

Resource Person: Mrs. SHEBA MARY JOHN Ref. Book: CBSE STUDY MATERIAL	Hand Out No: 1 Subject: Marketing Topic: Product
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Q1. Define the concept of Product.

The term Product is mostly used as a need-satisfying entity. It represents solution to customers problems. In the words of Peter Drucker, the product remains mere raw material or at the best an intermediate till it is not bought or consumed. Hence mostly they comprise of both tangible and intangible benefits. It may be anything that can be offered to a market to satisfy a want or need and include physical goods, services, experiences, events, places, properties, organization, information and ideas. In most of the cases products are made up a combination of physical elements and series.

According to Philip Kotler, “Product is anything that can be offered to someone to satisfy a need or a want”.
William Stanton, “Product is a complex of tangible and intangible attributes, including packaging, colour, price, prestige and services that satisfy needs and wants of people”.

It is defined as a good or service that most closely meets the requirements of a particular market and yields enough profit to justify its continued existence

Q2. State the characteristics of a Product.

1. Product is one of the core elements of marketing mix.
2. Various people view it differently as consumers; organizations and society have different needs and expectations.
3. The product includes both good and service.
4. A marketer can realize their goals by manufacturing, selling, improving and Modifying the product.
5. It includes both tangible and non-tangible features and benefits offered.
6. It is vehicle or medium to offer benefits and satisfaction to consumers.
7. The important lies in services rendered by the product and not ownership of product..

Qs 3. State the importance of Product

Product therefore, is the core of all marketing activities. Without a product, marketing cannot be expected. Product is a tool in the hands of the marketers which gives life to all marketing programmes. So, the

responsibility of the marketers to know its product well is pertinent. The importance of the product can be judged from the following facts:

- 1) Product is the focal point and all the marketing activities revolve around it. Marketing activities like selling, purchasing, advertising, distribution, sales promotion are all meaningless unless there is product. It is a basic tool by which profitability of the firm is measured.
- 2) It is the starting point of planning. No marketing programme will commence if product does not exist because planning for all marketing activities distribution, price, sales promotion, advertising, etc. is done on the basis of the nature, quality and the demand of the product. Product policies thus decide the other policies.
- 3) Product is an end. The main purpose of all marketing activities is to satisfy the customers. Thus product is an end (satisfaction of customers) and the producer, therefore, must insist on the quality of the product so that it may satisfy the customers' needs. It has been observed that the life of low quality products in the market is limited.

Qs 4. State the factors that influence the Product Mix.

1. **Market demand:** The demand of the product determines whether the product should be manufactured or its production discontinued. New products are introduced in the market after the need of the product is identified.
2. **Cost of product:** The Company can develop products which are low in costs and produce those products. Nirma, washing powder, a low priced product was launched to counter Surf which was priced high.
3. **Quantity of production:** The Company can add more items on its product line in case the production of the new product is to be made on large scale.
4. **Advertising and distribution factors:** An organization does not incur any additional efforts to advertise or distribute when the company adds one or more products to its product line.
5. **Use of residuals:** In case the by-products can be developed or utilized; a company should produce such products. Sugar manufacturing companies can also use molasses.
5. **Competitor's action:** In order to meet the competition/market a firm may decide to include or eliminate a product.
6. **Goodwill of the company:** When the company has good reputation in the market, new product can be launched without much difficult
7. **Full utilization of marketing capacity:** The Company can start to produce another product to utilize the capacity completely if the existing marketing resources are not being utilized.

Qs 5. Describe the different types of packages.

There are four types of packages: (i) A consumer package (ii) a bulk package, (iii) an industrial , and (iv) a dual usage package. They are as discussed.

- (1) **A consumer package** is one which holds the required volume of a product for ultimate consumption is economical and can be easily purchased by the consumer. He has the option to purchase the pack size which he considers adequate for the consumption for his family over a length of time and does not involve additional investment during that period.

(2) **A bulk package** is either for the consumer whose consumption is large or is bought to save cost. Example: oil cans etc. The consumer package itself very often requires an outside package in which it is transported and which is sometimes referred to as transit package or an out container.

