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Product Decisions

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Product decision

Definition

product decision in marketing refers to the Company's mindful decisions. major or Minor regarding their product.

It ranks first among the up's of Marketing

- ✓ Product
- ✓ price
- ✓ Place
- ✓ Promotion
- A product is a Collection of service, physical and Symbolic attributes which provide benefits pleasure to a buyer or user. Customer prefer property as shape and size of The product

Classification

Product classification on basis of potential in global market:

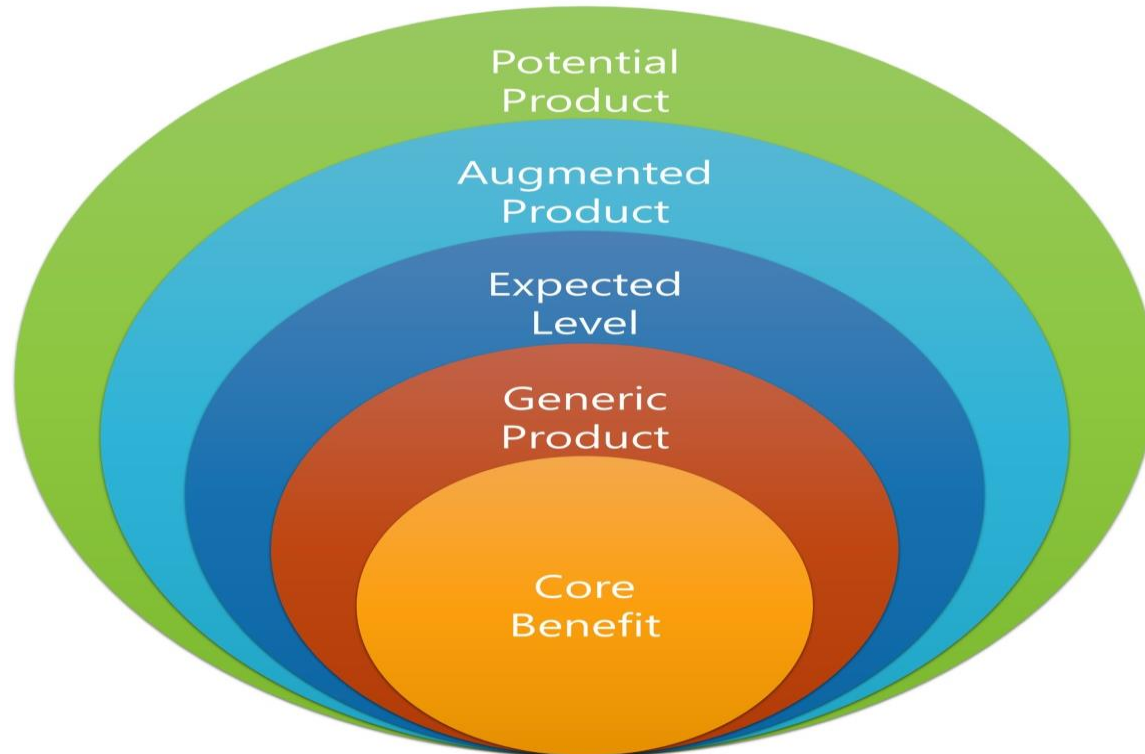
- (i) Local products:** It is appropriate in one single market.
- (ii) International products:** It has additional potential into other markets.
- (iii) Multinational products:** Have unique characteristics of national markets.
- (iv) Global products:** Designed according to global segments.

- Product is the key element of product-mix. It can be any service, object, commodity, event, etc. The main purpose of the product is to satisfy consumer and fulfil their needs.
- According to Philip Kotler, "Product is anything that can be offered to a market for alteration, use or consumption that might satisfy a need or want. It includes physical objects, services, persons, place, organizations or ideas".

Product Layers:

- product is a bunch of different characteristics. It has many layers and each layer provides different benefit to the product. The layers of the product are as follows:

5 Levels of Products



1. Core Product:

It is related to primary beneficial, service or characteristic.

2. Basic Product:

It refers to additional features or benefits that a consumer wants in a product, it is called **generic or actual product also**.

3. Expected Product:

- ✓ At third layer, marketer starts taking into consideration basic expectations that a consumer must be having at the time of purchasing a product.
- ✓ Expected layer includes minimum expected features in a product that are required to attract consumer towards a product.

4. Augmented Product:

- ✓ Marketer provides additional benefits or features in a product to consumer to achieve competitive edge over its competitors.
- ✓ These additional features are sometimes beyond the expectations of consumer or may not be provided by other competitors.

eg. installation, warranty, maintenance and repair services, etc.

5. Potential Product:

This is the last layer of the product. Potential product calls for new innovative ways to delight customers.

Classification of Products:

- Marketers are required to plan marketing activities for all type of products.
- To design marketing plan efficiently and effectively, it is necessary to understand the product belongs to different categories and each category requires different plan.

There can be three bases for the classification of product.

- (i) Durability
- (ii) Users
- (iii) Visibility

i) Durability:

On the basis of durability, product can be further classified into two classes:

- a) Durable Goods
 - b) Non-durable Goods
-
- a) **Durable Goods:** These types of goods can be used for a longer period of time and can survive many uses are called **durable goods**.
For example, T.V., refrigerator, clothes, etc.
 - b) **Non-durable Goods:** these types of goods can be used for shorter span of time or are of fresh nature and can survive few uses are called **non-durable goods**.
For example, bread, butter, etc.

ii) Visibility:

On the basis of tangibility, a product has two categories:

- a) Tangible Goods
- b) Intangible Goods

- c) **Tangible Goods:** Products that can be seen, felt are called tangible goods.
For example, Mobiles, computers, etc.

