UNIT 8 PRODUCT STRATEGY

Structure

8.0 OBJECTIVES

After studying this unit, you should be able to:

- discuss the concept of product, its composition, and classification;
- define the stages in the new product development process;
- explain the marketing strategies for various stages of the product's life cycle;
- elaborate the concept of product mix & product line; and
- discuss the significance of packaging, branding, and labeling in the success of a product.

8.1 INTRODUCTION

Till now you have studied a lot about the basic marketing concepts and one thing must be clear to all of you that marketing is an indispensable activity for every business to succeed in today's competitive environment. But for marketers to succeed and to enter the market it is very important to have a product, service, or idea. In this unit, we are going to study the concept of the product.

8.2 CONCEPT OF A PRODUCT

In a very narrow sense, a product is a set of tangible physical attributes assembled in an identifiable form. However, in marketing the concept of a product is much wider. A product can be more than a physical thing- it may be a service, a feeling, a pleasure, a reputation, or an experience. In reality, the consumer obtains a bundle of satisfaction as a result of buying a product. So the organizations have to consider the product from the customer's perspective. Like, for example, cosmetic companies are combining chemicals to make lipsticks, vitamin manufacturers produce little pills, watchmakers produce mechanical devices that keep time- but for the customer, a lipstick become a hope to look young and beautiful, vitamins become a hope for a healthier life and watches become status symbols.

According to Philip Kotler (1999) in his book "*Marketing Management*",

"A product is anything that can be offered to a market for attention, acquisition, use, or consumption that might satisfy a need or want. It includes physical objects, services, persons, place, organizations or ideas."

According to William J. Stanton (1994), in his book "*Fundamentals of Marketing*",

"A product is a set of tangible and intangible attributes, including packaging, colour, price, manufacturer's prestige, retailer's prestige, and manufacturer's and retailer's services, which the buyer may accept as offering want-satisfaction."

So by now, it should be clear to you that a product is not only a bundle of physical and chemical attributes, but it also includes various intangible attributes that have the potential to satisfy present and potential customer's needs and wants and is received in exchange for money or money's worth. In addition to the physical good itself, other elements include the packaging, branding, labeling, Manufacturer's prestige, wholesalers and retailers' prestige, guarantee, warranty, installation, after-sales services, etc. For example, a customer buying an air conditioner with a maintenance contract from Samsung is buying a different product than another who buys some unbranded air conditioner without the maintenance agreement.

8.3 COMPOSITION OF A PRODUCT

The first thing for us to understand is the composition of the product. Generally speaking, a product is compared to an onion, like an onion it has various layers. As we peel the top layer, the next layer comes out. The same way a product has five layers. Each layer or level adds more customer value, and all five levels constitute a customer value hierarchy. We have tried to list out the various product levels in Figure 8.1.

1) **Core product**

   The first and the most fundamental level is the core product which provides core benefit: the fundamental service or benefit that the customer is really buying. It is the genuine reason for which the product is purchased or in other words the basic satisfaction a consumer is looking for in the purchase of that product. For example, a woman buying lipstick is not buying simply lip colour or the physical and chemical attributes but is buying the hope or feeling of looking pretty. In other words, a product in its pure raw or natural form is called the core product, as in the case of tea leaves, which are freshly plucked from the tea gardens and after processing get converted into the core product.

2) Basic product

At the second level, the marketer has to turn the core product into a basic product. The core product is generally in a very raw form, so marketers have to add a certain quality level, some more features, design the product's packaging, give it a label and a brand name to covert it to the basic level. For example, tea leaves plucked from the tea garden and processed simply in raw form is the core product, but when these leaves are graded, packed, labeled, and are given a brand name, they get converted into the basic product.

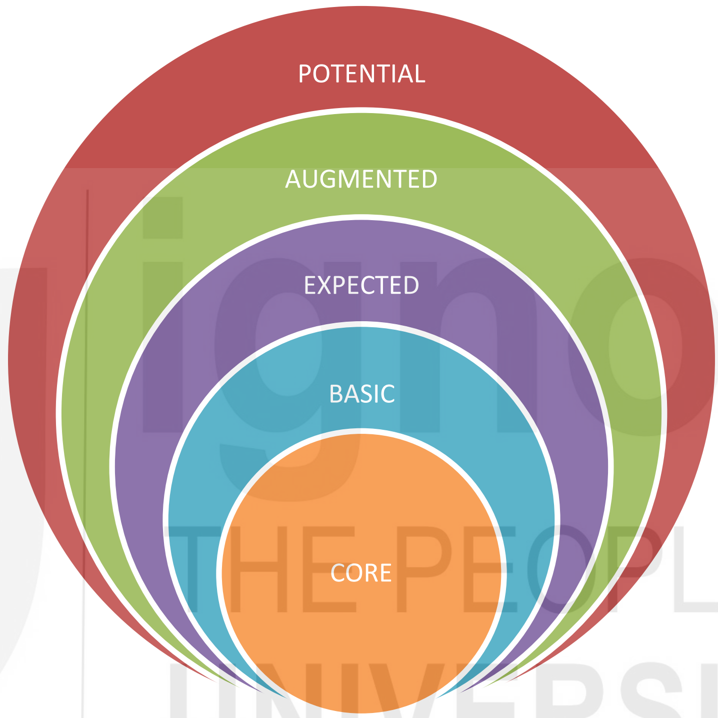

Figure 8.1: Composition of a Product

3) Expected product

At the third level, the marketer prepares an expected product, where another set of attributes and conditions are added to the product to make it more valuable to the customer, for example, the convenience of product purchase and economical prices. Like as explained in the previous level, varieties of tea leaves are made available in the market with different levels of pricing keeping the quality levels, and the cost of packaging into account.