(3) **An industrial package** can be a bulk package for durable consumer goods. These are the basic package types although many sub-divisions can be listed, e.g., strip package, multiple package, etc., which can all be broadly listed under these basic headings.

(4) **A dual use package** is one which possesses a secondary usefulness after its contents have been consumed. Drinking glasses, boxes of jewellery or cigarettes, plastic containers, refrigerator dishes, bags from flour and feed sacks are the examples.

Qs 6. Explain the importance of packaging.

Initially Packaging was considered a production-related function and activity. While in the current context packaging has completely changed due to competition. New developments in packaging, have forced marketing managers to focus on packaging design. The following aspects highlight significance of packaging in marketing:

- It provides information about the product
- It helps in identifying brand name
- It assists in protecting the product
- It helps in product handling
- It aids in promoting the product
- It helps in offering customer convenience and satisfaction It
- helps increase in the sales of the product.
- It adds to the use of a product.
- It contributes to the safety of a product.

Qs 7. State the functions of packaging.

Packaging should perform the following basic functions:

1. Protection

The basic function is to protect the products from the vagaries of weather the product can be exposed to, in transit from the manufacturer's plant to the retailer's shelves and issues related to handling the product while on display on the shelves. The reasons for protection for products through packaging are:

- Control pilferage during transit or storage
- Prevent the absorption of moisture
- Avoid breakage/damage due to rough mechanical or manual handling during transit. Protect
- liquid from evaporation.

2. Appeal

The emergences of self-service outlets have forced manufacturers to have attractive packaging. The following characteristics have been identified to help a package perform the self-selling tasks:

- It helps in attracting attention of the customer
- It helps to enhance the product image
- It helps in the product looking and hygienic

3. Performance

This is the third function of a package. It should perform the task for which it is designed. Bottled water has been introduced in 500 ml to 20 litres bottles. The purpose and place of use is the deciding factor in the purchase of various packs. A package must be made to consistent and rigid quality standards as the consumer demands uniformity each time he purchases a product.

4. Packaging for convenience

It provides convenience to distribution channel members, such as wholesalers, retailers and consumers. The convenience will relate to handling and stocking of packages. It helps in the following ways:

- The package must be convenient to stock
- The package must be convenient to display
- The package must not waste shelf-space.
- The package can be easily carried. It
- should be easy to dispose off.

5. Cost-effectiveness

The package finally must be cost-effective. Packaging cost as a percentage of product cost differs from one industry to another. It is essential to understand that while analyzing packaging costs, the other costs like handling, storage, insurance and transit costs are also added.

Practice test

1. Explain any two characteristics of services.
2. Give the characteristics of speciality of goods.
3. Explain the second stage of product life cycle and the marketing strategies that are adopted at this stage.
4. Explain the different types of consumer products.
5. Distinguish between consumer goods and industrial goods.
6. Give the characteristics of shopping goods.
7. Which of the following is a Shopping product.
a) T.V set b) Raw material c) Sugar d) milk
8. ----- industrial goods are long-lasting products that are not bought very often
a) Installations b) Accessory equipments c) Fabricating material d) all of the above
9. What are the characteristics of “Growth Stage” of Product Life Cycle?
10. What are the types of industrial products? Give examples of each.
11. Explain the importance functions of packaging.
12. Define packaging and labeling.
13. Explain the various levels of a product.

Q8. Explain the components of a product

Products have their own identity or a personality. Most of the users associate meaning with products, they obtain satisfaction by using them. The various features and functions built around them-the brand name, the package and labeling, the quality associated with it, the guarantees, the price, the manufacturer’s name and prestige-all contribute to the personality or the total product offering, a marketer’s aim is to satisfying the customer. It has been often stated that a customer never just purchases the generic product but he procures something that exceeds his expectation depending on for whom it is being bought.

The components of the product include core product, associated features, brand name, logo, package and label.

