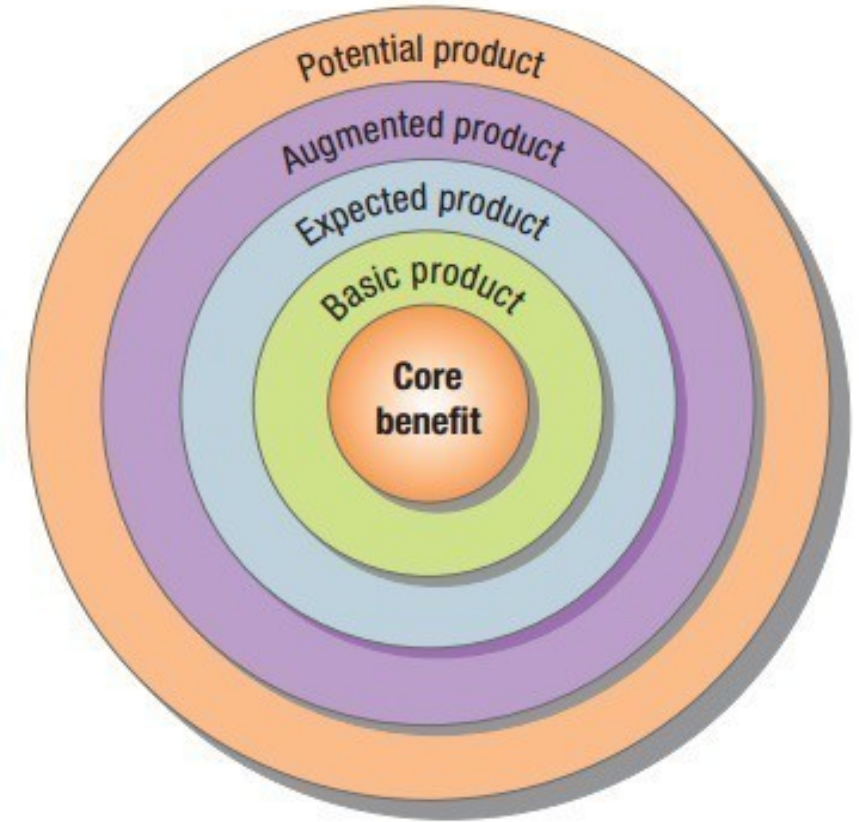


CHAPTER 11: SETTING PRODUCT STRATEGY

Product is anything that can be offered to a market that might satisfy a want or need.

Product levels: The customer value hierarchy

- 1) Core benefit: The benefit or the service a customer is really buying. Example - A hotel guest buying a hotel room on rent for rest and sleep.
- 2) Basic product: Marketer must turn the core benefit into a basic product. Example - A hotel room includes bed, bathroom, towels, etc.
- 3) Expected product: A set of attributes and conditions buyers normally expect when they purchase a product. Example - Hotel guest expecting clean bed, clean bathroom, Fresh towels, etc.
- 4) Augmented product: Products that exceeds customer expectations. Example - Breakfast starting time much before the timing that most of the customers expect.
- 5) Potential product: When companies search for new ways to satisfy customers and distinguish their offering.



PRODUCT CLASSIFICATIONS

On the basis of durability and tangibility

- 1) Non-durable goods: Tangible goods normally consumer in one or few uses. Product's usage period is not much lengthy.
- 2) Durable goods: Tangible goods that survive despite many usage and survives for a longer period.
- 3) Services: Is an act or performance one party can offer to another that is essentially intangible and does not result in ownership of anything.

Classification of consumer goods

- 4) Convenience goods: Goods that the consumers purchase on a regular basis, immediately with minimal comparisons
 - Staples : Goods consumers purchase on a regular basis (Toothpaste, soap, etc).
 - Impulse Goods: Purchased without any planning or search efforts (Newspapers)
 - Emergency Goods: Are purchased when a need is urgent (umbrellas during a rainstorm).
- 2) Shopping goods: Compared on bases as ability, price, quality & style. Are purchased on infrequent basis.
 - Homogeneous shopping goods: Are similar quality but different enough in price to justify shopping comparisons.
 - Heterogeneous shopping goods: Differ in product features & services that maybe more important than Price.