- b) **Intangible Goods:** Products that can't be seen and can only be felt are called **intangible products**.
For example, banking services, insurance, etc.

iii) Users:

On the basis of users, a product can be classified into following categories:

- a) Customer Goods
 - b) Trade Goods
-
- a) **Customer Goods:** These are the goods consumed by final consumer to satisfy his/her needs. Industrial goods are basically intermediate goods used for the production of consumer goods.
 - b) **Industrial Goods:** As the name describes consumer goods are used by consumers and industrial goods are used by industries.
- (i) **Consumer Goods can be sub-classified as follows**
- 1. Convenience Goods
 - 2. Shopping Goods
 - 3. Speciality Goods
 - 4. Unsought

- 1. Convenience goods:** These goods are purchased with minimum efforts, frequently and for immediate consumption. **For e.g.** soaps, shampoos, toothpaste, matchstick, etc.
- 2. Shopping goods:** Goods for which consumer will make certain efforts and spend time in comparing price, quality, features, style, uniqueness, etc. are called shopping goods. **For e.g.** clothes, watch, purse, mobile, etc.
- 3. Speciality goods:** Goods which are associated with a brand name and provide some unique benefits are called **speciality goods**. Specialty goods are associated with brand loyal consumers.
- 4. Unsought goods:** There are many goods about which consumers are not aware and don't think of buying those goods in normal course are called **unsought goods**.

ii) **Industrial goods can sub-classify as follows:**

1. Material and Parts:

- a) Raw material
 - b) Fabricated material and parts
 - c) Capital items
- a) **Raw materials** are those goods that are taken from nature like cotton, wheat, etc. These goods are normally seasonal and are perishable in nature.
- b) **Fabricated material and parts** are those goods that are produced by one unit but required by another unit for further production process and finally become part of **finished goods**.
- c) **Capital items** are those goods that are long lasting and facilitate in the production of final goods. Capital items never become part of the final product but are important for the production of final product. Capital items are further classified as:

2. Business services:

- ✓ Maintenance services
- ✓ Business advisory services Parts and Material include following:
 - **Business and supplies services** are normally short lasting and intangible goods that facilitates in the development or management of finished product.
 - **Supplies** can be operating supplies like coal, paper, pen, etc. necessary for the basic operations and can be maintenance supplies like paint, vacuum cleaner required for the proper functioning of other equipments.
 - **Business Services** consist of maintenance services like computer maintenance and other business advisory services like legal, advertising services, etc.
 - **Installation** is basic infrastructure required for the production like building, factories, generator, computers etc.
 - **Equipments** are tools and machinery needed to produce a product like factory equipments, tools, office equipments, etc.

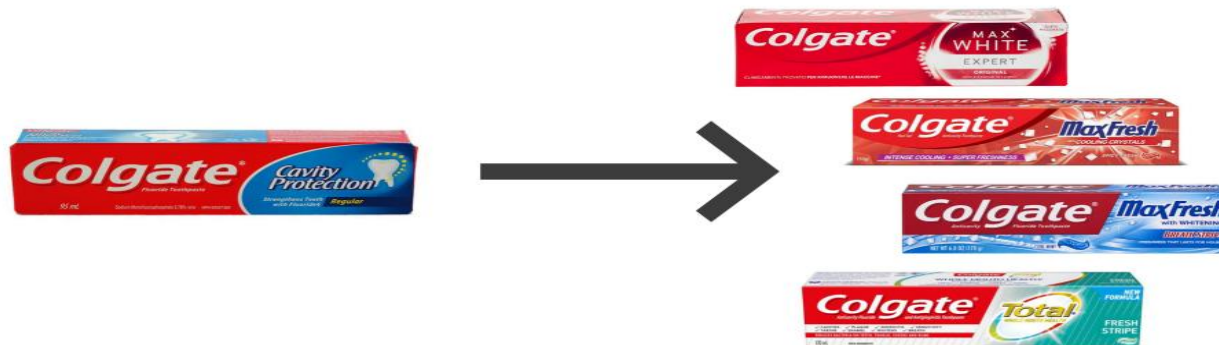
Table 2.1: Consumer Goods Classification

Basis	Convenience Goods	Shopping Goods	Specialty Goods	Unsought Goods
Frequency	Customer buys these goods frequently	Consumer buys shopping goods less frequently	In case of specialty goods frequency of purchase is very less	Very-Very less frequency of purchase as consumer has little knowledge about product
Shopping efforts	No shopping efforts	Minimum shopping efforts	Normally brand preference	No or little knowledge about the product
Price	Normally low-price goods	High price goods	High price goods	Price may vary
Distribution channel	Wide distribution channel	Selective distribution through selected outlets	Exclusive distribution	Distribution channel may vary
Promotion	Mass promotion strategy is used.	Promotion is done by buyer and seller.	Targeted promotion strategy is used.	Aggressive advertising is used to make consumer aware of product.
Example	Shampoo, toothpaste, etc.	Clothes, furniture, etc.	Jewellery, etc.	Anti-smoke detector

Product Line And Product Mix Decisions

Product Line

Product line is a group of product that are closely related because they function and are used in a similar manner



Product Mix

A product mix consists of all the product lines and items that a particular seller offers for sale.