The Core Product

It is the basic element of the product. For example if we take Dove Soap, the fragrance of the soap, the moisturizing ability, the pristine white colour, the brand name, the price, the positioning as luxury soap all have gone into the marketing of product personality. The core component is the soap, the generic constituent, as in the case of any other bathing soap, the only difference being the other components are superimposed on this basic component to develop the total personality of Dove.

It is observed that the total product personality is dependent on basic constituent of the product. If the product is substandard the other elements associated like features, package, label, differentiation, positioning, branding will not be of any use. Hence focus on the core product is essential.

The Associated Features

The Product includes several associated features besides the core ingredient. In the example of Dove soap the fragrance of the soap, the moisturizing ability, the pristine white colour etc are its associated features. The total product personality is mostly enhanced through the associated features. Further, these also aid in distinguishing the product from its competitors.

The Brand Name

A brand is defined as a name, term, symbol, design or a combination of them which is intended to identify the goods and services of one seller and to differentiate them from those of competitors. A trade mark is a brand with legal protection, thus ensuring its exclusive use by one seller. In the current age consumers do not just pick products but they pick brands. The brand image is developed through advertising and other promotional measures to remain etched in the consumers' minds.

The Logo

It is the brand mark/symbol and an essential aspect of the product, extending its support to the brand effectively. Symbols and pictures ensure product/brand identification and recall with their importance being enhanced in rural markets where brands are mostly recognized by their picture in the logo.

The Package

It is another important component of the total product personality, particularly in packaged consumer products. The package performs three essential roles: □ Ensures protection to the product □ Provides information about the product □ Increases aesthetics and sales appeal. Conventionally packaging was used to protect the product from damage en route and to facilitate handling at various points of distribution. Later on it also became a major tool in the promotion of the product. Currently packaging contributes to the total sales appeal of the product. **The Label**

It is the part and parcel of a package. It provides written information about the product helping the buyer to understand the nature of the product, its distinctive features, its composition, its performance. The components discussed above make a preliminary impact on the consumer. The other 'P' i.e Price, Place and Promotion also play an important role in shaping the total product personality.

QS 9. Explain the seven level approach of a product level.

The marketer has to take into consideration the benefits the product can offer and present it to the customer. Further he takes it to higher levels by introducing several inputs into the basic product with inputs like

advanced features, functions, unique brand name, attractive, convenient packaging, affordable price points, convenient access, meaningful communication and exclusive service from sales people. The product is enriched constantly by the marketer so as to create value, add more customer base and counter competition. According to Levitt, a product offer can be conceived at four levels: the generic product, expected product, augmented product and the potential product. Further it has been explained through a seven level approach:

1. **Core Benefit(Product) :** This is the basic level that represents the heart of the product with a focus on the purpose for which the product is intended. For instance a car is purchased for its convenience, the ease at which one can go or the speed at which one can travel around relatively fast.
2. **Generic Product:** It is the unbranded and undifferentiated commodity. Unbranded pulses, rice, wheat flour are some of the examples of generic product.
3. **Branded Product:** The branded products get an identity through a name. It belongs to a specific company and the marketer separates this product from the rest.
4. **The differentiated product:** All the branded products are supposed to be differentiated products, but in certain cases where the brand name alone has not earned enough distinction the case may be different. Here the marketer tries to differentiated his product from the clutter created by competitor products by highlighting some of the special attributes/features /qualities his brand is endowed with. The difference could be tangible or psychological. For example Knorr’s Soups are tasty and healthy soups and can be prepared easily.
5. **The customized product:** When the product is modified to suit to the requirements/specifications of the individual customer, he is being offered a customized product. Earlier it was limited to industrial products but now the consumer goods are customized for the customers and he gets an opportunity to order and get a product/service as he desires and not just choose from mass/standardized product/service available in the outlets. Many companies manufacturing automobiles, computers, paints, shoes and garments have used this strategy to beat competition.
6. **The augmented product:** The augmented product aims to enhance the value of the product/offer through voluntary improvements. These improvements may be neither suggested by the customer nor expected by him. The manufacturer/marketer adds the feature/benefit on his own. The needs of the customer are identified through market research surveys and the insights thus obtained are used to add new features/functions to the product.
7. **The Potential Product:** The potential product is the ‘future’ product inclusive of the advancement and refinement that is possible under the existing technological, economic, competitive conditions prevailing in that category. Potential product is only limited by economic and technological resources a firm can spare. Nevertheless today’s potential products can be tomorrows’ real product.