4) Augmented product

At the fourth level, the marketer prepares an augmented product that exceeds customer expectations. At this level new improved features are added to the product, which is not being offered by any other competitor. The tea producers launch the various flavours of tea in the market, such as ginger tea, green tea, honey lemon tea, premium tea, etc. So, in today's scenario competition essentially takes place at the product augmentation level because at this stage different features are added by marketers in their products to give their product a distinct identity than that of their competitors.

According to **Theodore Levitt (1969)** in his book *The Marketing Mode*:

"The new competition is not between what companies produce in factories, but between what they add to their factory output in the form of packaging, services, advertising, customer advice, financing, delivery arrangements, warehousing, and other things that people value".

5) Potential product

At the fifth level stands the potential product, where it undergoes all the possible augmentations and transformations required for the future. This is where companies search for new, innovative, and creative ways to satisfy customers and distinguish their offers from that of the competitors. Successful companies add benefits to their offering that not only satisfies customers but also surprise them and delight them. Delighting is a matter of exceeding expectations. So, we could see that a product can have all these levels, as it is introduced in the market.

Activity 8.1

Visit the nearby market and gather information regarding the various products available in the market and classify them in various categories based on their level of composition.

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Check Your Progress 8.1

Note: a) Use the spaces given below for your answers.

b) Check your answer with those given at the end of the unit.

1) Why is it said that the competition takes place at the augmentation stage?

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2) Why is it important to convert a product into a potential product?

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8.4 PRODUCT CLASSIFICATION

Product classification can be done from a variety of perspectives. Based on the tangibility and durability, the product can be classified into three main groups as depicted in figure 8.2.

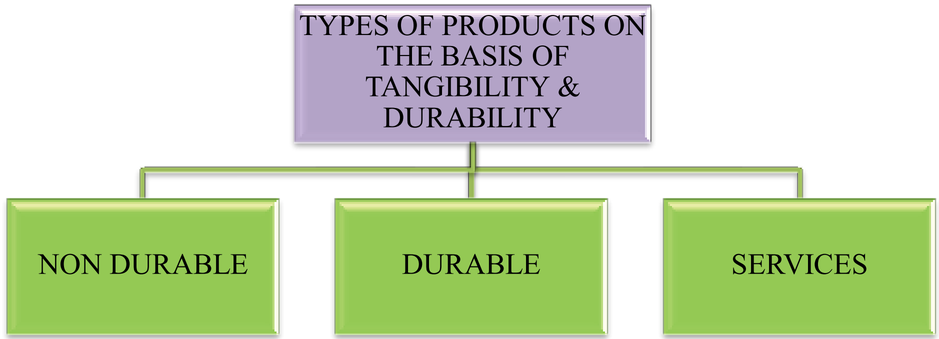

Figure 8.2: Types of Product based on Tangibility & Durability

1. **Non-durable goods**

   Nondurable goods are tangible goods that are normally consumed in one or few uses. In general terms, the goods consumed within one year are called nondurable. Examples are bread, butter, soap, beverages, snacks, sugar, and salt. Because these goods are consumed quickly and purchased frequently, the appropriate strategy is to make them available in many locations, charge only a small markup, and advertise heavily to induce trial and build preference.

2. **Durable goods**

   Durable goods are tangible goods that normally survive many usages, and the economic era for normal use is generally one year or more. Examples include television sets, refrigerators, cars, computers, and clothing. In general, these types of goods require more personal selling and services, offer greater benefits, command a higher margin, and require more quality control, guarantee/warranty, etc.

3. **Services**

   Services are intangible, inseparable, variable, and perishable products. They are delivered by the service provider directly to the recipient. As a result, they normally require more quality control, supplier credibility, and adaptability. Examples include the services of beauty salons, hotels, schools, banks, and others.

8.4.1 Consumer Goods Classification

The products can also be classified based on by whom and for what purpose are they being consumed into two categories: consumer goods and industrial goods.

A. Consumer goods

Consumer goods are consumed by final consumers for their own interests (individuals and households), and not for commercial purposes. The vast array of consumer goods can be classified based on the shopping habits of consumers into four types: namely convenience goods, shopping goods, specialty goods, and unsought goods.

1. **Convenience goods**

Convenience goods are those products that customer usually purchases frequently, immediately, and with a minimum of effort in comparison and buying. Examples include soaps, toothpaste, batteries, candies, newspapers, etc.

2. **Shopping goods**

These are goods that the customer will purchase only after a thorough comparison based on suitability, quality, price, and style. The consumer will not mind going to a few shops and spending his time and effort in making such a comparison. Examples include furniture, clothing, shoes, accessories, and major electronic appliances.

3. **Specialty goods**

These are goods with unique characteristics or brand identification for which a sufficient number of buyers are habitually willing to make special purchasing efforts. They are highly brand loyal to them. They won't mind traveling a long distance for them, waiting a long period for them, or being willing to pay a premium price for them. Examples include luxury cars, photographic equipment, designer clothes, etc.

4. **Unsought goods**

Unsought goods are goods that the consumer does not know about or knows about but does not normally think of buying. These goods can also be of two kinds:

a. **Unsought regular products** are goods that exist in the market and are known to consumers, but are not purchased by them in the normal course of time, such as medicines, life insurance policies, etc.

b. **Unsought new products** are products that are new to the market and consumers do not know much about them or have some misconceptions about them, so they won't be purchasing them unless they get full information about them. For example, smoke detectors, automatic dishwashers, etc.

B. Industrial goods classification

Industrial goods are those goods that facilitate the production of other goods. They might become a part of the finished good completely or help in the manufacturing and maintaining of the product. According to Philip Kotler, the various types of industrial goods can be classified into three categories, such as materials and parts, capital items, supplies, and business services.