Product Line Decisions:

- It is a group of products that are closely associated in terms of similar function. They have same groups of customers for sale, same types of outlets for marketing and or have in decided price ranges.

Product Line

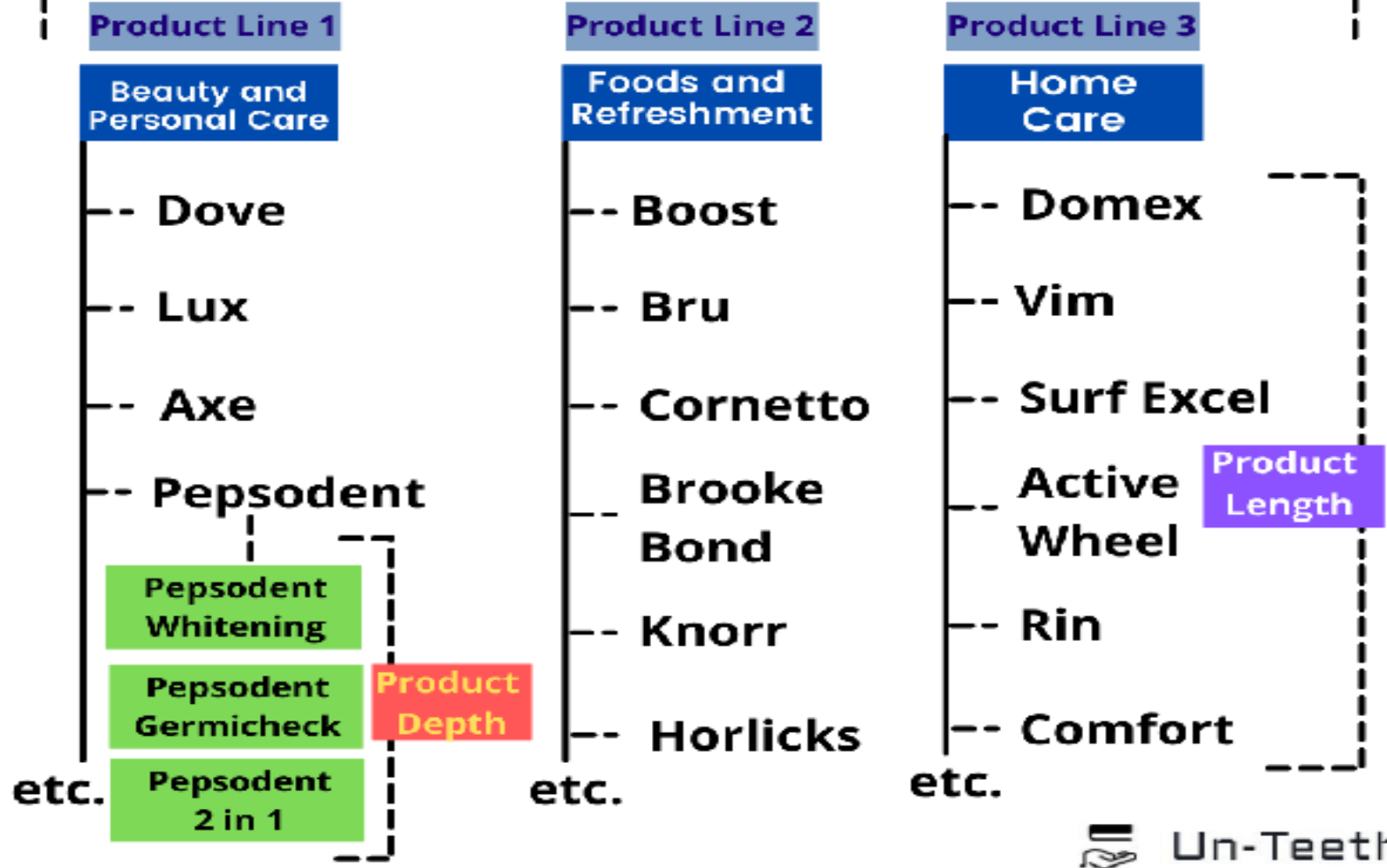
Examples



HUL Product Mix



Product Width



There are four magnitude of product-mix:

1. Width of Product Mix.
2. Length of Product Mix.
3. Depth of Product Mix.
4. Consistency of Product Mix.

1. Width of Product Mix:

- It refers to total numbers of product lines offered by an organization

2. Length of Product-Mix:

- It refers to overall number of products in a product line this is called length of product mix.

3. Depth of Product-Mix:

- If different variants of one product are offered by one firm in the market, it is called **depth of product mix**. Variants can be of any type like size, colour, shape, fragrance, etc.

4. Consistency of Product-Mix:

- Consistency related to product line in terms of production, price and distribution, etc. For example, Nestle has very consistent product lines because all products lines offer edible products and follows same distribution channel.

