.
- Idea: 100% electric car will accelerate from 0 to 60 mph in 4 seconds, travel more than 250 miles on a single charge
- Concept 1:affordable price, mid size, for town purposes, for visiting friends, parks, markets, theatres etc.
- Concept 2: mid price,sporty car for young people
- Concept 3: A "Green" car appealing to environmentally conscious people, low pollution
- Concept 4: A high end mid size utility vehicle with high mileage.

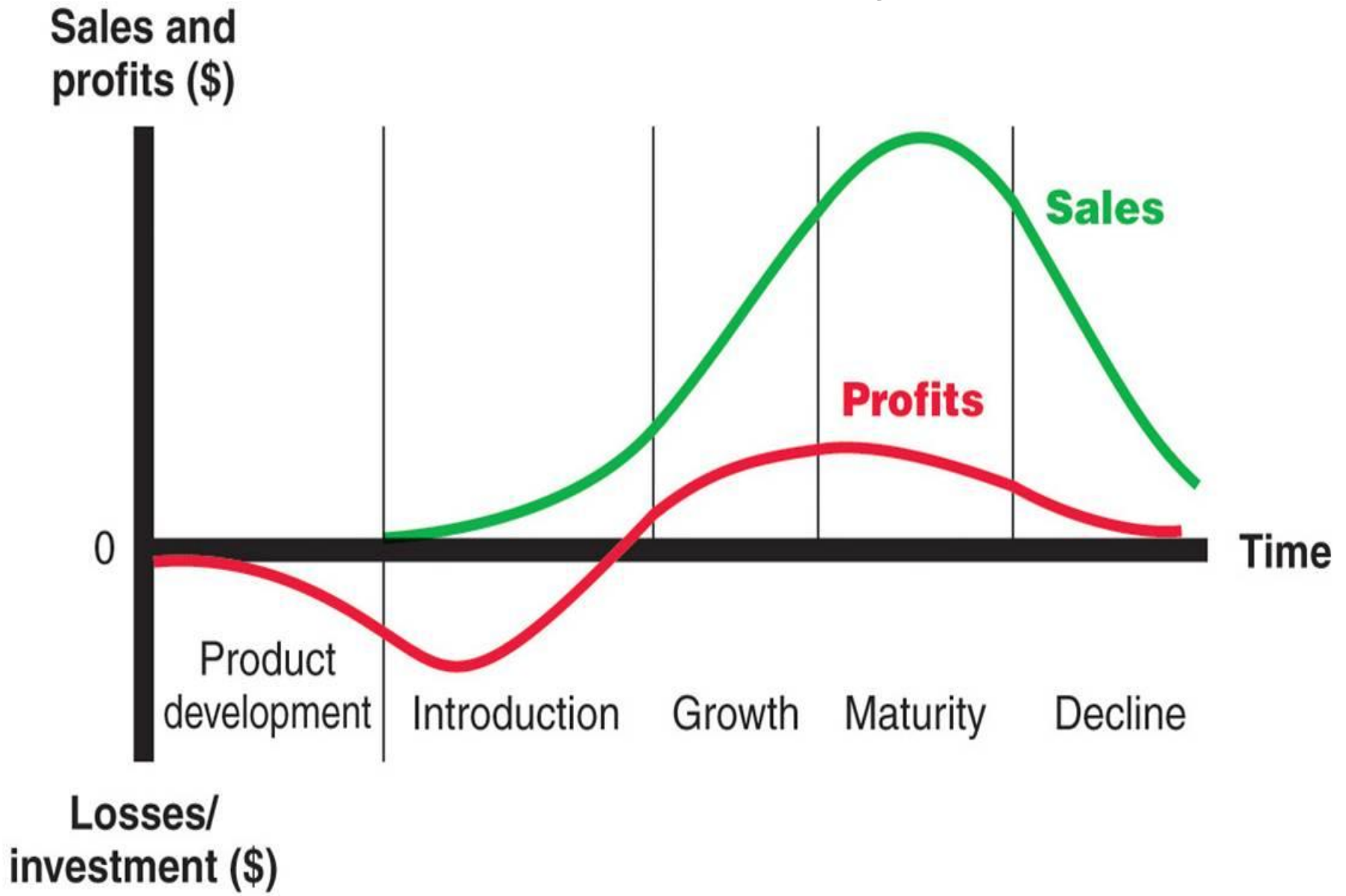
- Concept testing—Testing new-product concepts with a group of target consumers to find out whether the concepts have strong consumer appeal.(Would you such a car?)
- **Market Strategy Development:**
- Marketing strategy—The marketing logic by which the business unit hopes to achieve its marketing objectives.