1. **Materials and parts**

These are goods that enter the manufacturer's product completely. They fall into two categories: raw materials and fabricated materials and parts.

a. **Raw materials** are those goods that are taken from nature in raw forms, like wheat, cotton, livestock, fruits, and vegetables. These are supplied by farmers and other suppliers to the manufacturers who process them further, add value to them and these goods finally become part of the finished goods.

b. **Fabricated material and parts** are manufactured products of one production unit such as iron, yarn, cement, wires, etc., and are required by another production unit to be processed further and finally become part of their finished goods.

2. **Capital items**

   These are basic goods that are required for conducting the manufacturing process smoothly and producing finished products. They can be of two types: installations and equipment.

   a. **Installations** consist of the building (factories, offices), and heavy equipment (generator, elevators, mainframe computers).

   b. **Equipment** factory equipment and tools (hand tools, lift trucks) and office equipment (personal computers, desks, tables).

   These types of products do not become part of the finished product but are very important to produce finished goods.

3. **Supplies and business services**

   Supplies and business services are those goods and services which are required to facilitate the production process or in other words help in developing or managing the finished product.

   a. **Supplies** are of two kinds: operating supplies (lubricants, coal, writing paper, pens, etc.) and maintenance and repair items (tools, fixtures, paints, etc.).

   b. **Business services** include maintenance and repair services (telecom services, computer maintenance, etc.) and business advisory services (legal, management consulting, advertising services, etc).

Check Your Progress 8.2

Note: a) Use the spaces given below for your answers.

b) Check your answer with those given at the end of the unit.

1) What are consumer goods?

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2) Define convenience goods.

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8.5 NEW PRODUCT DEVELOPMENT PROCESS

It has been rightly said that nothing happens unless somebody sells something. So it is very important to first have something to sell a product, a service, or an idea, and that "something" must be developed carefully. There are certain stages through which every company has to go before arriving at the final product. The following diagram nicely depicts the stages to be followed:

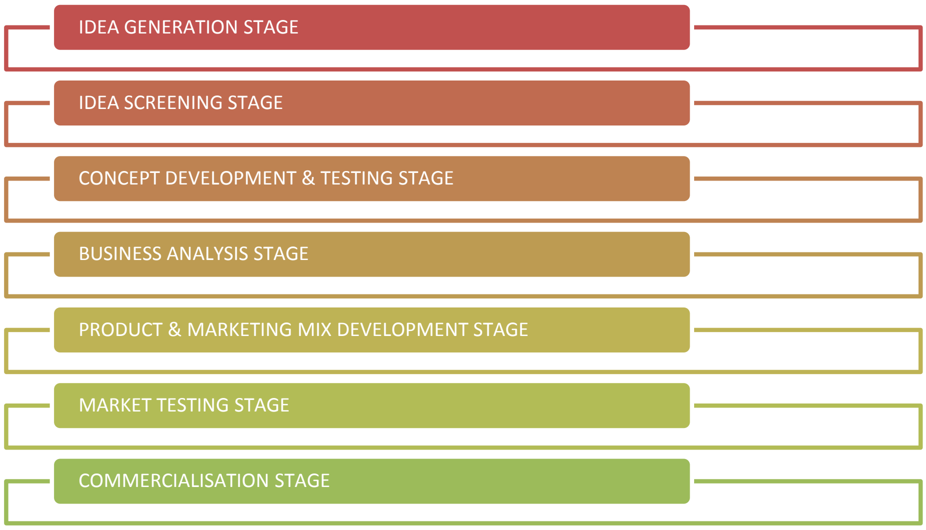

Figure 8.3 New Product Development Process

As depicted in the diagram above, the development of a new product can proceed through a series of seven stages that are listed below. During each stage, management must decide carefully whether to move on to the next stage, abandon the product, or seek additional information. While all the companies don't need to follow the step-by-step approach, but still it is always recommended as it helps them in minimizing the risk of product failure at a later stage.

1) Idea generation stage

The first stage in the new product development process is to generate various ideas which can be later evaluated as potential product options. At this stage, the focus is on inviting as many ideas as possible from various sources within or outside the organization, so that the manufacturer should not repent at a later stage that some ideas were not explored. Customers' needs and wants are the starting point in the search for new product ideas. The ideas can be generated by organizing focus group interviews with consumers, middlemen, feedback from sales personnel, consumer feedback and suggestions, and acquiring knowledge about competitors' product strategies through various sources.

2) Idea screening stage

At this stage, the ideas generated at stage one are critically evaluated by the senior management to select the most attractive option. While selecting the ideas, the opinion of people at various levels is sought so that the chances of committing an error can be reduced to the minimum. At the screening stage, the company must avoid two types of errors—a drop error, which occurs when the company dismisses an otherwise good idea, or a go—error, which occurs when the company permits a poor idea to move into the development and commercialization stage. The purpose of screening is to analyze the ideas carefully and avoid committing both types of errors.

3) **Concept development and testing stage**

At this stage, a few selected ideas are discussed at length with customers, distributors, and the company employees by showing them a detailed concept note or a storyboard displaying drawings of product ideas, so that their suggestions can be incorporated while designing an excellent product. During discussions with everyone, an effort is made to elicit their response in terms of their likes and dislikes of the concept, the various features to be included in the product, their level of interest in purchasing the product, and the likely price they would like to pay for the product.

4) **Business analysis stage**

At this stage, when marketers are left with one or two options, lots of efforts are made by them to check out the commercial viability of those product ideas because no organization would like to move to the next stage with a loss-making proposition. Even though the idea remains on paper, an effort is made by marketers to estimate the tentative market size or the expected market demand of the product, calculations are made regarding the estimated cost of manufacturing the product and the resultant sales and profit figures are calculated.