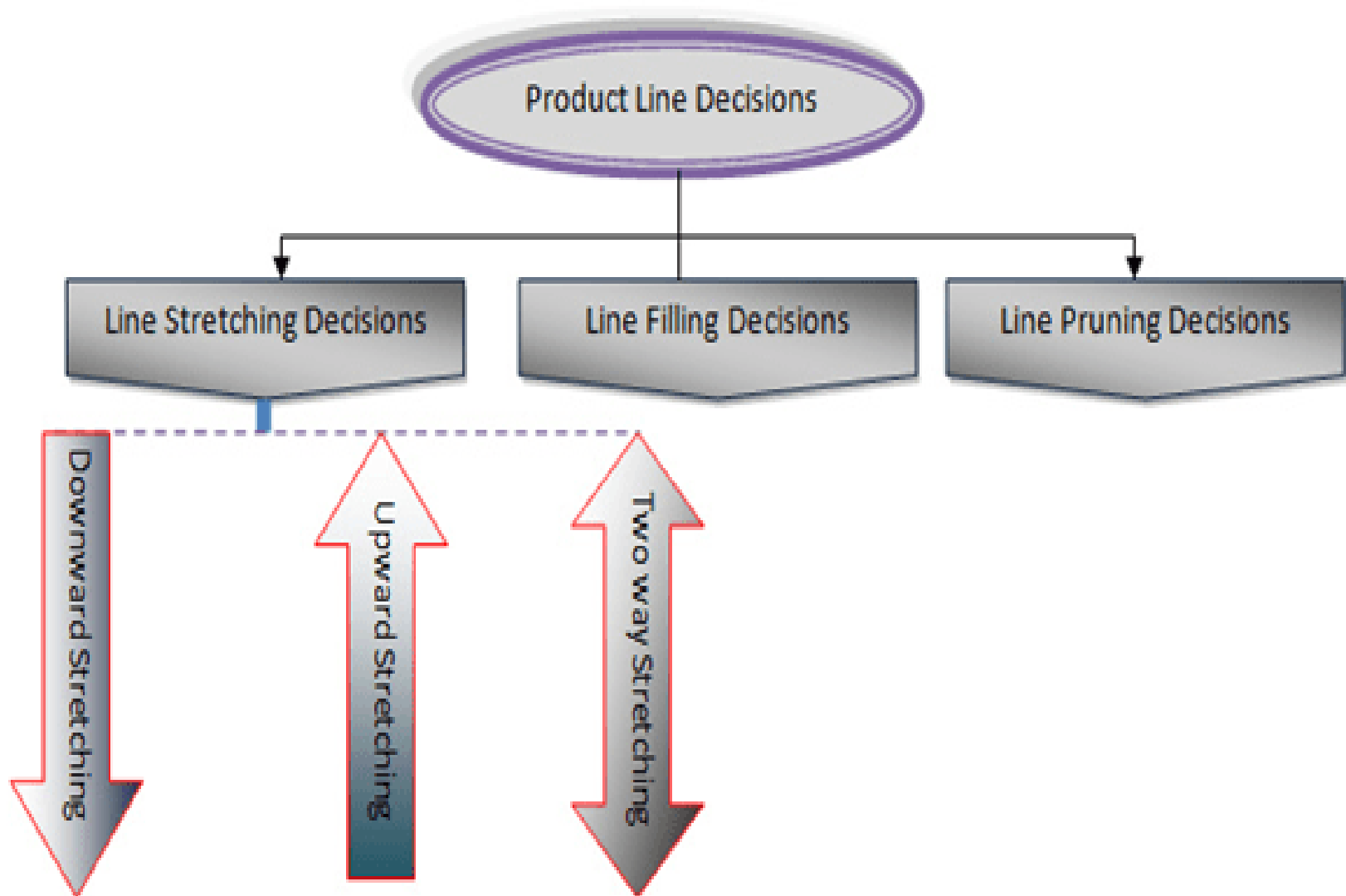
Production-Mix Decisions:

- An organization is required to bring changes in product mix to make it adaptable according to the needs of consumer.
- Product mix decisions refer to addition, deletion or modification of product in product mix.
- Primary aim of product mix decisions is sales and profit maximization.

Product mix decisions can be explained as follows Product Line Decisions:

Line stretching decisions:

1. Downward Stretching
2. Upward stretching
3. Two Way Stretching
4. Line Filling Decisions



Addition and deletions in product can be explained as follows:

Line Stretching Decisions:

Each product line of marketer covers an only a certain customer. It has in three directions:

- a) **Downward Stretching:** Downward stretching refers to addition of a new product into existing product line at a lesser price.
For example; TATA motors launched low cost car "Nano" in the market.

- b) **Upward Stretching:** Upward stretching is the opposite of downward stretching. When an organization adds a new product in the current product line, but at higher price than the existing one, it is called **upward stretching**.
For example; Parle started with low cost biscuits like Parle G then introduced high cost product of same category like Hide and Seek.

(C)Two-way Stretching: Two way stretching refers to addition of product in product line in both the directions. So, a low priced as well as a high-priced products are added at the same time in product line.

Exp : Taj-Hotels started to serve upper class of the market and Town Place suites to serve lower class of the market.

Line Filling Decisions:

- It involves adding a new product in the available product line to face competition and increase consumer base. Under product line filling, price of the new product is normally same.

For example, Maruti Suzuki introduced Alto when Maruti Zen was already available in the same range.

