

Concept of Product

Product: A good, service, person, place, event or organization offered to consumers to satisfy his need or want.

A good is a tangible product, which can be seen and touched. These tangible items can be produced in bulk and inventoried.

A service is an intangible product, which requires simultaneous consumption and production.



A product may be a **person** also. Here marketer tries to buy and sell the celebrities or sports persons. For, example, Board of Cricket Control in India (BCCI) asks its Indian premier league (IPL) teams to buy iconic players and foreign players for certain price.

An **event** is also considered as product. Many event management companies earn their revenue by selling tickets and advertisement space at the event. The following example explains how an event can be marketed.

An **organization** is also considered as a product. It can be bought and sold on the basis of value of the firm.

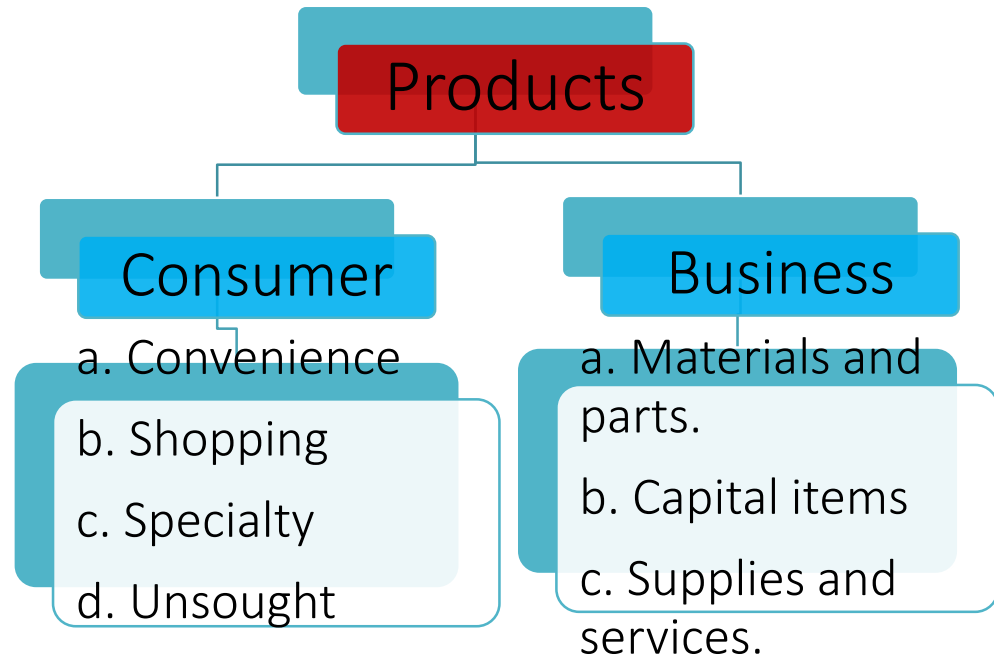
Many state governments and central governments sell their places to get the pie in the tourism market. Here governments provide advertisements of a place like historical places, wildlife, waterfalls etc to attract tourists from India and abroad.

Classification of Products

Consumer Products and Business Products

Consumer products are purchased by the consumer for personal consumption.

Business products are purchased by business concerns for further product development



a. **Convenience goods:** These are the fast moving consumer goods that are purchased regularly with less amount of effort.

1. These are purchased frequently.
 2. Customer involvement is very low.
 3. Price of the product is very low.
 4. Intensive distribution is used to reach the consumer.
 5. The stock turnover is high.
 6. Aggressive promotion is required
- Example: soaps and detergents, groceries etc.



b. **Shopping goods:** These goods require high consumer involvement and before buying such products consumer processes the information of product suitability, quality and price.

Compared to convenience goods, shopping goods are purchased less frequently. Consumer takes lot of time to search and evaluate the information. These products are available in selected outlets. The price of the product is very high. For example, a consumer who wants to purchase the washing machine will collect the information on type of washing machine, type of control, loading, wash method, pre wash, delicate wash, cycle time, after sales service, sensors, water consumption, etc.

c. **Specialty goods:** These are the products for which a consumer shows high brand loyalty and is ready to wait, or spend time

- i. Consumers are having strong brand loyalty.
- ii. Usually companies adopt premium pricing strategy.
- iii. Exclusive distribution and selective communication strategies are adopted.