5) **Product and marketing mix development stage**

Ideas passing through business analysis enter into the product and marketing mix development stage. At this stage, with the help of the research and development department of the organization, the basic design of the product is prepared and certain prototypes of the idea are developed. Lots of functional tests are performed on these prototypes under laboratory and field conditions to check their performance levels and safety standards. Decisions regarding the other three Ps, namely, Price, Place, and Promotion are also taken at this stage. Once the prototype is ready, a representative group of customers are invited to the company premises and are shown the real product. They are also encouraged to discuss the pricing strategy and give their comments on the sample advertisements. Customer's suggestions at this stage help the company to arrive at appropriate marketing-mix decisions and the product is finally ready to be launched in the market.

6) **Market testing stage**

All the products which reach up to this stage are ready to be tested as real products in the market. At times when the marketers are confident about the success of the product after the concept testing stage, they can skip this stage but generally, when their stake is large they go for market testing before finally going for commercialization of their product. At this stage, the product is finally packed, priced, promoted, and introduced in a small geographical area. The response of the consumers is sought from the test marketing area and the required adjustments are made in the various marketing-mix elements. Once finally approved by the larger segment of target customers, the product is ready to move to the seventh stage i.e. commercialization.

7) Commercialization stage

This is a stage where the product is ready to be launched in the wider market. Some firms introduce the product in phases to different parts of the market. This allows the company to plan the production in a more controlled way and to fine-tune the marketing mix as the product is distributed to new areas. But before the product is distributed to new areas certain important decisions are taken such as:

1. **When to introduce the product (timing)**

   Marketers have to decide about the right time to introduce the product in the market at a large scale keeping the time factor into accounts such as the seasonal nature of the products, festivities, and the flow of disposable income with consumers.

2. **Where to introduce the product (geographical distribution)**

   Whether to launch the new product in a single locality, a specific region, several regions, the national market, or at the international market?

3. **To whom to target the product (target market prospects)**

   Within the rollout markets, the company must target its distribution and promotion policy to the best prospect group of customers.

4. **How to introduce the product in the market (introductory marketing strategy)**

   Companies must develop a plan for introducing the new product in the market. Various marketing mix decisions are taken care of to introduce the product in a big way in the markets. Sometimes attractive introductory offers are made to attract the present and potential customers towards the new product.

So finally to conclude it can be said that it is very important for marketers to follow all these stages carefully if they want to avoid costly mistakes at a future date.

Check Your Progress 8.3

Note: a) Use the spaces given below for your answers.

b) Check your answer with those given at the end of the unit.

1) Why is it important for producers to go through all the stages carefully for developing a new product idea?

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2) Why is it that despite taking all the precautions, some of the new products meet with failure in the markets?

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8.6 PRODUCT LIFE CYCLE

The moment the product is commercialized it enters into its life-cycle. A product is like a human being. It is born, grows up fast, matures, and then finally passes away. The Product life cycle discusses the stages that a product has to go through from the day of its birth to the day it is taken away from the market. A new product progresses through a sequence of stages from introduction to growth, maturity, and decline. This sequence is known as the **product life cycle** and is associated with changes in the marketing situation, thus impacting the marketing strategy and the marketing mix.

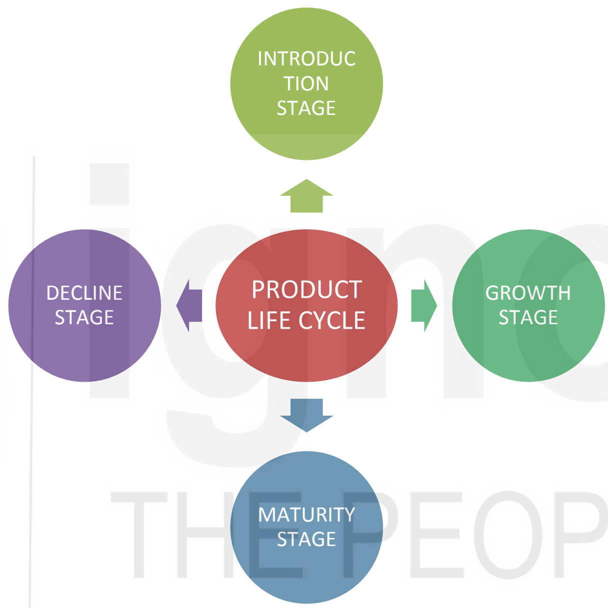

Figure 8.4 (a) Product Life Cycle

The product life cycle stages

The product revenue and profits can be plotted as a function of the life-cycle stages as shown in the graph below:

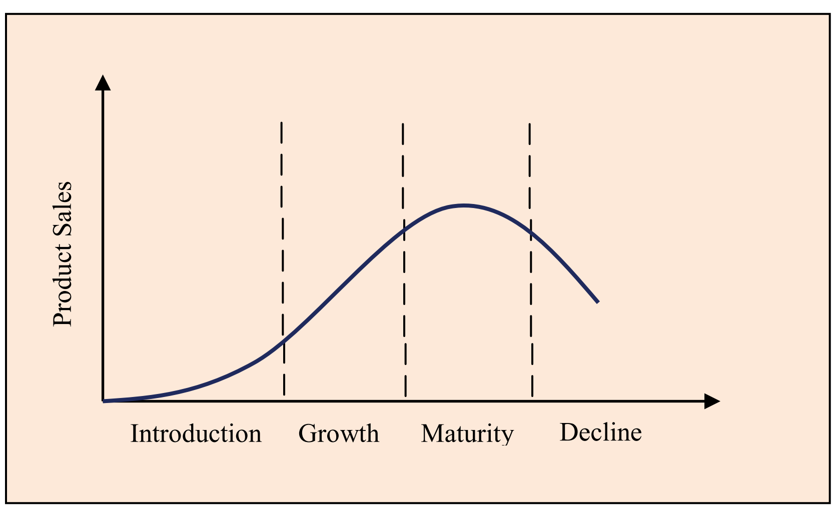

Figure 8.4 (b): Product Life Cycle

The product life cycle deals with four basic stages.