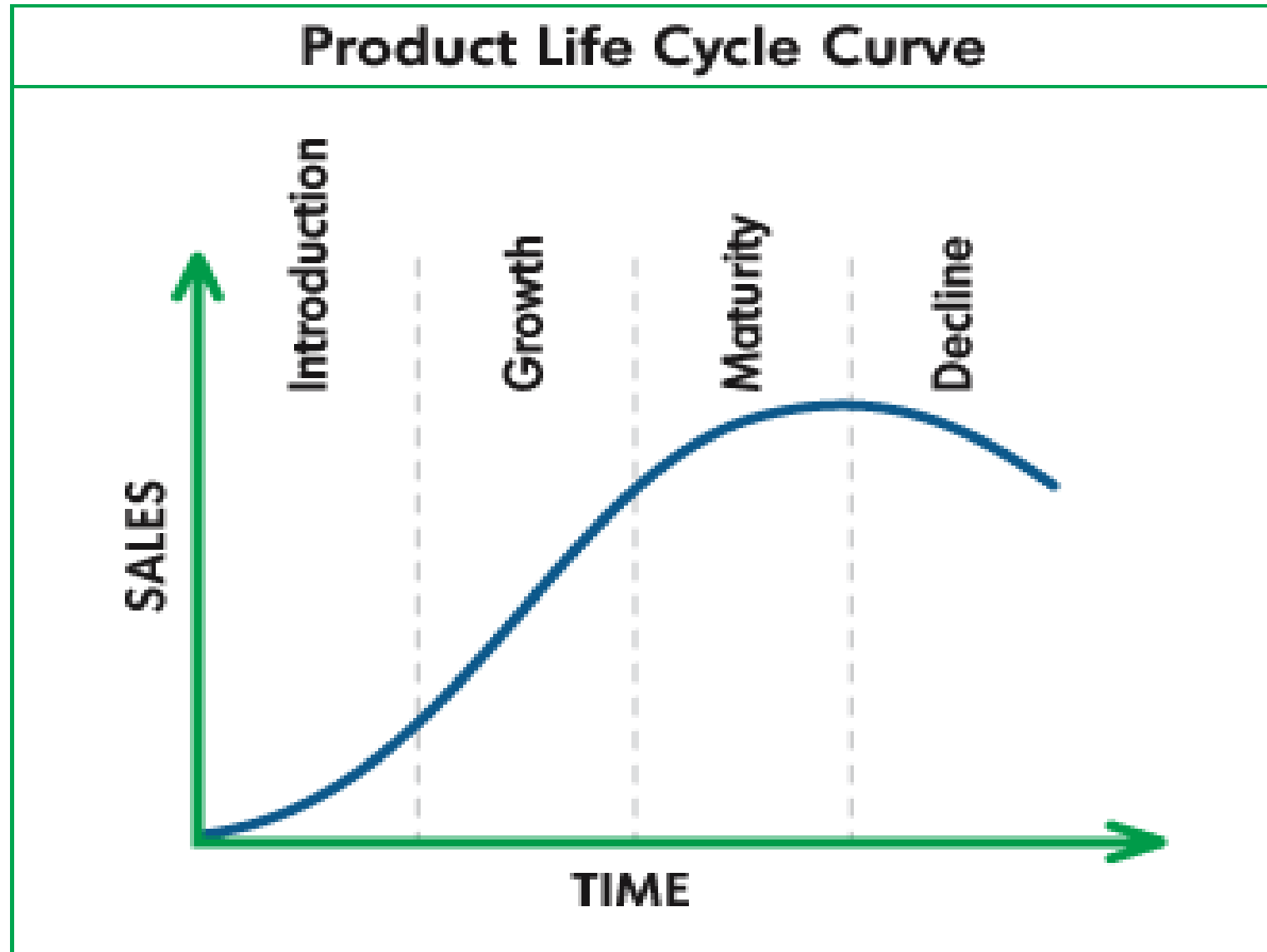
Line Pruning Decisions:

- Line pruning decisions refer to removal of unprofitable product from the product line.

For example, Pepsi launched Pepsi Gold but the product was not successful in the market. So after some time it was removed from the market.

Product Life Cycle (PLC)

- Life of a human being goes through different stages. From infant, adolescent, teenager, mature person, old age and the final destination of human being is death.
- In the same way, a product passes via different steps; namely, introduction, growth, maturity, turn down and finally leaving.



PRODUCT-LIFE CYCLE:

(1) INTRODUCTION:-

- Product is launched
- Sales grow slowly as people are not aware of the product.
- Informative Advertising is used.
- No Profit.

(2) GROWTH:-

- Sales starts to grow rapidly.
- Persuasive Advertisement.
- Fluctuating increase in Prices.
- High Profit and Huge promotion

3) MATURITY

- Demand and Sales Volume increase slowly
- Decrease in Profit margin.
- Advertisement Expenditure HIGH.
- Profit Soon Starts to fall as Product enters the Saturation stage.

(4) DECLINE:-

- Final Stage
- Sales Volume Decrease.
- Stiff competition in the market.
- Advertisement is stopped.
- Product may be stopped in the FUTURE.

Analysis Of Product Portfolio

- A product portfolio is the set of all the services or products presented by an organization.
- Product portfolio analysis can provide information on type of stock, company growth prospects, profit margin drivers, contributions in income, market management and functioning risk.
- Product portfolio is a key factor of financial investigation.
- One of the important outputs of life cycle of product and portfolio analysis is the nearby into cash flow implications.
- Funding is the key player of a business plan.
- The analysis helps to discover the need for future development of product to sustain the business.
- Portfolio analysis is not only helpful in business, but also provides strategic inputs in competition scenario.