QS 10. SOME PRODUCT TERMS / PRODUCT DECISIONS

1.PRODUCT MIX is the list of all products offered by a company. It is defined as the composite of products offered for sale by a firm or a business. The product mix is three dimensional:

Breadth is measured by the number or variety of products manufactured by a single manufacturer. E.g.: LG produces a variety of electrical gadgets such as television sets, washing machines, refrigerators etc. □

Depth refers to the assortment of sizes, colors and models offered within each product line. E.g.: LG manufactures different varieties or models of refrigerators and washing machines, etc.

Consistency refers to the close relationship of various product lines or their end use to production requirements or to distribution channels. E.g: LG produces those goods which fall under the category of electrical appliances.

2. PRODUCT LINE is a group of products that are closely related, either because they function in a similar manner or are sold to the same customer groups or are marketed through the same types of outlets, or fall within given price ranges. Many businesses offer a range of product lines which may be unique to a single organization or may be common across the industry.eg. "Accident, health and medical insurance premiums" and "income from secured consumer loans." within the insurance industry, product lines are indicated by the type of risk coverage, such as auto insurance, commercial insurance, and life insurance

3. PRODUCT POSITIONING –It refers to the manner in which a product is offered to a particular customer of a particular segment for the aim to meet the customer's needs. E.g.: Wagon R is positioned as a compact car for the smart urban, MTR's Ready to eat foods positioned as a convenient and a ready to eat foods, Coco cola's brand globally is positioned as Taste the feeling

4. PRODUCT REPOSITIONING–It refers to the manner in which a marketer changes the whole product in order to satisfy a particular segment or customer. Mostly repositioning is done when a product is changed physically.

5. PRODUCT DIFFERENTIATION: Product differentiation is the modification of a product to make it more attractive to the target market. This involves differentiating it from competitors 'product as well as own product offerings. Three things that continuously change in product differentiation are **PRODUCT QUALITY, PRODUCT DESIGN, and PRODUCT SUPPORT SERVICES**:

6. PRODUCT DIVERSIFICATION: Product Diversification refers to the product expansion either in the depth and/or in width. Depth of product-line implies the assortment of colors, sizes, designs, quality, stability, etc. It refers to adding a new product to the existing product line or mix. e.g. - Godrej Company used to manufacture cupboards, locks, safes, refrigerators etc. on a large scale but has now diversified into cosmetics, soaps etc

7. PRODUCT MODIFICATION: Product modification may be defined as a deliberate alteration in the physical attributes of a product or its packaging. It is the process by which the existing products are modified to suit the changing demand on account of changes. E.g.: Television manufacturers are bringing out certain modifications in order to suit the changing demand.

8. PRODUCT STANDARDIZATION: Standardization implies a limitation of the number of varieties or the types of uniform quality that can be manufactured so as to reduce the unnecessary varieties. Eg. Ready-made Shirts and Trousers are manufactured in standard sizes

9.PRODUCT ELIMINATION: Products which cannot be improved or modified to suit the market needs need to be replaced by other profit generating products, this process of withdrawal is known as product elimination. Eg. Maruti 800 was replaced in the market for other cars manufactured by Maruti Suzuki.

QS 11. Explain the concept on branding? How brands are classified?

Branding comprises of decisions that offers an identity for a product in order to differentiate it from competing products. In the current age of increased competition branding helps to position the product to the target audience.

DEFINITIONS:

Brand is defined as “A name, term, design, symbol, or any other feature that identifies one seller’s good or service as distinct from those of other sellers.” American Marketing Association Brand is defined as a "name, term, sign, symbol or a design or a combination of them, intended to identify the goods and services of one seller or group of sellers and to differentiate them from those of the competitor”.- Philip Kotler

The brand name or brand mark becomes a trade mark if it is registered and legal.