To illustrate, a consumer is willing to pay Rs 32000 for Bosch Digital Home Theater though competitors' products are available at Rs 15,000 to Rs 25000.



d. **Unsought goods:** These products are called unsought because consumer is usually unaware or ignorant about the products to purchase it. Marketers need heavy promotion activities to educate and sell their products.

For example, Insurance is the product which most of the consumers are aware of but very few are willing to purchase. Life Insurance Corporation trains its agents to promote and sell aggressively. These agents provide lot of inputs regarding insurance to consumers.

Business or Industrial Products

Business products are purchased by the Organizational consumers who use these products as a material, part, capital item or service in producing his/her final product.

a. Materials and parts: These products are further classified as raw materials and manufactured material and parts.

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Raw materials are of two types namely, Natural products and Farm products.

1.Natural products are extracted and used for further product development. For example, Orex Minerals Private Limited supplies iron ore to Adani exports limited, Nobel Resources and Trading Private Limited and Sino Steel India Private Limited.

2.Farm products are also used in further product development. For example, Parle agro division supplies required wheat for the production of biscuits.

Manufactured materials are further classified into two types. They are component parts and component materials.

1.Component parts. For example, Melco Precisions Private Limited supplies heat resistant steel to Grasim and NTPC for further product development.

2.Component materials These are also called original equipment manufacturer products. These companies' products are directly fitted in the final product. For example, MRF tyres are directly fitted in Maruti Udyog Limited cars.

b. Capital items include developing the building(for example, L & T and Siemens developing Bangalore International Airport) Fixed equipments (for example, Lenovo supplying computers to Manipal university) Accessory equipments(for example, Hindustan Everest Tools Limited sells its spanners and pliers to industrial customers) and office equipments (HP supplying fax machine to Shristi Automation Private Limited)

c. Suppliers and services: Supplies includes operating supplies(Castrol sells its lubricants to VRL limited) maintenance and repair services (Eagle Securities Service to corporate clients)

Levels of Product

- 1. Core product:** This is the fundamental good or service offered to the consumer. E.g. Hospital services
- 2. Generic product:** This is the basic version of the product. E.g. Hospital having doctors, nurses, beds and laboratories.
- 3. Expected product:** The minimum attributes that consumer expects in the product. E.g. Hospital should have qualified doctors, good service and proper amenities.
- 4. Augmented product:** Inclusion of value added services to the expected product to distinguish it from competitors. E.g. Online or tele medicine facilities, expert knowledge sharing, 24 hour ambulance service etc...
- 5. Potential product:** These are the future products provided by the company which customer didn't anticipate. Ultimately consumer will be delighted by this product. E.g. Medical insurance from the hospital, after service care etc...

Product Line Strategies

Product line: The group of related products which uses same marketing efforts to reach the consumer.

The product line identifies profitable and unprofitable products and helps in allocation of resources according to that. The product line understanding helps the marketer to take line extension, line pruning and line filling strategies of the company.

Pidilite Industries, the adhesives and chemical company, have the following group of related products (or product lines) in consumer and business markets.

Consumer market.

1. Adhesives and sealants.
2. Art materials and stationeries.
3. Construction chemicals.
4. Automotive chemicals
5. Fabric care

Business market

1. Industrial adhesives.
2. Textile chemicals.
3. Organic pigment powders.
4. Industrial resins and
5. Leather chemicals.

Product Line Decisions

Line Stretching

When a company lengthens its product line beyond its current market range (making additional products for upper or lower class users)

Downward

Upward

Two-way

Line Filling

Adding more items within a product range to get more profits, fill missing items in product line, utilize excess capacity, try to be leading as full line company, to fill holes to keep out competitors

Line Pruning

Dropping weak Items from product line

Product Mix

The number of product lines and items offered by marketer to the consumers

A company's product mix has four different dimensions.