- It is the variety of products manufactured or supplied by a company.
- Analysis of product portfolio is used to help in planning and strategy of product development
- Analyzing an available portfolio to choose which products should gain more or less investment, and
- Deciding addition of a new product and elimination of existing product from portfolio.
- The best product portfolio is one that fits the strengths of organization and helps to develop the most attractive opportunities.

Product Positioning

- Product positioning is an important aspect of a marketing plan.
- It is the process use to find out how to best advertise their product's specifications to their target consumers based on consumer requirements, pressures of competition, existing channels of communication and carefully created important messages.
- Product positioning is providing information that where your product is suitable in the market.
- It also provides the information that your product is better than your competitor's products.
- There is no confusion regarding positioning of products of Apple.

Importance of Positioning:

- Product positioning is a vital element in the process of buying.
- It is a capability of a company to effect market perception by its products.
- Information about the product affects the consumers. Clear, brief, significant product positioning also helps to promote product without advertising.

Positioning Characteristics:

- The purpose of product positioning is to maintain your product on top of choice of customers.

Objectives for successful product positioning:

- ✓ The product should be differentiated from the competitions.
- ✓ The product should fulfil important criteria of customer buying.
- ✓ Articulate important product (or company) description.

Strategy of product positioning is that it should be single-minded, meaningful, differentiating, sustainable, believable and credible.

Product Positioning: Goal

The goal of product positioning is to connect and attract to the customers. Company has to represent the product in right way to the customers. Before product positioning. search core market and know the most key part.

What is New Product?

1. New-to-the-world
2. New product lines
3. Additions to existing product lines
4. Improvements and revisions of existing products
5. Repositioning
6. Cost reductions

Why New Products Fail?

- Inadequate market analysis
- Product deficiencies
- Higher Cost
- Poor timing of introduction of a new product
- Competition
- Insufficient Marketing efforts
- Inadequate Sales force
- Weakness in Distribution

New Product Development Process



Idea Generation

Company Employees

Customers

Competitors

Distributors

Suppliers

Idea Screening

- Process to spot good ideas and drop poor ones.
- Develop system to estimate: market size, product price, development time and costs, manufacturing costs, and rate of return.
- Evaluate these findings against set of company criteria for new products.

Concept Development and Testing

- ***Product Idea:*** idea for a possible product that the company can see itself offering.
- ***Product Concept:*** detailed version of the idea stated in meaningful consumer terms.
- ***Product Image:*** the way consumers perceive an actual or potential product.

Marketing Strategy Development

Part One Describes:
The Target Market
Planned Product Positioning
Sales, Market Share, & Profit Goals

Part Two Outlines the First-Year's:
Product's Planned Price
Distribution
Marketing Budget

Part Three Describes Long-Run:
Sales & Profit Goals
Marketing Mix Strategy

Business Analysis

- Involves a review of the sales, costs, Competition, investment and profit projections to assess fit with company objectives.
- If yes, move to the product development phase.



Product Development



- Develop concept into physical product
- Calls for large jump in investment
- Prototypes are made
- Prototype must have correct physical features and convey psychological characteristics

Test Marketing

- Product and program introduced in more realistic market setting.
- Not needed for all products.
- Can be expensive and time consuming, but better than making major marketing mistake.

Test Marketing



Nokia test-marketed its new cell phone/mobile game player extensively before introducing it worldwide.

Commercialization

- Must decide on *timing* (i.e., when to introduce the product).
- Must decide on *where* to introduce the product (e.g., single location, state, region, nationally, internationally).
- Must develop a *market rollout* plan.

Branding



Brand

A brand is a "name, term, sign, symbol, or 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 competition."

American Marketing Association

Brand Name

- Brand name is a part of a brand consisting of a word, letter, , or letters comprising a name which is intended to identify the goods or services of a seller or a group of sellers and to differentiate them from those of competitors”



Branding

Brand Mark

- “ A brand mark is the part of the brand which appears in the form of a symbol, design or distinctive coloring or lettering” ”

Nike Brand Mark



Nike Logo



Trade mark

- “Part of a brand that is given legal protection because it is capable of exclusive appropriation”

Trademark



Bank of America



Branding

- “ Branding is the management process by which a product is branded
- It covers various activities such as-
 - Giving brand name to a product
 - Deciding a brand mark
 - Establishing and popularizing brand name and brand mark.