A. Stage one: Introduction stage

Stage 1 is where the product is launched. A product launch is always risky. You never know how the market will receive the product. There have been numerous failures in the past to make marketers nervous during the launch of the product. The length of the introduction stage varies according to the product.

Characteristics of introduction stage:

- Product branding and the quality level are established and intellectual property protection such as patents and trademarks are obtained.
- The company introduces the basic versions of the product in the market as the market is not ready for product refinements.
- Huge investments are made in production, distribution, and promotion resulting in no or low profits.
- Costs are high due to relatively low output rates.
- Pricing may be low: penetration pricing to build market share rapidly, or high: skimming pricing to recover development costs fast.
- The slow growth of sales is because of a lack of awareness among the consumers.
- Distribution is selective until consumers show acceptance of the product.
- Huge efforts are made to attract dealers and fill the pipelines.
- Aggressive promotional efforts are made aimed at innovators and early adopters. Marketing communications seek to build product awareness and to educate potential consumers about the product.
- There are only a few competitors.

Marketers adopt any one of the following strategies:

1. **Rapid skimming strategy-** Launching the new product at a high price with a high promotional level. This strategy is adopted when people are unaware of the product, the company wants to build the image of a prestigious product, and they are confident of the fact that consumers can pay the high price for that product.
2. **Slow skimming strategy**-Launching the new product at a high price with low promotion. It is used when the market is limited in size, people know about the product, buyers are willing to pay a high price and potential competition is not imminent.
3. **Slow skimming strategy**- Launching the product at a low price and spending heavily on promotion. This strategy works when the market is large, unaware of the product, buyers are price sensitive, strong potential competition and unit manufacturing costs fall with increasing turnover.
4. **Slow penetration strategy**- Launching the new product at a low price and low level of promotion. Marketers use this strategy when the market is large, highly aware of the product, is price sensitive, and there is some potential competition exists.

B. Stage 2: Growth stage

The growth stage is marked by a rapid climb in sales and profits of the company. Early adopters like the product and middle majority consumers start following their leads. The firm seeks to build brand preference and increase market share. There is better demand in the market and slowly the product starts showing profits. This is a stage where competition may step into squash the product before it has completely launched. Thus special care is needed to ensure that it does not affect the growth stage of the product.

Characteristics of growth stage:

- Rapid climb in sales, early adaptors, and a middle majority can follow the leader.
- New competitors enter the market attracted by large-scale production and profit.
- Pricing is maintained as the firm enjoys increasing demand with more and more customers coming forward and buying their products.
- Profits increase during this stage as promotion costs are spread over a larger volume and unit manufacturing cost falls faster.
- Promotion is aimed at a broader audience.
- Company's maintained their promotional expenses at the same level or slightly raised level to meet competition and continue educating the market.
- Sales rise much faster, causing a decline in the promotion-sales ratio.

Marketers use the following strategies at this stage:

1. Product quality is maintained and additional features and support services may be added.
2. New improved models of the product may be introduced.
3. Companies tend to enter new market segments and increase their distributional network as demand increases and customers accept the product.
4. The nature of the advertising shifts from product awareness to bringing about products conviction and purchase.
5. The company may lower prices at the right time to attract the next layer of price-sensitive consumers.

C. Stage 3: Maturity stage

At the maturity stage the rate of sales growth will slow down and the product will enter a stage of relative maturity. This stage poses formidable challenges to marketing management.

The maturity stage can be divided into three phases.

In the **first phase, growth-maturity**, the sales-growth rate starts to decline because of distribution saturation. There are no new distribution channels to fill, although some laggard buyers still enter the market.

In the **second phase, stable maturity**, sales become level on a per capita basis because of market saturation. Most potential consumers have tried the product and future sales are governed by population growth and replacement demand.

In the **third phase, decaying maturity** the absolute level of sales now starts to decline and customers start moving towards other products and substitutes.

Characteristics of maturity stage:

- The slowdown in the rate of sales growth creates overcapacity in the industry and this overcapacity leads to intensified competition.
- The industry eventually consists of well-entrenched competitors whose basic drive is to gain a competitive advantage.
- Profits start to decline.

Marketers have to resort to the following strategies:

1. In order to sustain the sales at a constant level, the company might have to add new improved product features to differentiate their product from that of the competitors.
2. They will have to convert nonusers into users-for example try to encourage non-coffee drinkers to drink coffee.
3. They can suggest more frequent uses of their products- for example, the shampoo company tries to introduce more frequent use of shampoo to have nice, silky, and glowing hair.
4. Even more usage per occasion can be recommended- for example, Milkmaid distributing Milkmaid recipe books free to the customers to suggest frequent and more usage of their product in various recipes.
5. Company will have to try hard to win over the competitors' customers.
6. Prices might have to be reduced to attract the price-sensitive consumer from the competitor.
7. Distribution becomes more intensive and incentives may be offered to encourage preference over competing products.
8. Promotion emphasizes product differentiation.
9. Various sales promotion incentives are introduced for the consumers as well as dealers to maintain their interest in the product.

D. Stage 4: Decline stage

At this stage, the market is saturated. Sales and profits eventually decline. The decline may be slow or rapid.

Characteristics of the decline stage:

- Sales may plunge to zero or they may petrify at a low level and continue for many years.
- Sales decline for several reasons, including technological advances, consumers' shifts in tastes and increased domestic and foreign competition, overcapacity, increased price-cutting, and profit erosion.
- Profits start declining and at times become negative.