- Marketing strategy statement—A statement of the planned strategy for a new product that outlines
- the intended target market (younger, moderate to high income people, or small families seeking practical, environmentally responsible transportation);
- the planned product positioning (" more fun to drive, Less polluting") and
- the sales (100,00 cars in 1st year), market share and profit goals for the first few years

- **Business analysis**—A review of the sales, costs and profit projections for a new product to find out whether these factors satisfy the company's objectives. The past sales history of similar products and market surveys help in estimation.
- **Product development**— Developing the product concept into a physical product in order to ensure that the product idea can be turned into a workable product

- **Test marketing**—The stage of new-product development where the product and marketing programme are tested in more realistic market settings.
- **Commercialisation**— Introducing a new product into the market. It will have high costs. The company will have to build /rent a manufacturing facility. Funds must be raised to gear up production to meet demand and spend money for advertising and sales promotion in the first year.

Product Life Cycle



Features of PLC

- Every product has limited life
- Product sales vary from one stage to another stage. Sales rise and fall at different stages
- Profits rise and fall at different stages
- Product requires different marketing strategies in each stage of PLC.

PLC

- It is the course of a product's sales and profits over its lifetime.
- It involves 5 distinct stages.
- PLC attempts to recognize distinct stages in the sales history of a product
- Products move through the cycle of product development, introduction, growth, maturity, saturation and decline stages

Product Development

- The company finds and develops a new product idea.
- During this stage sales are zero and
- Company's investment costs are high.

Introduction

- The product is new and distinctive. The product is introduced in the market. It is first distributed and made available for purchase.
- Profits are nonexistent because of heavy expenses of product introduction.
- It replaces an existing product.
- Slow rise in sales and profit margins. Low sales, negligible profits
- Competitors are few
- Customers are "Innovators"

Growth

- Fast growth in sales. Sales rise rapidly.
- Profits are at peak level
- Competitors are growing in number at this stage.
- Customers are "Early adopters"

Maturity

- Sales growth slows or levels off.
- Profits decline
- Many competitors
- Customers are "Middle majority"

Decline

- Sales decline.
- Low profits
- Declining number of competitors
- Customers are "Laggards"

Pricing Methods

- Price—The amount of money charged for a product or service, or the sum of the values that consumers exchange for the benefits of having or using the product or service.
- Dynamic pricing—Charging different prices depending on individual customers and situations

1. Cost Oriented Pricing

- **1. Cost-plus pricing**—Adding a standard mark-up to the cost of the product.
- The **difference between selling price and cost** as a percentage of selling price or cost.

Ex: The manufacturer's cost per toaster is Rs.16.

Now suppose the manufacturer wants to earn a 25% profit on cost. The manufacturer's mark-up price is given by:

$$\begin{aligned}\text{Mark-up price} &= \text{Cost} + \text{Profit} \\ &= \text{Rs}16 + (25\% \text{ on cost of Rs}16) = \text{Rs}16 + \text{Rs } 4 = \text{Rs } 20\end{aligned}$$

2. Marginal Cost pricing:

$$\text{Break even Price} = \text{Marginal cost} = \text{Marginal Price}$$

2. Competition Oriented Pricing

- 1. Going rate pricing: it is market price
- 2. Sealed bid pricing: Government announces tenders (sealed bids).The lowest quotation price is selected

3. Marketing Strategy Based Pricing

- **1. Skimming Price method:** Highest price is fixed for a newly launched product to attract the rich class consumers. Once the segment is saturated, then price is reduced to attract the next income segment (middle class segment). Once middle class segment is saturated, then the price is further reduced to attract the next lower income segments.

- **2. Penetration pricing method:** The product is kept at the lowest price to grab the largest market share. Ex: Snacks
- **3. Product Bundling price:** A bundle of similar products packed together and sold as a single package. (i.e. A bundle of 4 Lux soaps+1 Lux soap free) .Buy 4 and get 1 free is the promotion.
- **4. Commodity bundling price:** Different items sold in a single pack as combo offer.
Ex: Combo pack of 5 KG sugar+5 Ltrs Sunflower oil+ 5 KG Basmathi rice packet

- **5. Transfer pricing:** Selling goods within department. One department sells its product to other department at low price.
- **6. Complimentary goods pricing:** Software is sold at high price while its complementary good hardware is sold at low price.
- **7. Demand based pricing:** High demand, then sell at high price. Low demand , then sell at low price.
- **8. Value pricing:** low price but more benefits . It wins loyal customers

Place (Distribution)

- The process of distribution involves the movement of goods from the point of production to the point of consumption
- It is the means through which goods move from producer to the ultimate consumer or users or industrial user.
- American Marketing Association(AMA)-"A channel of distribution is the structure of intra company organizationunits (own stores) and extra-company agents and dealers, wholesalers and retailers through which a commodity, product or service is marketed"

Types of Channels

- 1. Direct channel (Zero level channel):