- 3) Specialty goods: Goods with unique characteristics or brand identification for which a significant group of buyers are willing to make a special purchase effort
- 4) Unsought goods: Goods that consumers usually do not know about or normally think of buying.

Classification of industrial goods

- 5) Materials & Parts: Goods that enter the manufacturer's product completely.
 - a) Raw materials
 - b) Manufactured materials and parts
 - Component materials: Further processing/modifications are done
 - Component parts: Enter the finished goods without any further change in form
- 2) Capital Items: Long-lasting goods that facilitate developing or managing the finished product.
- 3) Supplies and Business Services: Short-term goods and services that facilitate developing or managing the finished product.
 - a) Supplies
 - Maintenance and repair items
 - Operating supplies (oil, lubricants, papers, pens, etc)
 - b) Business services
 - Maintenance and repair services
 - Business advisory services (legal services, management consulting services, etc)

PRODUCT DIFFERENTIATION (Mainly about goods differentiation)

- **Form** - Size, shape or physical structure of a product helps in differentiating it from others.
- **Features** - Most products can be offered with varying features that supplement their basic function.
- **Customization** - Companies have increased their ability to individualize market offerings, messages and media.
- **Performance quality** - The level at which the product's primary characteristics operate.
- **Durability** - A measure of the product's expected operating life under natural or stressful conditions.
- **Conformance quality** - The degree to which all the produced units are identical and meet promised specifications.
- **Reliability** - Measure of the probability that a product will not malfunction or fail within a specified time period.
- **Repairability** - Measures the ease of fixing a product when it malfunctions or fails.
- **Style** - Describes the product's look and feel to the buyer. It creates distinctiveness that is hard to copy.

SERVICES DIFFERENTIATION

When the physical product cannot easily be differentiated, the key to competitive success may lie in adding valued services and improving their quality.

Bases of Service Differentiation:

Ordering ease - Refers to how easy it is for the customer to place an order with the company.

Delivery - Refers to how well the product or service is brought to the customer. Includes speed , accuracy and care throughout the process.

Installation - Refers to the work done to make a product operational in its planned location.

Customer training - Helps the employee's customers use the vendor's equipment properly and efficiently.

Customer consulting - Includes data , information systems and advice services the seller offers to buyers

Returns - It is an unavoidable reality of doing business these days, especially with online purchases.

Maintenance and repair - Help customers keep purchased products in the good working order.

Design

Design is the totality of features that affect how a product looks , feels and functions to a customer.

For a company, a well-designed product is easy to manufacture and distribute. To the customer, a well-designed product is pleasant to look at and easy to install , use and repair.

Design can shift consumer perceptions to make brand experiences more rewarding.

Well-designed features can help differentiate a product from others in the market.