As sales and profits decline, the firm can resort to the following marketing strategies:

- The product can be maintained in the market for some more time by adding certain new features and finding new uses.
- The company can continue to offer the product to its loyal customers at a reduced price.
- They can even discontinue the product.
- The product can be used as a replacement product for launching another new product successfully in the market.
- The various marketing decisions in the decline phase will depend on the fact, whether it is being rejuvenated, given a new lease of life, or left unchanged if it is being liquidated.
- The price may be maintained or reduced drastically if liquidated.

Check Your Progress 8.4

Note: a) Use the spaces given below for your answers.

b) Check your answer with those given at the end of the unit.

1) Explain the difference in the marketing strategies followed by marketers in the introduction stage and growth stage.

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2) Why the maturity stage is considered the longest stage in the life of a product?

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8.7 PRODUCT MIX AND PRODUCT LINE

The product mix is the sum total of all the products manufactured or traded by some business house to reinforce their presence in the market, increase market share and increase the turnover for more profitability. For example, if we take the case of Hindustan Unilever, their product mix consists of fabric wash segment, haircare, skincare, oral care, household cleaning, and other product lines. Product mix and product line are two expressions used in connection with the range and variety of the products of a firm.

Product mix- is the larger entity. It denotes the complete set of all products offered for sale by a company. The product mix of a company is composed of all the product lines, it carries.

Product line- is a group of closely related products that are considered to be a unit because of marketing, technical, or end-use considerations. For example, all the toilet soaps of Hindustan Unilever like Dove, Pears, Lux, Liril, Rexona, Hamam, Lifebuoy, and Breeze form a product line under the personal wash category.

Width of product mix- denotes the number of product lines it carries. It can also be termed as a line extension, which means introducing a new product line, just like Mercedes was manufacturing cars, when it started to manufacture its bikes, it was a line extension. Line extension can be upward or downward, in the case of Mercedes, it was downwards.

Length of product line- is decided by the number of items in a product mix.

Depth of a product line- denotes the total number of items under each brand in the line, in terms of variants, shades, models, pack sizes, etc.

PRODUCT LINE 1	PRODUCT LINE 2	PRODUCT LINE 3
•BATHING SOAPS	•FABRIC WASH	•BEVERAGES
•DOVE	•SURF EXCEL	•BRU
•LIRIL	•RIN	•BROOK BOND
•LE SANCY	•WHEEL	•RED LABEL
•PEARS	•SUNLIGHT	•LIPTON GREEN
•RESOXNA	•ALA	•TAAZA
•LIFEBBUOY	•501	•TAJ MAHAL
•HAMAM		•SUPER DUST A1
•BREEZE		
•JAI		

Figure 8.5: HUL Product Mix & Product Line

Constant appraisal of each product/brand in the line

A growing business needs to undertake a constant appraisal of its existing product lines. The appraisal is required to check the validity of the products in light of the changes in the business environment and the competitive forces. With time, some of the products lose their relevance and at times the entire product line might become outdated. Companies try to measure the market acceptance of their products as it changes due to changes in the tastes and preferences of the consumers. Some of the products are required to be withdrawn from the market due to functional obsolescence which can occur because of the changing fashions or the upcoming of the new/ improved substitute products due to new and improved technologies. So there should be a constant appraisal of each product in the product line and each member/brand in the line.

The decisions may include withdrawal of the product in one case, stricter quality control in respect of another, giving an independent brand name to a product, improving the utility of a product by adding a few features to it or introducing a new product altogether, in yet another case.

8.8 PACKAGING

Packaging is considered a very essential part of the product. It is becoming such an indispensable part that it is referred to as the 5th "P" of the marketing mix. Before we go into the reasons as to why packaging is becoming so important, it is essential to first understand the concept of packaging and differentiate it from the term packing. In simple terms, packing refers to the protection of goods from breakage, spoilage, leakage, or pilferage when transported and stored, while packaging is a broader term, and is concerned with designing and producing appropriate packages for a product. While packaging goods, use of various types of materials can be made such as paper, fiberboard, jute, plastic, glass, steel, aluminum, cork, ceramics or wood, etc.

Packaging is often referred to as a silent salesman due to its ability to influence consumers at the point of purchase. It also acts as a form of brand communication, imparting personality, positioning, values, and benefits to the brand. Some of the important functions performed by packaging are listed below:

- Packaging makes goods catchy, colourful, informative and facilitates the sale of the product.
- It also protects the goods from breakage, pilferage, spoilage, or contamination.
- It also retains the moisture of the goods and keeps them fresh for a long.
- Packaging can also add functional utility to the product as it becomes easy to handle and store.
- Rising consumer affluence means consumers are willing to pay a little more for the convenience, appearance, dependability, and prestige of better packages.
- It helps in preventing the adulteration of the goods.
- With increasing competition in the marketplace, attractive packaging helps in catching the attention of the target audience.
- It is of immense importance in big departmental stores where there is a widespread use of self-service and all the brands lie parallel on the same counter.
- Aesthetic factors are essential to make a brand stand out, entice new shoppers and ensure existing users can find it.
- Packaging increases the utility of branding a product. The brand name and mark can be printed on the packages and they may be used for advertising the product.
- The package advertising copy lasts for as long as the product is being used in its packaged form. The user is every time exposed to the message on the label whenever he uses the product.
- Finally, Packaging gives individuality or identification to a product.

Developing effective packaging may involve huge monetary investment and take several months to complete. Companies may pay attention to growing environmental and safety concerns about packaging. The concept of going green and resorting to eco-friendly, recyclable packaging materials is being followed by most companies these days. Low-volume, low-priced packages are also being designed for rural and urban areas. Rs. 1, 2, 5 satches of detergents and shampoos are being introduced in the markets. Coke introduced its small bottle at Rs. 5 in rural markets. Most of the FMCGs are also resorting to such small, economical packaging of their goods and positioning them accordingly. All these facts clearly highlight the growing importance of packaging in today's market scenario.