Trademarks are protection provided to a name, word, symbol, or words legally registered for use as representing a company or product.

Trademarks increase the rights of brand or company by ensuring legal evidence and its ownership. They also enable to seek exclusive rights for using the trade mark in the country.

Types of brand Brands can be classified based on ownership, market area and number of products.

1. Ownership

a) Manufacturer’s brand: When the ownership lies with the manufacturer and the producer provides the brand name to the products, it is called manufacture’s brand. The manufacturer is responsible for its marketing and enhance customer loyalty by building the brand name. Examples include Apple, GE, Intel and McDonald’s.

b) Middleman’s brand/ Store brand/Private label: In certain cases, the manufacturers do not undertake branding by themselves, instead they leave their products to the wholesalers or retail chains for the branding, these brands are named as Middleman’s brands/ Store brand/ Private Labels. Example include Reliance Select a brand of Reliance Retail.

2. Market area a) **Local Brand:** When the product is available at the local area and the brand is restricted to local markets or region, it is called local brand. b) **National Brand:** When a brand name is owned by the producer or distributor and is distributed all over the nation, it is called a National Brand. The examples include AMUL Parle-G etc.

3. Number of Products:

a) Family Brand: When multiple products of the manufacturer are marketed under the similar brand name, it is called a Family brand. Videocon, Nestle, Johnson & Johnson use this strategy. The term umbrella branding is also a substitute for Family brand.

b) Individual Brand: When diverse products belonging to same category are manufactured by a company but have different brand names, they are called Individual brands. In most of the cases the new brand names

are not generally connected with the names of existing brands of the organization. P& G offers an array of individual brands in each product category, some of them being Whisper(Sanitary Napkins), Ariel & Tide(Detergents), Olay(Personal & Beauty products), Oral-B(Dental hygiene)

KNOWLEDGE ASSESSMENT 1

Fill in the blanks

1. Product represents solution to _____ problems. 2. Product is anything that can be offered to someone to satisfy a _____ or a _____. 3. Products have their own _____ or a _____. 4. A _____ is defined as a name, term, symbol, design or a combination of them which is intended to identify the goals & services of one seller and to differentiate them. 5. Symbols and pictures ensure _____ identifications. 6. Product is the _____ and all the marketing activities revolve around it. 7. _____ is the unbranded and undifferentiated commodity. 8. The _____ is the modified product to suit to the requirement/ specifications of the individual customer. 9. The _____ aims to enhance the value of the product / offer through voluntary improvements. 10. The potential product is the _____ inclusive of the advancement and refinement that is possible under the existing circumstances.

Answers: (1)Customers, (2)Need & want, (3)Identity & personality, (4) Brand, (5)Product/ brand, (6) Focal point, (7) Generic product, (8) customized product, (9) augmented product, (10) future' product

QS 12. Explain on what basis the products are classified.

Products can be classified on the basis of durability and tangibility. On the basis of durability they can be classified as non durable products. On the basis of tangibility, they can be classified as physical products and services

Non durable goods: Non durable goods are tangible goods normally consumed in either one or a couple of uses. These are purchased regularly and also consumed frequently. Smooth distribution and easy availability at all possible locations makes these products succeed in the market. The marketer has to advertise heavily to increase the purchase and build brand preference. Most of the fast moving consumer goods category products belong to this class. Examples include food items and toiletries.

Durable goods: Durable goods are tangible goods that can normally be used for many years. These products need more personal selling, after sales service, are often supported by guarantee and warranty programs. Examples include LCD TVs, mobile phones, washing machines and microwaves.

Services: On the basis of tangibility, products can be also be classified as physical products and services. Services are intangible, inseparable and inconsistent products. Service essentials include quality control, credibility of the supplier and adaptability to changing consumption behavior. Examples include hospitality service, airlines services, insurance and banking services.

QS 13. Explain the different types of consumer products and state its features and its marketing strategy.

