Product Decisions

[Academic Script]

Subject	**:**	**Business Economics**
Course	**:**	**B.A., 2nd Semester, Undergraduate**
Paper No.	**:**	**204**
& Title	**:**	**Marketing Management**

Unit No. **: 3**

& Title **: Product and Pricing Decisions**

Lecture No. **: 1**

& Title **: Product Decisions**

Title :

credits

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Introduction:

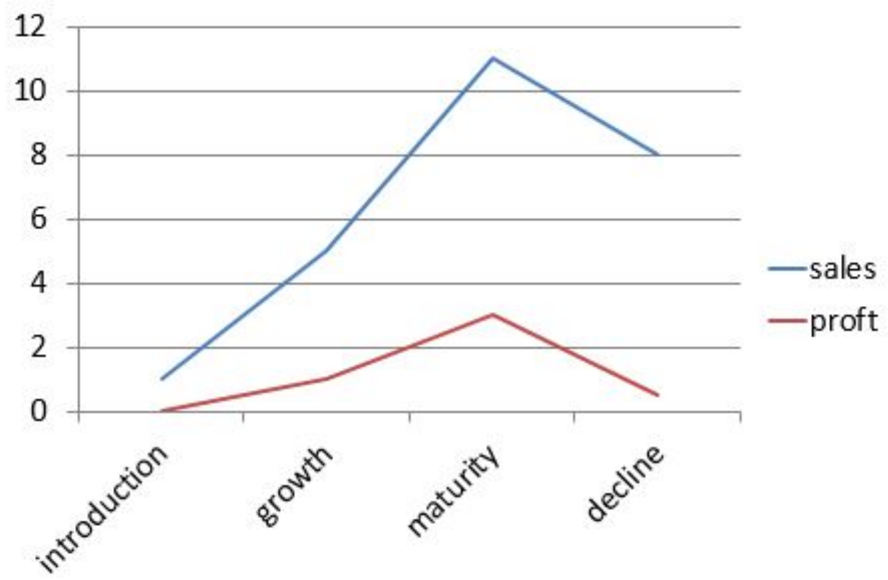
Product Decisions

Among the four Ps of marketing Product is the first element of marketing mix some of the important strategies related to product are: Product lifecycle strategies, Product mix strategies, Product line decisions. The marketing managers have to be utmost careful in taking product decisions because the price physical distribution and promotion depends on product decisions.

Product life cycle:

Introduction and meaning:

All the product passes through various stages of life cycle. Just as human life cycle has four stages, product life cycle also has four stages 1 introduction, 2. Growth, 3.Maturity, 4. Decline as shown in figure 5 , The product life cycle curve is called S shaped or bell shape curve. Figure 5 shows profits and sales in different stages of product life cycle.



Introduction Stage:

This is the first stage of product life cycle in which the product is just introduced in the market. The company that introduces products first in the market is called pioneers. In this stage the sales is low, the cost per customer is high the profits are negative and there are few competitors.

Strategies adopted in case of product are it offers basic product. In case of pricing the company either selects price skimming or market skimming strategies. The company chooses selective distribution. Advertisement is done for early adopters.

Growth stage:

Emergence of the competition is the main characteristic of this stage. Demand of the product increase and sales and profits goes up.

The company offers product extensions and service warranties in this stage. To stay ahead in the competition the company has to adopt competition oriented pricing. He is compelled to expand his distribution reach. Sales promotion is reduced due to heavy consumer demand

Maturity stage:

In this stage of product life cycle the demand of the product is at saturation point, supply from competing firm is going up, relatively low prices increases marketing cost, keener competition and lesser profits are the characteristics of this firm.

Here the company diversifies the brand and it resorts to market modification and marketing mix and product modification strategies. Market modification means converting nonusers into users and entering the new market segment. The marketer may also modify marketing mix.

The company would charge the price to match the competitor, build more intensive distribution, and it may advertise its product by stressing on brand difference and benefits of the product.

Decline stage: Here the sales began to fall, demand of the product shrinks. Price and margin gets depressed and total sales volume decreases. In such circumstances company decides to drop the product. Some firms withdraw from the market. The firm may follow the strategies of investing the funds maintaining the investment or harvesting or divesting.

The company may resort to selective distribution reduce its adverting and sales promotional level. The characteristics, objectives and strategies for different stages of product life cycle is shown in figure 6.

Summary of product Life-cycle Characteristics, Objectives & Strategies

	Introduction	Growth	Maturity	Decline
Characteristics				
Sales	Low sales	Rapidly rising sales	Peak sales	Decline sales
Costs	High cost per customer	Average cost per customer	Low cost per customer	Low cost per customer
Profits	Negative	Rising profits	High profits	Declining profits
Customers	Innovators	Early adopters	Middle majority	Laggards
Competitors	Few	Growing number	Stable number beginning to decline	Declining number

Strategies	Introduction	Growth	Maturity	Decline
Product	Offer a basic product	Offer product extensions, service, and warranty	Diversify brand and models	Phase out weak items
Price	Use cost-plus	Price to penetrate market	Price to match or beat competitors	Cut price
Distribution	Build selective distribution	Build intensive distribution	Build more intensive distribution	Go selective: phase out unprofitable outlets
Advertising	Build product awareness among early adopters and dealers	Build awareness and interest in mass market	Stress brand differences and benefits	Reduce to level needs to retain hard-core loyals
Sales Promotion	Use heavy sales promotion to entice trial	Reduce to take advantage of heavy consumer demand	Increase to encourage brand switching	Reduce to minimal level

Product Levels:

Product means offering something that can be useful to the customer. When the company plans to offer the products to the customers it thinks of five levels of product offerings which can be called levels of product.