Manufacturer

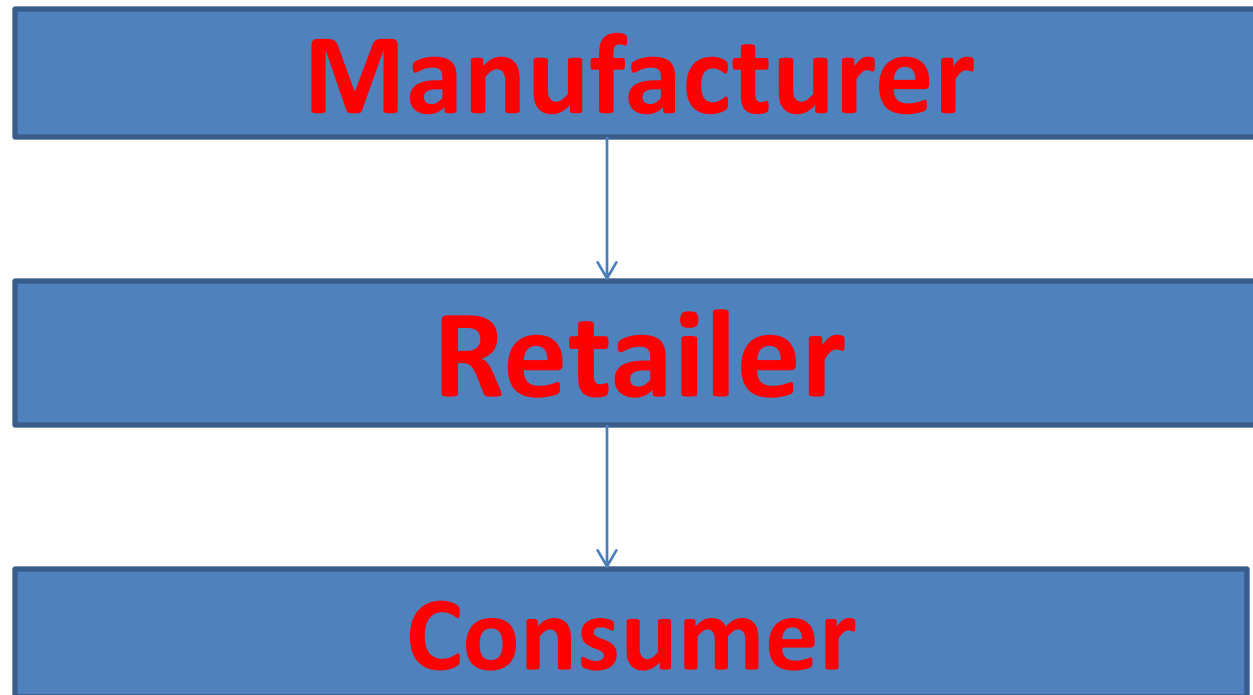


Consumer

Ex: Bata Ltd, Raymonds, DCM sell through their own outlets directly to customers

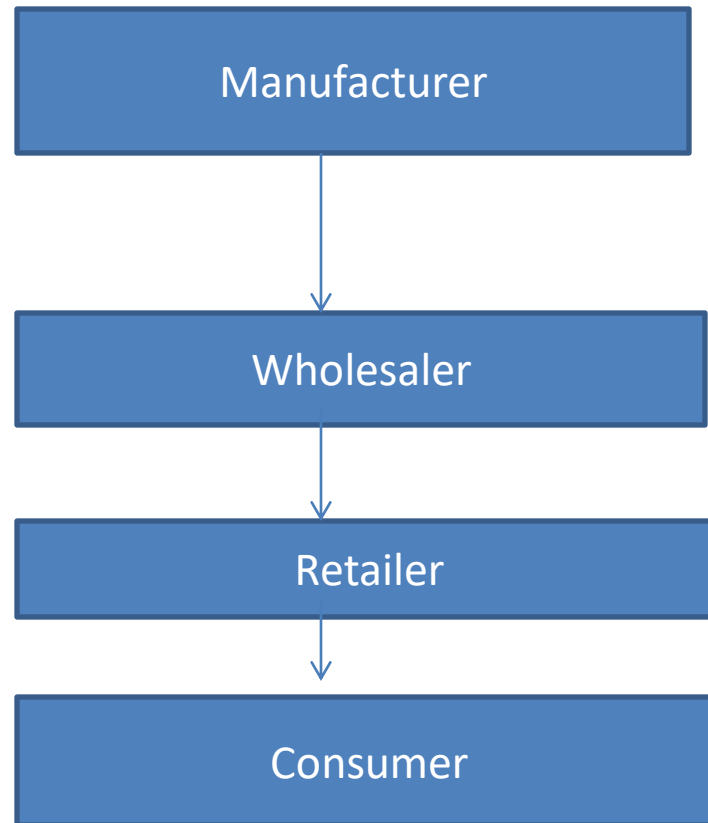
Indirect Channels of Distribution

- **1- Level Channel:**



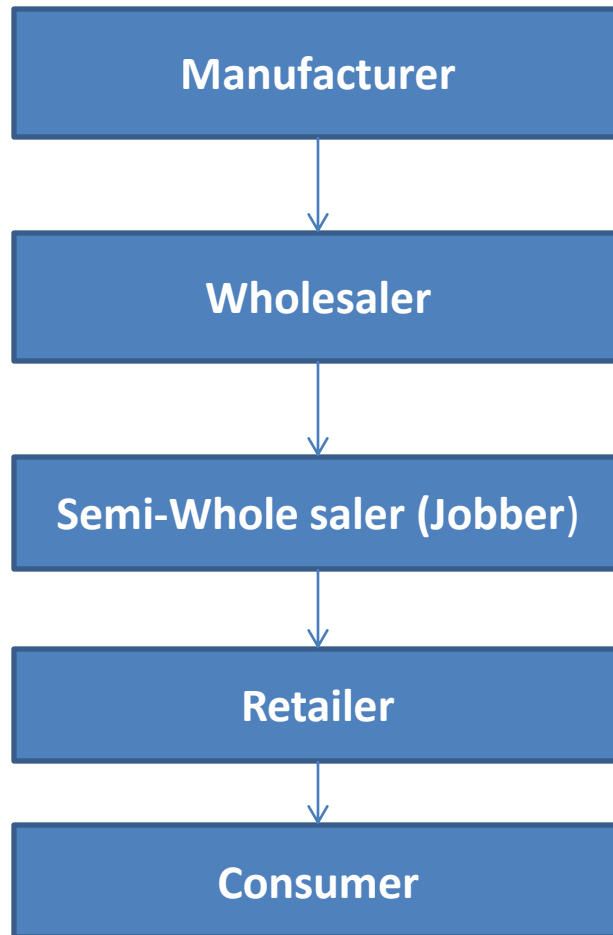
Ex: Departmental Stores, Chain stores, Super markets

2 Level Channel



Ex: HUL has 4,000 redistribution stockists dealing in all products. Stockists redistribute to 300,000 retailers in the country

3 Level-Channel



Ex: Indian Textiles Companies adopted it

Channel Behavior

- A marketing channel consists of firms that have partnered for their common good. Each partner depends on others.
- Dealer depends on manufacturer who designs products that meet customer needs. In turn, the manufacturer depends on dealer to persuade target customers to buy his products. Tata depends on dealer to attract customers, persuade them to buy Tata cars and service the cars.

Volvo Car Producer and dealer

- Volvo car producer depends on dealers to sell his cars. Dealer provides service to customer to uphold Volvo company reputation. Channel members clarify doubts of buyers. Co-operation between dealers is essential.

Channel Conflict

- Disagreement among marketing channel members on goals and roles—who should do what and for what rewards.
- **Horizontal Conflict**: it occurs among firms at the same level of the channel(i.e. between, two dealers, or between 2 retailers etc)
- Ex: Dealers in Hyderabad might complain that the other dealers in the city steal sales from them by pricing too low or by advertising outside their assigned territories.

- **Vertical Conflict**: it occurs between different levels of the same channel.