Consumer products can be divided on the basis of the time and effort the buyer is willing to take out for the purchase of the product. They can be divided into two parts:

(i) Convenience Products: They are goods that a customer purchases frequently, with minimum effort and time to make a buying decision. Example soft drinks, soaps, bread, milk etc. These can be further classified into three categories:

(a) Staple Goods: The products which are purchased on a regular basis. The decision to buy the product is programmed once the customer puts the item on his list of regular purchases. Example bread, milk, eggs

(b) Impulse Goods: The consumer purchases these without any planning or search efforts. The desire to buy impulse is a result of the shopping trip. This is why impulse products are located where they can be easily noticed. Example chocolates, magazines.

(c) Emergency Goods: They are purchased to fulfill urgent need. The consumer ends up paying more. Examples of consumer shopping for tooth brushes or shaving blades at tourist destinations.

Main Features:

- i. They are easily available and require minimum time and effort.
- ii. They are obtainable at low prices.
- iii. There is a continuous and regular demand for such products.
- iv. Both demand and competition for these products is high.
- v. Products are easily substitutable.
- vi. Heavy advertising and sales promotion schemes help in marketing of these products.

MARKETING STRATEGY OF CONVENIENCE GOODS:

(a) Price: These products are usually low priced and widely available.

(b) Promotion: Mass promotion is done by the producer.

(c) Place: These products are widely distributed and at convenient locations. Made available through vending machines in schools, offices etc., also kept in check-out stands etc.,

(ii) Shopping Products:

These are the goods where the customer while selecting the product for purchase makes due comparisons on the bases of quality, price, style and suitability. Shopping products can be homogenous or heterogeneous.

1. Homogeneous Products: They are products which are alike, with the sellers engaging on price war. Manufacturers end up distinguishing based on design, services offered or other freebies.

2. Heterogeneous Shopping Products: They are products that are considered to unlike or non standardized. The consumers always shop for a best quality buy. Price becomes secondary in case the focus is on style or quality.

Main Features:

- i. They are durable in nature.
- ii. They have high unit price and profit margin.
- iii. The customer spends adequate time and compares products before making the final purchase.
- iv. Purchase of such products is planned prior.
- v. Important role played by the retailer in the sale of shopping goods

MARKETING STRATEGY OF SHOPPING GOODS:

(a) Price: These goods are available at moderate prices. The seller must apprise the buyer with the price.

(b) Promotion: Heavy advertising and personal selling by both producers and resellers.

(c) Place: As consumers will spend time to shop for these goods, stores that specialize in them are located near similar stores in active shopping areas. (d) Products: Furniture, clothes, used cars, etc...

(iii) Specialty Products:

These are goods with unique characteristic or brand identification for which a sufficient number of buyers are willing to make a special purchasing effort. Consumers have strong conviction towards the brand, style, or type. For example Cars, High end Watches, Diamond, jewellery etc.

Main Features:

- i. The demand for such products is relatively infrequent.
- ii. Products are high priced.
- iii. Sale of such products is limited to few places.
- iv. Aggressive promotion is required for such products.
- v. After sales service is required for these products.

MARKETING STRATEGY OF SPECIALTY GOODS:

- (a) Price: They are usually marked at high prices. As demand for these goods are low and Supply is also low
- (b) Promotion: Targeted promotion by both producer and reseller. High level of advertising
- (c) Place: Exclusive selling in only one or few selected outlets per market. Exclusively sold and are exclusively distributed. Consistency of image between the product and the store is also a factor in selecting outlets.
- (d) Product: Jewelry, Rolex watches, fine crystals, etc.

(iv) Unsought Products

These are products that are available in the market but the potential buyers do not know about their existence or there do not want to purchase them. There are two types of such products:

Regularly Unsought Products: The products which exist but the consumers do not want to purchase them as of now, but might eventually purchase them. Example: Life Insurance Products or Doctor's services.

New Unsought Products: The marketers task is to inform target consumers of the existence of the product, stimulate demand and persuade them to buy the product. Example: Oral Polio Vaccine was unsought initially, but heavy promotion and persuasion by the government has lead to eradication of polio.