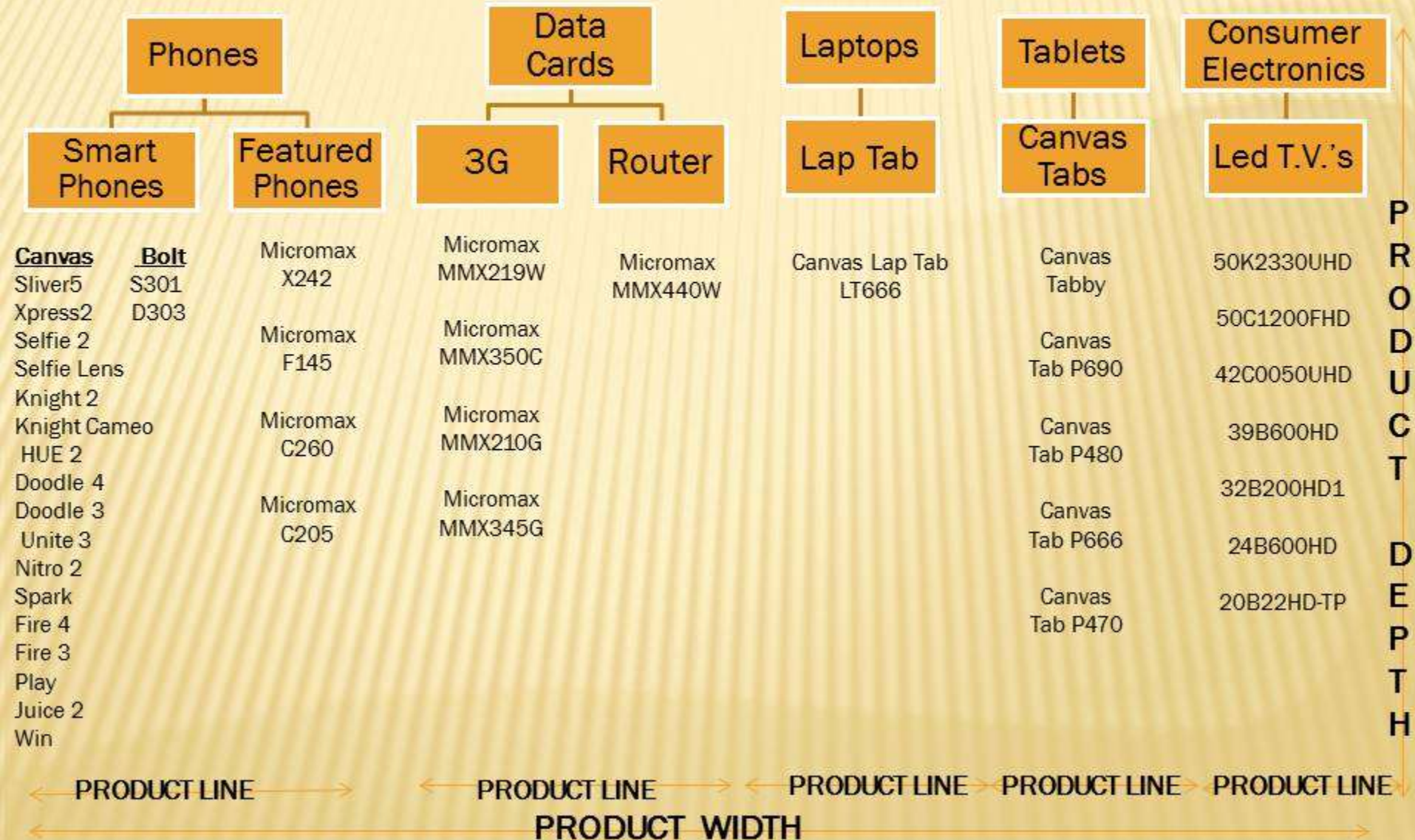
Product mix width: The total number of product lines that company offers to the consumers.

Product mix length: The total number of items that company carries within its product line.

Product line depth: The number of versions offered of each product in the line.

Product mix consistency: If company's product lines usage, production and marketing are related, then product mix is consistent, else it is unrelated.