An Overview of Branding Decisions

Branding Decision

- Brand
- No brand

Brand-Sponsor Decision

- Manufacturer brand
- Distributor (private) brand
- Licensed brand

Brand-Name Decision

- Individual brand names
- Blanket family name
- Separate family names
- Company-individual names

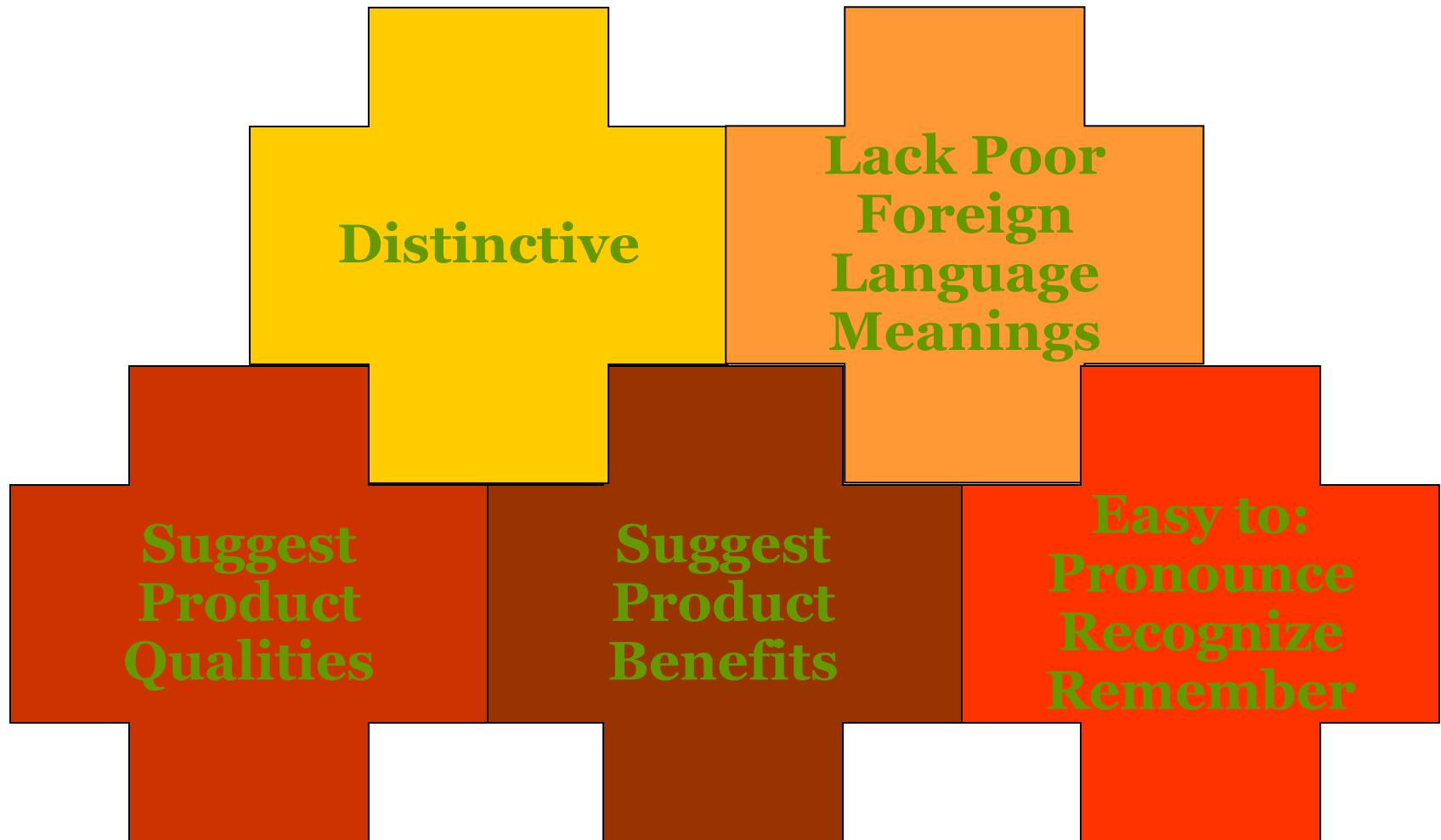
Brand-Strategy Decision

- Line extension
- Brand extension
- Multi-brands
- New brands
- Cobrands

Brand-Repositioning Decision

- Repositioning
- No repositioning

Good Brand Names:

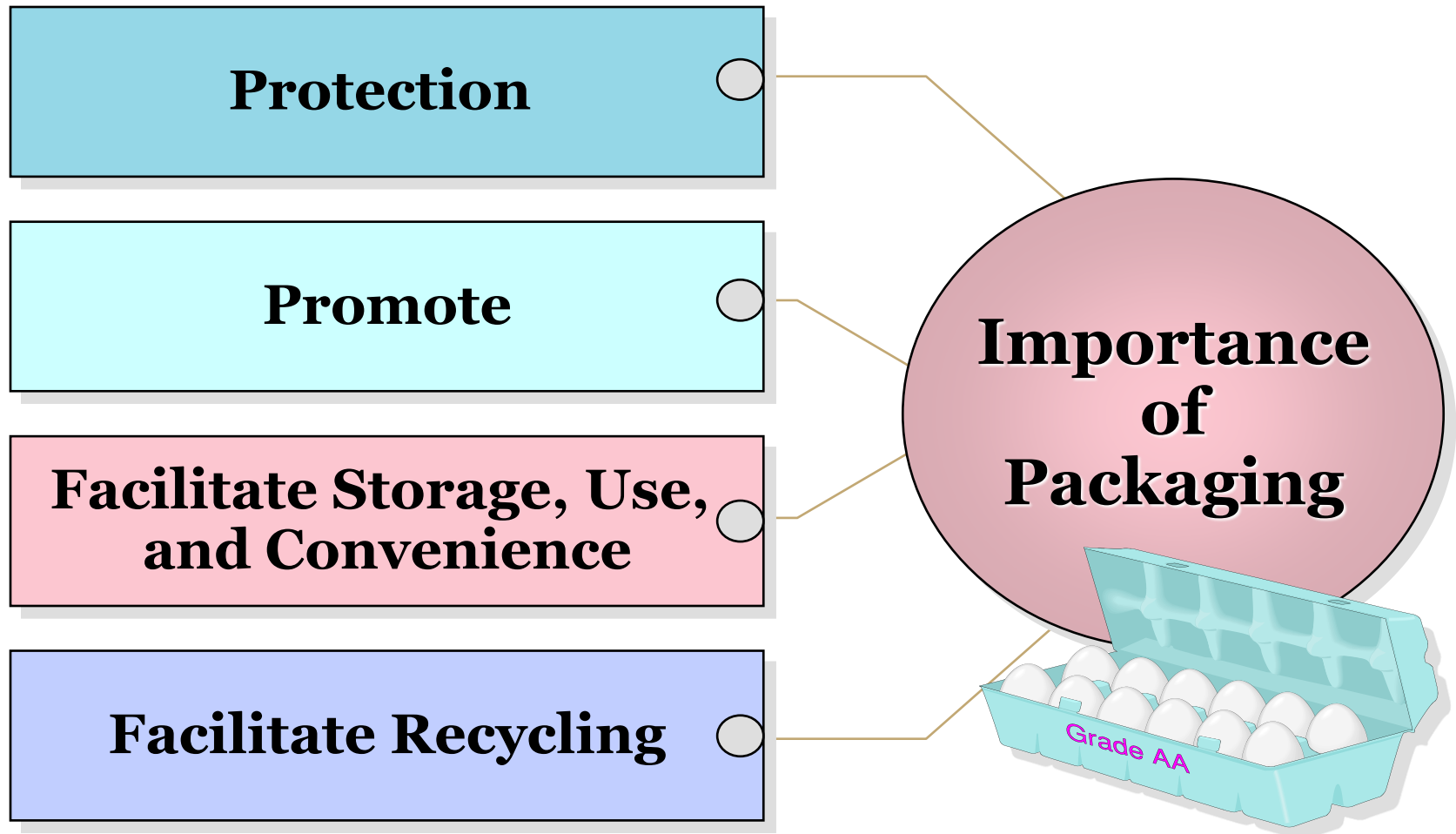


Packaging

- Packing is wrapping a commodity or bundling it in a way suitable for transporting, storing and handling.
- Packaging includes activities of designing and producing the contains for a product.
- Packaging involves promoting and protecting the product.



Importance of Packaging



Labeling

- Label is the part of the product that carries information about the product and the seller.
- A label indicates the products brand name, the company logo, ingredients, promotional messages, and instruction for use.



Labeling

Persuasive

- **Focuses on promotional theme**
- **Information is secondary**

Informational

- **Helps make proper selections**
- **Lowers cognitive dissonance**
- **Includes use instruction**

Classification of labels

- Brand labels
- Grade labels
- Descriptive labels



Product Management In Pharmaceutical Industry

- At present among science-based industries of India, pharmaceutical industry is at the top with good capabilities in the complex field of drug manufacture and technology.
- The health care business in India is driven by approximately 85,000 nursing home and about 10,00,000 practicing doctors across the country and the health care spending in India is 3% of GDP.
- Product management is basically a function of life cycle of the organization that works in the direction to bring a product to the market.

- Product management has two basic sub- processes - product marketing and product development.
- The management of pharmaceutical product is a complex and challenging field that requires to be organized by the pharmaceutical firms.
- It includes important areas, such as product planning, marketing, strategy and innovative insights.
- The role of the manager of pharmaceutical product is vital and he should have the skill which can recognize the gap in the structure for better management of product.

A product manager has to focus on:

Core Knowledge Areas:

- ✓ **Leadership and Vision:** Pharmaceutical product proprietor or manager should have both leadership and vision skills for success of a product or company.
- ✓ **Life cycle management of a product:** The product manager should have a clear understanding about life cycle of the product to increase the benefits.
- ✓ **Plan about product and market research:** The product manager should have depth knowledge of market and investigate the data in order to form a better strategy about the product.

- ✓ **Roadmap of a product:** A better leader should have capability of making a quality roadmap for product.
- ✓ **Sales and Support:** The product manager should be smart to choose the right sales channels. The sale is the key player in the success of the product.
- ✓ **Process:** The project manager should have a good understanding and idea about new products.

Important Agenda need to be fulfilled for Product or Industry:

- ✓ There are two important targets-prescribing physicians and patients. Both have to be satisfied.
- ✓ Observe problems with competing products. Industries have to work in order to make a better product than competitors.
- ✓ Image of product and branding are also an important part in the pharmaceutical industry.
- It's essential that in everyday life, pharmaceutical products are known by their brand or trade name, in its place of scientific name.
- It is important to choose the right name for a product.
- Such preference should be based on complete investigation of the processes of pharmaceutical product management.

Questions

1. Classify products.
2. Explain Product layers.
3. Explain Product line and product mix decisions.
4. Explain in detail about product life cycle.
5. Explain about analysis of product portfolio.
6. Explain Importance of product positioning.
7. Explain about new product development process.
8. What are product branding decisions?
9. What is packaging decisions?
10. What is labeling decisions?
11. Explain about materials of packaging.
12. Explain about product management in pharmaceutical industry.