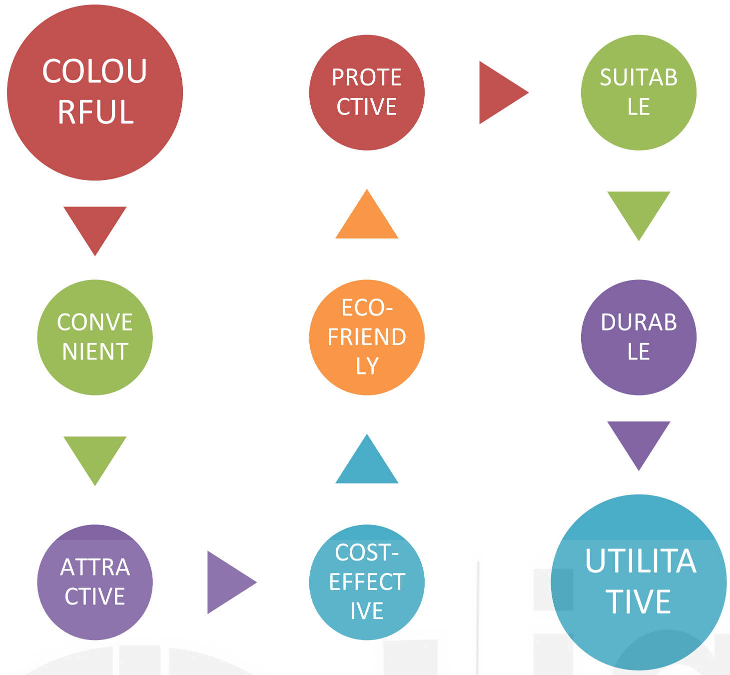

Figure 8.6: Requisites of a Good Package

Check Your Progress 8.5

Note: a) Use the spaces given below for your answers.

b) Check your answer with those given at the end of the unit.

1) Why a package is considered a silent salesman?

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2) Can you list out the various initiatives being taken by companies to promote green marketing efforts?

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8.9 BRANDING

Branding is a key concept in marketing circles. A well-defined brand drives sales, build customer loyalty, create brand value, and most of all, it can be the catalyst for business growth, as consumers will be motivated to buy that product. The most distinctive skill of professional marketers is their ability to create, maintain, protect and enhance brands. Marketers say that "branding is the art and cornerstone of marketing". The term branding has been defined by **American Marketing Association** (1995) as:

"A name, term, symbol, or design or a combination of them which is intended to identify the goods or services of one seller or group of sellers and to differentiate them from those of competitors."

A brand name consists of words, letters, and/or numbers that may be vocalized, while a brand mark is the part of the brand which appears in the form of a symbol, design, or distinctive colouring or lettering. It is recognized by sight but cannot be expressed by pronouncing. A trademark is a legal term and refers to a brand that is registered under the Trade and Merchandise Marks Act, 1958.

A brand is essentially a seller's promise to deliver a specific set of features, benefits, and services consistently to the buyers. It can convey up to six levels of meanings:

- **Attributes-** a brand brings to mind certain attributes. For example, Mercedes suggests expensive, well-built, well-engineered, durable, high-prestige automobiles.
- **Benefits-** attributes must be translated into functional and emotional benefits. Quality, durability, comfort, prestige, etc.
- **Values**- something about the producer's values. Mercedes stands for high performance, safety, and prestige.
- **Culture-** brand may represent a certain culture. Mercedes represents German culture: organized, efficient, high quality.
- **Personality-** can project certain personality. Mercedes may suggest a no-nonsense boss (person), or lion (animal), a power symbol.
- **User**- the brand suggests the kind of consumer who buys or uses the product. One can expect to see a 55 year old executive behind the wheel of a Mercedes, not a 20 year old secretary.

So the branding challenge is to develop a set of positive associations for the brand.

Characteristics of a good brand

- short & simple
- easy to spell and read
- easy to recognize and remember
- easy to pronounce
- can be pronounced in only one way
- can be pronounced in all languages
- suggestive of product benefits
- adaptable to packaging and labeling
- always timely
- legally available for use

Functions of branding

- **Product differentiation**- branding helps in differentiating a brand from its competitors and gives the product a distinctive identity.
- **Advertising**- a brand name is used to advertise the product and establish an image in the minds of the prospective consumers.

- **Better qualities of goods- standardized brands ensure** a better quality of goods and genuineness of the product to the consumers.
- **Competitive advantage**- consumers are always willing to buy products they know and trust. A strong, well-defined brand, gives a competitive advantage to the product in the market. It might allow companies to charge more for their product, knowing that consumers will remain loyal, and buy it at a higher cost.
- **Consumer protection** –prices of a branded product are fixed by manufacturers and are printed on the cover itself. This protects the consumers because middlemen cannot charge more than the printed price.
- **Adds to the prestige or the goodwill of the firm-** once established, the brand prestige remains for years and results in a high degree of brand loyalty amongst consumers.
- **Brand loyalty-** strategic branding leads to strong brand equity, which means the added value brought to your company's products or services that allows them to charge more for their brand than what identical, unbranded products command.

8.10 LABELING

A label is a part of the product that provides information to the customers which describe the product, its content, the manufacturer date, and time of manufacture, when to use it, how to use it and where to keep it, etc. Labeling can be done on the package itself or it can be done by attaching an extra sheet inside the product. The label is used to communicate a brand, grade, and other information about the product. Various agricultural and food products are graded labeled as A, B, C depending on various quality parameters. Labeling has promotional and informational uses for customers. It might promote the product through its attractive graphics.