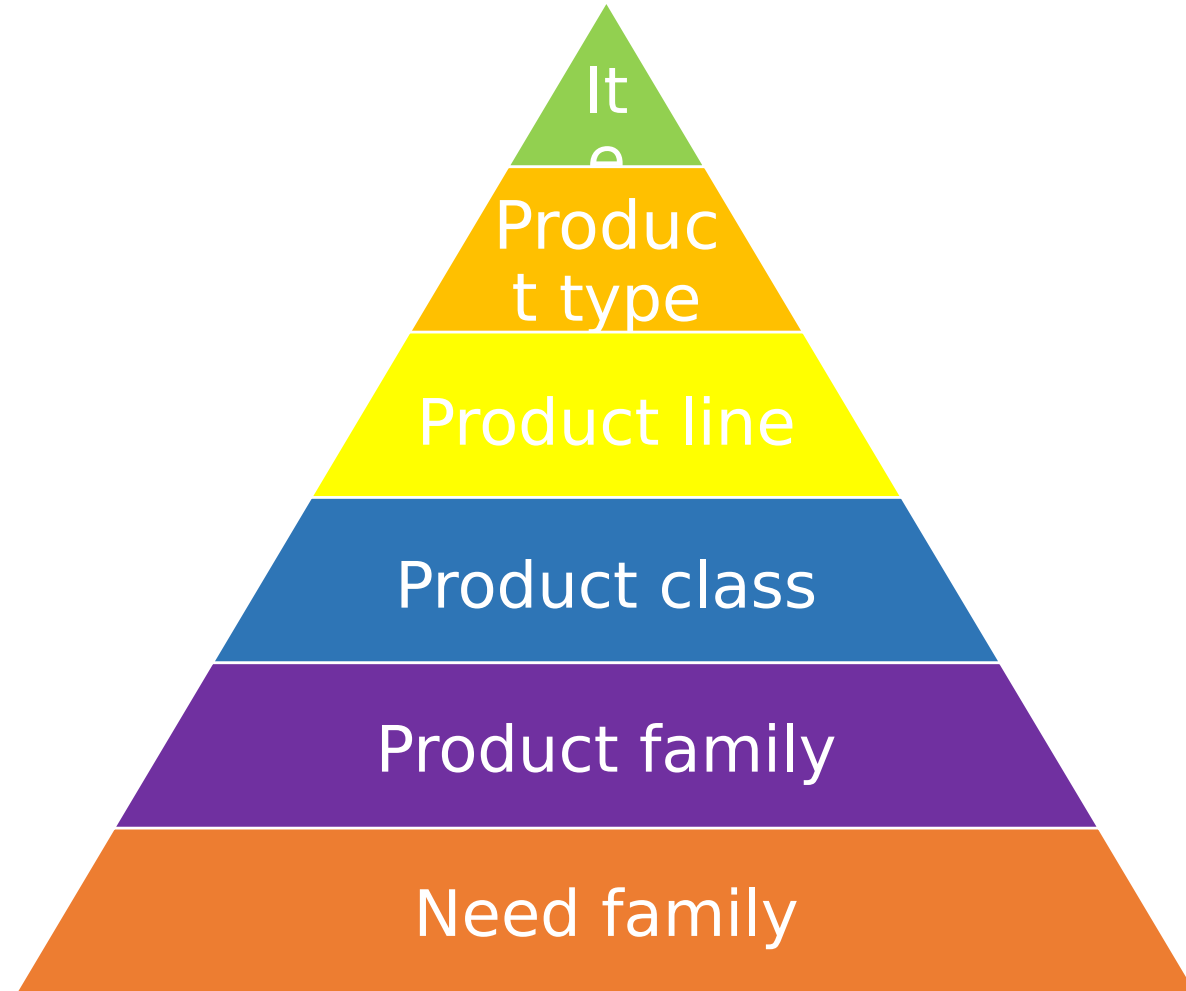
Design should penetrate all aspects of the marketing program so that all the design aspects can work together.

Design thinking: Is a formal, structured processes and very much data-driven approach with three phases: observation, ideation and implementation. Design thinking requires intensive ethnographic studies of consumers involves creative brainstorming sessions and requires collaborative teamwork to bring ideas to reality.

Product hierarchy

The product hierarchy - The product hierarchy stretches from basic needs to particular items that satisfy those needs.

- 1) Need family - The core need that underlies the existence of a product family. Example - Cooking
- 2) Product family - All product classes that satisfy a core need. Example - Cooking utensils
- 3) Product class - A group of products in a product family that have a certain functional coherence. Example - Boiling utensils
- 4) Product line - Is group of products within a product class closely related because of similar function, targeted at same groups, etc Example - Cooker
- 5) Product type - A group of items within a product line that share one of several possible forms of products. Example - Non-stick cooker
- 6) Item - Prestige omega non-stick cooker



PRODUCT MIX

Product mix or product assortment refers to the set of all products and items that an organisation offers for sale.