There are five levels of product:

1. Core benefit

2. Basic Product
3. Expected product
4. Augmented product
5. Potential product

1. Core benefit:

In the core benefit the marketer offers fundamental benefit to the customer. For example in a hotel room the customers buys the room but the fundamental benefit offered is rest.

2. Basic product:

At the second level the marketer offer the basic product to the customer for example in a hotel room the core benefit is rest but bathroom towel TV dresser closets etc are basic products.

3. Expected Product:

At the third level the company offers the product which generally the customers expect from the marketers. For example in hotel room the buyers expects clean beds fresh towels etc.

4. Augmented products:

These are the products with the special attributes for the customers they try to offer something unique to the customers. for example aristocrat launched the product with a wheel which was a novel idea.

5. Potential product:

It can also be called as tomorrow’s product. The product that company is going to launch in future is called potential product. For examples many companies are planning to connect fridge to smart phones.

Product classification:

Products can be classified into two parts:

1. on the basis tangibility and durability

2. on the bases of use

On the basis of tangibility and durability: The goods can be classified as:

1. Durable Goods
2. Nondurable Goods

Tangible goods are those goods which can be seen which include all consumer goods and industrial products.

Intangible goods are those goods which cannot be seen. For example services.

On the basis of use: the products can be classified as consumer goods or industrial goods.

Consumer goods include:

1. Convenience goods
2. Shopping Goods
3. Specialty goods
4. Unsought goods

1. Convenience goods are goods which are frequently purchased with minimum efforts.

2. Shopping goods are those goods that consumer in the process of selection compares on the basis of suitability, quality, price and style.

3. Specialty goods: Speciality goods are those types of goods in which the consumers are ready to make special efforts for purchase. For example Mercedes cars.

4. Unsought goods : Unsought goods means customers are not willing to buy or they don’t think of buying it.

Industrial goods classification:

Such goods can be classified as raw material and spare parts and capital items which means long lasting goods that facilitates developing and managing finished goods and supplies, business services and supplies and business services that are short lasting, goods and services that facilitates developing, managing finished products.

Product mix:

It means set of particular items seller offers for sale. For example Product mix of Samsung limited consists of cell phones, TV and refrigerator etc. Product Mix consists of four elements:

1. Width of product mix: It means the number of product lines company offers.

2. Length of product mix: It refers to number of total items in product mix.

3. Consistency of product: It means how closely product lines are related to each other.

4. Depth of product line: It denotes total number of items under each brand in the line.

Product line decisions:

Product mix consists of various product lines. Product line means varieties of products offered by the company. It is a group of closely related products. For example product line of Hindustan Unilever limited is Dove, Pears, Rexona.

The product line managers have to take various decisions

Product line analysis:

There are two types of product line analysis:

1. Sales and profit analysis
2. Market profile

1. Sales profit analysis:

A company can decide upon whether to continue the product or not depending upon sales profit analysis.

If the sales and profit of the product is very low the product line manager can drop the product. If the sales and profits are high manager can think of spending more on advertisement and even charge higher price.

2. Market profits:

The product line manager has also to review the market profile and find out how products in the product line are competing in the market. He has to prepare a product map which shows which competitor's items are competing against companies items and company can also find out where there is no competition.

For example there are three companies X,Y,Z .X is doing product mapping. X can find out that Y and Z are their competitors in medium quality, low weight papers and it can also find out that there is no competition in high quality and low weight paper.

The advantage of product mapping is that the company can select market segment for itself. For example low quality high paper weight will be preferred by general printing industry. Hence the company can decide upon other strategies based on market segments.

Product line length:

Another important decision regarding product line is the length of product line. If the length is too short profits can be increased by adding the items and if product line length is too long profits can be increased by deducting the items.

The company can lengthen the product line in two ways:

1. Line stretching
2. Line filling

1. Line stretching occurs when the company stretches its line beyond current range. The

company stretches its line down market or up market or both the ways.

Down-market stretch means to position the product from the product line in to lower price segment.

Up market stretch means to position the product from the product line in to higher segment.

Two ways stretch means to position the product into both high price segment and low price segment.

2. Line filling decisions:

Line filling is adding more items in the product range where there is a gap.

For example the shampoo is available in 250 ml bottle and 1 liter bottle, 500 ml bottle is not available then introducing 500 ml of bottle of shampoo is Line filling decision.

Line modernization Line featuring and line pruning decision.

Line modernization: The company has to provide latest modern product to the customer. It has to make continuous improvement in the product from time to time but the problem in line modernization is time. The modernization should neither too early nor too late.

Line featuring: There are many products in the product line but the company highlights only some products which is known as line featuring.
The company may opt for line featuring in order to boost the demand of the slow selling product or to highlight the high end products in order to increase the prestige of the company.

Line pruning: The Company has to periodically review the product line and weak products are to be removed. This is called line pruning. The company has to identify the weak product by sales cost analysis. The line pruning is done in order to increase the profits. The company retains only those products which are profitable and which has greatest long term potential. For example Nokia has withdrawn many models from the market to keep the market relevant modern and trimmed.

Summary: Product decisions gives an idea about the introduction, growth maturity and decline stage of product life cycle, it also gives idea about the different levels of product. It helps to understand the concept of product line and product mix and product line decisions. This will also help the marketers in taking important decisions such as strategies to be adopted in each stage of Product life cycle, type of products to be offered to the customers and deciding the contents of product line and product mix.