MARKETING STRATEGY OF UNSOUGHT GOODS:

- (a) Price: It varies from product to product.
- (b) Promotion: Personal selling and aggressive advertising by producer and seller.
- (c) Place: It depends upon the product.
- (d) Product: Life insurance, Red Cross Blood Donations, etc

QS 14. Define Industrial Products. Explain its features and its marketing strategies.

Industrial Products: The Products used as inputs to produce consumer products are known as industrial products. They are used for non-personal and business purposes. Examples being raw materials, tools, machinery, lubricants etc.

Feature of Industrial products:

- Limited number of buyer in comparison to consumer goods.
- Length of Channel for distribution is short.
- Demand for the product is concentrated in certain geographical locations and is derived from demand of consumer goods.
- Product purchase is based on fulfillment of technical considerations.
- Reciprocal buying is involved is a company may purchase the raw material from a company and may sell the finished product to the same company. In certain cases the companies may lease out the products rather than purchasing them due to high costs.

Types of Industrial Products:

(i) Materials and Parts: These are goods that are used for manufacturing the product. These are further divided into two types:

(a) Raw Material: The raw materials could be either agri based products like sugar cane, rubber. Wheat etc or they can natural products like iron ore, crude petroleum etc .Farm products are renewable as they involve agricultural production. The natural products are very often limited and often available in great bulk and low unit value. There are a few but large producers and marketers supplying natural products. Long term supply contracts are a common phenomenon in these categories, as the industry needs an uninterrupted supply of products and services for running their business process.

(b) Manufactured Materials and Parts: These include component materials like glass, iron, plastic or components like battery, bulbs or steering etc. The component materials are further fabricated from aluminum, pig iron to steel and cloth from yarn. Components enter the final product without being changed or modified. In this case price, quality and services are important factors while making a decision.

(ii) Capital Items: They are the goods used in producing the finished goods. They include tools, machines, computers etc. They can be categorized into installations like lifts, mainframe computers etc and equipment's like fax machines, EPBX machines. Installations are major purchase for the organization. Equipment's include hand tools and office equipment's like personal computers, laptops. These equipment's are not everlasting and they need to be refilled at different periods of time.

(iii) Supplies and Business Services: They are goods which are required for developing or managing the finished products. They can be of two kinds namely maintenance and repair items and operating supplies. Maintenance supplies include painting, nailing and operating supplies include writing papers, consumables for computer, lubricants and coal. Business services can be classified as maintenance service like copier repair, window and glass cleaning and business advisory services include consultancy, advertising and legal services.

KNOWLEDGE ASSESSMENT 2

Fill in the blanks:

1. _____ are good that a customer purchases _____, with _____ effort and time to make a buying decision.
2. _____ are those that the consumer purchases these without any planning or search efforts.
3. _____ are

products that are considered to unlike or non standardized. 4. Speciality products are goods with _____ or _____ for which a sufficient number of buyers are willing to make a special purchasing effort. 5. _____ are products that are available in the market but the potential buyers do not know about their existence or there do not want to purchase them. 6. _____ are those which exist but the consumers do not want to purchase them as of now, but might eventually purchase them. 7. The products used as inputs to produce consumer products are known as _____. 8. _____ is involved is a company may purchase the raw material from a company and may sell the finished product to the same company. 9. _____ are goods that are used for manufacturing the product. 10. _____ are the goods used in producing the finished goods.

ANSWERS (1) Convenience Products, frequently, minimum (2) Impulse Goods (3) Heterogeneous shopping products (4) Unique characteristics, brand identification (5) Unsought products (6) Regularly Unsought products (7) Industrial products (8) Reciprocal buying (9) Materials and parts (10) Capital items

SESSION 3: MANAGING PRODUCT LIFE CYCLE

Each product goes through a life cycle which includes the following stages of growth, maturity and decline. The product life cycle indicates the sales and profit of the product over a period of time. Most of the products follow the ‘S’ shaped curve with certain products deviating showing a sharp growth followed by a sharp decline, or remain in the maturity phase for a long time, and may not face a decline.. But things started to change after 1991 with opening up of the markets and increase in competition.