PRODUCT MIX : MICROMAX



Packaging and Labeling

Packaging: The process of designing and producing the container or wrapper for a product.

Packaging plays a vital role in marketing a product. Some rural consumers identify with the design or cover of the product and then they buy it. Packaging has other benefits to the consumers also. They are

1. It gives proper protection to the product.
2. It helps in bulk breaking.
3. It entices the customer to buy the product.

Packaging strategies:

1. Adopting the same package for entire product line.
2. Multiple packs for multiple products
3. Changing the packages continuously.

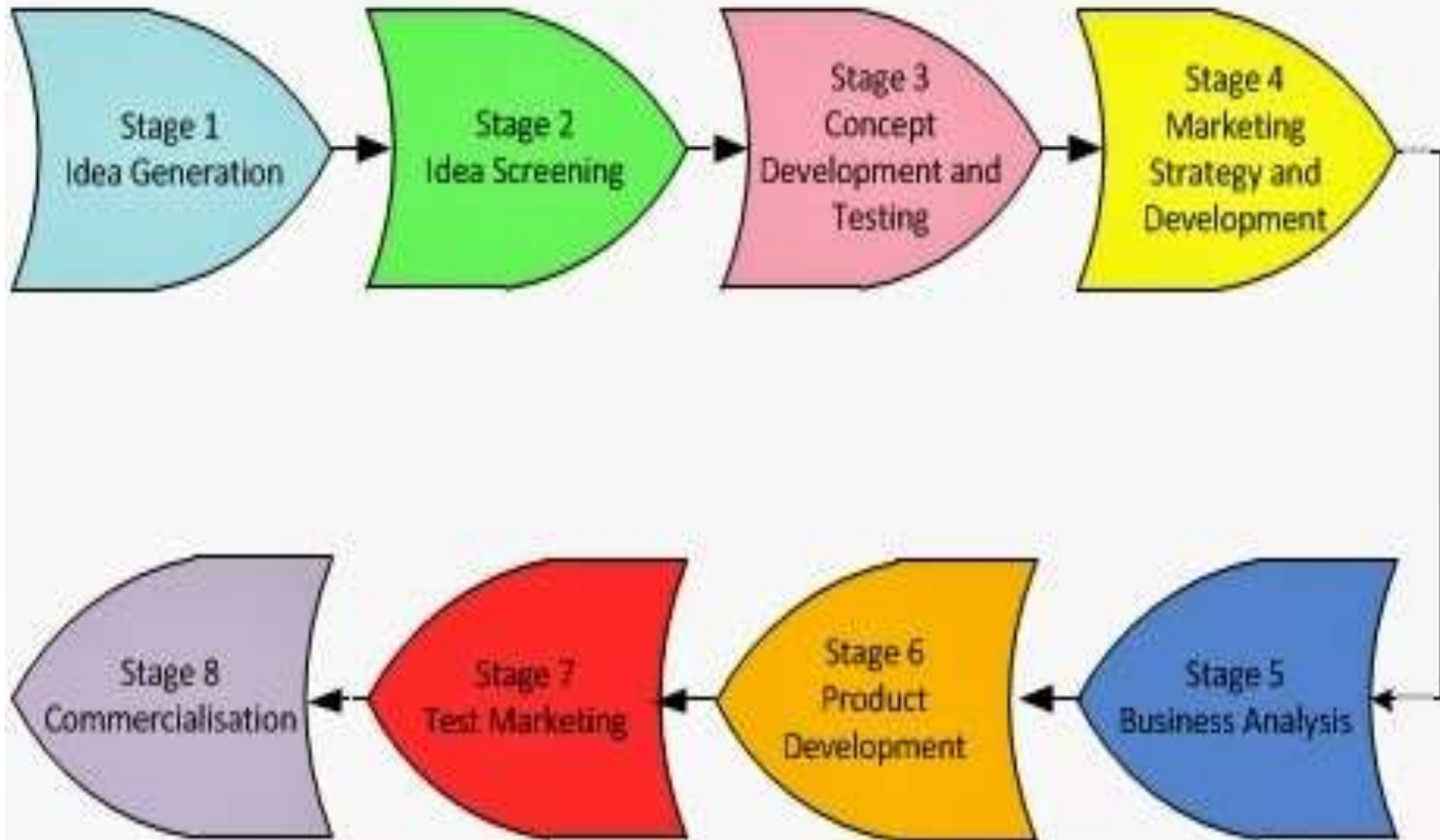
Labeling:

Labeling: it carries the information about the product and the seller and this information is presented on the package as well as on the product..