An organisation's product mix has following four dimensions :-

Width of a product mix

The width of an organisation's product mix pertains to the number of product lines that the organisation is offering.

Length of a product mix

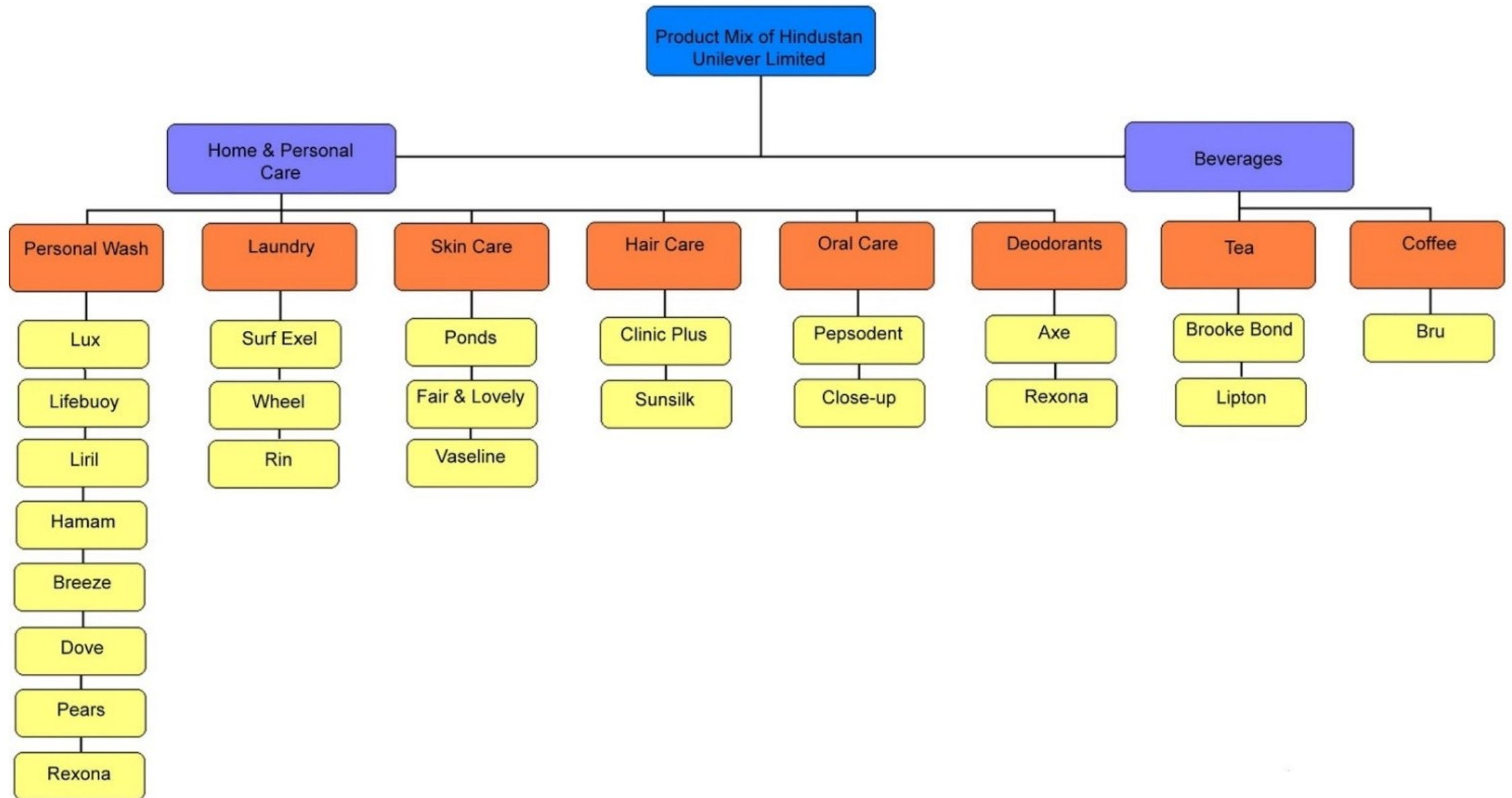
The length of an organisation's product mix pertains to the total number of brands or items in the product mix.