Check Your Progress 8.6

Note: a) Tick on the appropriate answers.

b) Check your answer with those given at the end of the unit.

1) Branding becomes very much important because of the following reasons:

   a) branding helps in differentiating a brand from its competitors

   b) standardized brands ensure a better quality of goods and genuineness of the product

   c) a strong well-defined brand gives a competitive advantage to the product

   d) all the above

2) A product can be successfully branded, provided

   a) it leads to economies of scale

   b) the potential demand is going to be small

   c) products can be easily identifiable afterward

   d) product quality will be inconsistent

8.11 LET US SUM UP

- A product can be more than a physical thing-it may be a service, a feeling, a pleasure, a reputation, or an experience. In reality, the consumer obtains a bundle of satisfaction as a result of buying a product.
- A product is a set of tangible and intangible attributes, including packaging, colour, price, manufacturer's prestige, retailer's prestige, and manufacturer's and retailer's services, which the buyer may accept as offering want-satisfaction.
- A product is compared to an onion, like an onion it has various layers. As we peel the top layer, the next layer comes out. The same way a product has five layers – Core, basic, expected, augmented, and potential.
- Based on tangibility and durability, the product can be classified into three main groups: non-durable, durable, and services.
- The vast array of consumer goods can be classified based on the shopping habits of consumers into four types: namely convenience goods, shopping goods, specialty goods, and unsought goods.
- Industrial goods fall into two categories: raw materials and fabricated materials and parts.
- The development of a new product can proceed through a series of seven stages, such as idea generation, idea screening, concept development, and testing, business analysis, product and marketing mix development, market testing, and commercialization. During each stage, management must decide carefully whether to move on to the next stage, abandon the product, or seek additional information.
- A new product progresses through a sequence of stages from introduction to growth, maturity, and decline. Each stage is associated with changes in the marketing situation, thus impacting the marketing strategy and the marketing mix.
- Product mix and product line are two expressions used in connection with the range and variety of the products of a firm.
- Packaging is often referred to as a silent salesman due to its ability to influence consumers at the point of purchase.
- A brand is essentially a seller's promise to deliver a specific set of features, benefits, and services consistently to the buyers.
- A label is a part of the product that provides information to the customers which describe the product, its content, the manufacturer date, and time of manufacture, when to use it, how to use it and where to keep it, etc.

8.12 KEYWORDS

Consumer product: A product that is intended for purchase and use by household consumers for non-business purposes.

Green marketing: Any marketing activity of a firm that is intended to create a positive impact or lessen the negative impact of a product on the environment to capitalize on consumers' concerns about environmental issues.

Innovators: A group of venturesome consumers that are the first to adopt an innovation.

Intangibility: A characteristic of service indicating that it has no physical attributes and, as a result, is impossible for consumers to taste, feel, see, hear, or smell before they buy it.

Product abandonment: A decision and subsequent action by a firm to draw a product that has insufficient or declining sales and lacks profits.

Product adaptation: Modifying a product that sells successfully in one market to suit the unique needs or requirements of other markets.

Product mix: The set of all products offered for sale by a company.

8.13 SUGGESTED READINGS / REFERENCES

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8.14 ANSWERS TO CHECK YOUR PROGRESS

Check Your Progress 8.1

1) Only at the augmentation stage, certain unique features are added to the product, and the product is given a distinct identity, an identity that is different than that of its competitors.

2) Because of massive competition which is prevailing in the markets. Moreover, consumers are becoming very demanding and are expecting a lot of extra perks and facilities along with the products. In case the manufacturer will not provide those sets of extra services required, the competitor will do the needful and will be able to take the market share away from the company.

Check Your Progress 8.2

1) The goods purchased by individuals or groups for personal consumption or household usage.

2) Convenience goods are those products that customer usually purchases frequently, immediately, and with a minimum of effort in comparison and buying. Examples include soaps, toothpaste, batteries, candies, newspapers, etc.

Check Your Progress 8.3

1) One mistake can result in a big blunder in terms of money, effort, time, and energy. It is very important for marketers to carefully weigh every opportunity so that they should not regret at a later stage that an otherwise profitable idea has not been paid attention to.

2) It might be because certain aspects were not paid attention to while going through various stages of the new product development process. Some of the companies failed to conduct the market testing properly, so they were not able to realize the fact that the consumers' preferences were different.

Check Your Progress 8.4

1. The strategies followed by marketers in the introduction stage are generally different than the growth stage. In the introduction stage, the major focus of the marketers lies on finding and filling up the pipelines, looking for dealers and distributors, advertising heavily and promoting the products to the masses, and the price of the product appropriately to attract the customers. While at the growth stage the sales start picking up, the marketers focus shifts at increasing the sales further by bringing in the new improved versions of the product, reducing the price slightly to attract the next layer of the price-sensitive consumers, looking for more distribution channels, and using certain preventive strategies to ensure that the competitor should not be able to enter the marketplace. The specific strategies followed during both stages are listed nicely in the chapter.

2. Maturity is considered as the longest stage in the life of a product because after maturity the next stage is a decline, and none of the companies wants its products to enter into the decline stage. So companies use various marketing strategies in order to ensure that the sales can be increased further but if it is not possible efforts are made to ensure that sales should be sustained at a constant level so that the decline could be postponed as far as possible. Various strategies used by companies are discussed at length on page 20.

Check Your Progress 8.5

1. An effective, colourful, attractive, and utilitative package generally plays a very important role in catching the attention of the prospective buyer and making them select that specific brand.

2. To promote green marketing efforts, companies have started using eco-friendly and recyclable packaging materials. The use of polythene is being replaced by jute and other environmentally friendly materials. Reusable containers are being used for packaging.

Check Your Progress 8.6

1. d)   2. c)