Types of labels:

- a. Brand label: Only brand name is mentioned on the packaging. For example, Raymond's.
- b. Grade label: Identifies the products judged quality with a letter, number or word. For example, fertilizers 19-19-0-19, 17-19-19-19 etc...
- c. A descriptive label: Gives the entire information about the product, use, and care. For example, Vasemol hair dye packet contains brochure in which it tells how to use product, what are the precautions one should take etc...

New Product Development





Stage 1 – New product idea can be generated either from the internal sources or external sources. The internal sources include employees of the organization and data collected from the market. The external source includes customers, competitors and supply chain members. For example, Ingersoll Rand welcomes new ideas from the General public



Stage 2-Idea screening: Organization may have various ideas but it should find out which of these ideas can be translated into concepts. In an interview to Times of India, Mr. Ratan Tata, chairman TATA group discussed how his idea saw many changes from the basic version. He told that he wanted to develop car with scooter engine, plastic doors etc... But when he unveiled the car, there were many changes in the product. This shows that initial idea will be changed on the basis of market requirements.

Stage 3 – Concept Development: the main feature or the specific desire that it caters to or the basic appeal of the product is created or designed in the concept development.

Concepts used for Tata Nano car are -

Concept I: Low-end 'rural car,' probably without doors or windows and with plastic curtains that rolled down, a four-wheel version of the auto-rickshaw

Concept II: A car made by engineering plastics and new materials, and using new technology like aerospace adhesives instead of welding.

Concept III: Indigenous, in-house car which meets all the environment standards

CONCEPT TESTING



Stage 4 – At this stage concept is tested with the group of target customers. If any changes are required in the concept or the message it will be done during this stage. Also the effectiveness is tested on a minor scale. If the concept meets the specific requirements, then it will be accepted.

marketing mix strategy and profit goals.

Stage 5 Marketing strategy development: The marketing strategy development involves three parts. The first part focuses on target market, sales, market share. TATA's initial business plan consisted sales of 2 lakhs cars per annum. The second part involves product price, distribution and marketing budget strategies. TATA's fixed Rs 1 lakhs as the car price, and finding self employed persons who work like agent to distribute the cars. The final part contains marketing mix strategy and profit goals.

Business



Analysis

Stage 6 – It is the analysis of sales, costs and profits estimated for a new product and to find out whether these align with the company mission and objectives.



Stage 7 – During this stage, product is made to undergo further improvements, new features or improvised versions are added to the product. There is also scope for innovation and using the latest technology into the product.

Stage 8 – Test marketing: is the most crucial stage for the testing product's performance and its future in the market. There are certain cases where product has failed in the test marketing and had to be withdrawn.

- The product is introduced into the realistic market
- The 4P's of marketing are tested.
- The cost of test marketing varies with the type of product.

Stage 9 – Commercialization: In this stage product is completely placed in the open market and aggressive communication program accompanied with promotion activities is carried out to support it.

Product Life Cycle



Product is launched.
Sales grow slowly as people
are not aware of the product.
Informative advertising is used
Usually no profit



Introduction

Sales start to grow rapidly.
Persuasive advertising may be used.
Prices may be reduced as new
competitors enter the market.
Profits start coming.



Growth

Maturity



Sales now increase slowly.
Intense competition in the market.
Competitive or promotional pricing
may be used.
Advertising expenditure at its
highest to sustain growth.
Profits may soon start to fall as the
product enters the saturation stage.

Decline



Sales will fall.
Product loses its appeal.
Stiff competition in the
market.
Advertising is reduced and
then stopped.
Production may be stopped in
the future.

TIME