- Ex: Retailers may not co-operate with company because of its policies, the trade margin it offers to them, or its behavior.

Channel Design Decisions

- Marketing channels are part of the overall customer-value delivery network.
- Marketing channel design : Designing effective marketing channels by
- Analyzing consumer needs (Each channel member adds value for customer satisfaction. So find out what customers want from the channel.)
- Setting channel objectives (Decide which segments to serve, which channel is best for meeting customer-service requirements by minimizing cost. Perishable items require more direct marketing to avoid delays)

Identifying major channel alternatives

- The company should identify major channels in terms of types of intermediaries, the number of intermediaries, and the responsibility of each channel member
- **Types of intermediaries:** Direct and Indirect intermediaries.
- **Number of intermediaries:**
 - 1. **Intensive distribution:** Stocking the product in as many outlets as possible
 - 2. **Exclusive distribution:** Giving a limited number of dealers the exclusive right to distribute the company's products in their territories.

- 3. **Selective distribution**: The use of more than one , but fewer than all, of the intermediaries who are willing to carry the company's products.
- Responsibilities of channel members: They should agree on price policies, conditions of sale, territorial rights, prompt payment of dues etc

Evaluating the major alternatives

- Select the best channel member which satisfies the company's long term objectives on the basis of economic, control and adaptive criteria.
- SWOT analysis of distribution channels helps for evaluating effectively and efficiently.