Depth of a product mix

The depth of an organisation's product mix pertains to the total number of variants of each product offered in the line. Variants includes size, colour, flavors, and other distinguishing characteristics.

Consistency of the product mix

The consistency of an organisation's product mix refers to how closely related the various product lines are in use, production, distribution, or in any other manner.



Product mix decision

Product mix decision refers to the decisions regarding adding a new or eliminating any existing product from the product mix, adding a new product line, lengthening any existing line, or bringing new variants of a brand to expand the business and to increase the profitability.

Product Line Decision - Product line managers takes product line decisions considering the sales and profit of each items in the line and comparing their product line with the competitors' product lines in the same markets. Marketing managers have to decide the optimal length of the product line by adding new items or dropping existing items from the line.

Line Stretching Decision - Line stretching means lengthening a product line beyond its current range. An organisation can stretch its product line downward, upward, or both way.

Down-Market Stretch - means adding low-end items in the product line

Up-Market Stretch - means adding high-end items in the product line for more growth and higher margins.

Two-Way Stretch - means stretching the line in both directions if an organisation is in the middle range of the market.

Line Filling Decision - It means adding more items within the present range of the product line. Line filling can be done to reach for incremental profits, or to

Product Mix Pricing

1) Product line pricing

Product line pricing is used when the prices within the product line is kept variant so that the customer purchases one or the other product within the product line. Like one in the lower range, one in the medium range and one in the higher range, so that it can satisfy each type of customer.

2) Optional feature pricing

Pricing strategy where a business sets a low cost for its most basic product and then profits from selling more costly accessories.

3) Captive product pricing

Captive product pricing is used when the value of the main product is very low, but the value of the supporting product, which is necessary for working of main product is high.

4) Two-Part Pricing

A pricing strategy in which consumers are charged both an fixed fee and a variable usage fee.

5) By-product pricing

A pricing strategy in which a secondary, by-product has significant value and the manufacturer achieves an advantage by recovering some of its expenses by selling the by-product. Usually the profit earned by selling the by-products at higher price are used to reduce the price of the primary product.

6) Product bundling pricing

This pricing strategy involves price deals with the combination of multiple products.

CO-BRANDING

Two or more well-known brands are combined into a joint product or marketed together in the same fashion. Also known as 'Dual Branding' or 'Brand Bundling.' Different forms of co-branding - same company co-branding, Joint-venture co-branding, Retail co-branding.

INGREDIENT BRANDING

A special case of co- branding, where a company creates brand equity for components that are contained within the other branded products.

Example - 'Intel inside' Intel processors inside various brands of computer

PACKAGING

The packaging refers to all those activities related to designing, evaluating and producing the container for a product. Like the box-like container, wherein the product is stored to protect it from any kind of physical damage and at the same time attracting the customer through its appearance.

LABELLING

The label may be a simple tag attached to the product or an elaborately designed graphic that is part of the package. The various labelling functions include identification of the product or brand, identification of product grade, description about the product usage, a tool to promote the product, etc.

Warranties and Guarantees

Warranties are formal statement of expected product performance by the manufacturer. Products under warranty can be returned to the manufacturer at designated repair centre for repair. If it can't be repaired then for the replacement or refund depending on the terms and conditions. Warranties are legally enforceable.

Guarantees reduce the buyer's perceived risk. They suggest that the product is of high quality and the company and it's service performances are highly dependable.

Thank you