“The product life cycle (PLC) depicts a products sales history through 4 stages: 1)

- Introduction
- 2) Growth
- 3) Maturity and
- 4) Decline

The four stages include: Introduction

Stage

In this stage a new product (from brand or category) is introduced and it is called the introductory stage. Introducing a new product is always a risky proposition, even for a skillful marketer. A new product category requires a long introductory period because primary demand, ie demand for the product category must be aroused. Ex. When “All out” in 1990 introduced liquid vaporizers as mosquito repellent, it was a pioneer in the product category as till 1990 mosquito coils were prevelant. This is true for those brands which have achieved acceptance in other markets and require introduction in new markets. The Introduction stage is characterized by

- Inducing acceptance and attaining initial distribution.
- High operational costs, arising out of in _____ efficient production levels or bottlenecks, high learning time, unwillingness of the trade to deal in the product, demand of higher margins or extended credit terms. I
- High promotion costs on the expectation of future profits.
- Customers have low awareness and those who are willing to try the product do so in _____

small quantities called trial purchase.

- Competition is limited to few firms, and is from indirect or substitute products.
- Negative profits on account of low sales volume,
- Distribution is limited and promotional expenses are high.

MARKETING STRATEGIES IN INTRODUCTION STAGE

1. Products are promoted to create awareness and also develop market for the product.
2. The pricing of the product may be low to increase penetration and expand the market share or high priced to recover the development costs.
3. Distribution can be selective till consumers show acceptance of the product.
4. Marketing communication seeks to educate and enhance the product awareness

Growth Stage

The growth stage is the second stage where the product has been launched successfully with the sales beginning to increase rapidly in this stage, as new customers enter the market and old customers make repeat purchases.

The Growth stage is characterized by reduced

- Costs because of economies of scale.
- Increase in competition with the customer having greater choices in form of different types of product, packaging and prices.
- Market expansion with new customers being added.
- Dominant position created by focusing on increasing selective demand
- Increase in profits.
- Costs incurred on identifying new uses, developing the product, promotion, and distribution. The mobile handsets are in the growth stage, with new models being continuously launched. Apple launched its iPhone 7 recently.

MARKETING STRATEGIES IN GROWTH STAGE

There is an increase in competitors who offer similar in the market features. In this stage, the firm seeks to build brand preference and increase market share.

- 1) Product quality is maintained and additional features and support services may be added.
- 2) Pricing may remain same as the firm enjoys increasing demand with little competition.
- 3) Distribution channels are added as demand rises and customers accept the product. 4) Promotion is aimed at a broader audience.

Maturity Stage The third stage is the maturity stage. The products that withstand the heat of competition and customers' approval enter the maturity stage. Rivals copy product features of successful brands and become more alike.

The Maturity stage is characterized by

- Costs would be decreased as a result of increase in production volumes
- The Sales volumes peak and market saturation is visible.
- Competitors entering the market increase
- There is drop in prices due to entry of competing products
- Advertising spend incurred on brand differentiation
- Product feature diversification is emphasized to maintain or enhance market share. □ The industrial profits decrease during this period.

MARKETING STRATEGIES IN MATURITY STAGE

1. Product managers have to play a vital role for carving a niche within a specific market segment through enhanced service, image marketing and by creating new value image and strengthening through repositioning. 2. They should also consider modifying the market, product and marketing mix to fight competition and take it closer to the customer so as to register adequate profits to remain in the business

Decline Stage This is the phase where sales decline as the customer's preferences have changed in favour of more efficient and better products. Product forms and brands enter into decline stages while product categories last longer. MARKETING STRATEGIES IN DECLINE STAGE

1. The product can be maintained by either by adding new features or finding new uses.
2. The costs can be reduced and it can be offered to loyal segment.
3. The product can be discontinued or sold to another firm that is willing to continue the product.

Examples: Colgate was the first toothpaste in tube in 1896, it went to capture the market world over and became the highest selling brand in the world in 1999, has diversified into oral care range and still a force to reckon with.