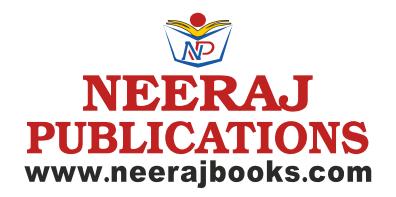
Product Management

By: Ankita Aggarwal

This reference book can be useful for BBA, MBA, B.Com, BMS, M.Com, BCA, MCA and many more courses for Various Universities



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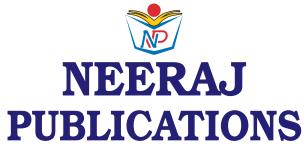
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PRODUCT MANAGEMENT

PRODUCT MANAGEMENT-INTRODUCTION

Product Management: Basic Concepts



INTRODUCTION

There are four elements in the marketing mix. They are Product, price, place and promotion. All the activities revolve around the first element of the marketing mix i.e. product. In this chapter we will study the meaning, scope, and major areas of responsibilities of product management function within an organisation. Product forms the core to any business. There is no role and relevance of other three elements without a product. But all the three elements are linked and are essential for designing the business strategies of the firm and for the success of the product in the market. Product management is an integral part of the marketing function.

Product management is an organisational function which involves activities related to product planning and development. It deals with the planning or marketing of the products at all stages of the product lifecycle. All the manufacturing and marketing firms managed by professionals resort to market planning for meeting the market needs. Product planning is done with relation to customers, relevant markets, competition and other market forces. Product plan emerges from basic corporate plan and marketing plan. Product management also

takes planning for new product, its related issues on pricing, promotion and distribution into consideration. We will study about product and its management in the following units.

A product is a bundle of attributes offered to a consumer. Core aspect of a product is to satisfy the need or want of a consumer. It may be tangible or intangible. It can be a physical object, service, event, place, organisation or idea. Products are classified on the basis of user status, durability and tangibility into four major types: Consumer goods, Industrial goods, Durable and Non-Durable goods and Services, consumer goods and specialty goods. Industrial goods are of five types, raw materials, accessory equipments, fabricating materials and parts, Installations and operating supplies. Convenience goods are the goods which are easily available to consumer, without any extra effort. People buy such products frequently and with the least possible time and effort. In shopping goods, consumer do lot of selection and comparison based on various parameters such as cost, brand, style, comfort etc, before buying an item. Goods which are very unique, unusual, and luxurious in nature are called specialty goods. Specialty goods are mostly purchased by upper-class of society as they are expensive in nature.

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A firm may not just sell one product, it can offer variety of products in the market. All the products produced and offered by a firm constitutes to its product mix. Product mix has various product lines. Product line has products with similar characteristics & uses yet different target markets. Three components of product mix are: breadth, depth & consistency. Width of the product mix is the no. of product lines in the product mix, Length of a product line. Consistency is the relatedness of the product lines.

Line Stretching refers to the decision related to adding or eliminating product items from the line as an when it is profitable to do so. Line stretching could be upwards, downwards or both ways. Line fillings refer to introducing more items within the existing product range. It increases the length of the line.

Factors that determine the responsibilities of the product management department in a business organisation are size of the firm, nature of the products, consumers, relevant markets, competition and top management decisions and vision.

After employees, products and services offered by a company are the only assets which generate revenue for the firm. Hence the products of the firm are to be managed appropriately for growth and development by careful and systematic planning.

(CHAPTER AT A GLANCE)

PRODUCT MANAGEMENT: MEANING

Product management is an organisational function which involves activities related to product, planning and development. It deals with the planning or marketing of the products at all stages of the product life-cycle.

WHAT IS A PRODUCT?

A Product is a bundle of attributes that can be offered to a consumer in exchange of money to satisfy his needs and wants. As defined by Philip Kotler product is anything that can be offered to a market for attention, acquisition, use or consumption, it includes physical objects, services, places, organisations, persons and ideas.

Characteristics of the product

Tangibles or Intangibles: Products are tangible which can be touch, seen or felt. For example, television, car etc.

Associated attributes: Product has various features and it is offered with the services.

Exchange value: A product has a certain value on which it can be exchanged.

Satisfaction: A product is capable of satisfying the buyer.

Product is any tangible or tangible offering provided to satisfy the needs or wants of the individuals. When a marketer visualizes the product, he thinks of the product at three levels. They are augmented product, tangible specifications and core benefit. Fundamental aspect of a product is that it should satisfy the core need i.e. the reason for which it is purchased. Job of a marketer is to find the buying motive behind the same product. He has to identify whether the product is able to satisfy the buying motive of the consumers or not. Or we can say it generic requirement. As Theodore Levit said "Purchasing agents do not buy drills, they actually buy its ability to make the same size holes." Marketer should keep two points in mind while applying the generic product concept:

- He should identify what a product means to the consumer before designing it.
- Needs or the expectations of the customers vary from place to place and time.
- Marketers then try to ascertain the tangible aspects of the product. It includes the features, design, color, quality, size, durability and price.
- Marketers then try to attract consumers by diverse augmented services. If the company is able to customize its

PRODUCT CLASSIFICATION

Products are broadly classified into three categories:

- On the basis of user status
- On the basis of durability
- On the basis of tangibility

On the basis of user status, products are classified into two categories. They are consumer goods and industrial goods.

Consumer Goods

Consumer goods are the goods that are purchased by the consumer for the personal or household use.

There are three types of consumer goods. They

- 1. Convenience goods,
- 2. Shopping goods, and
- 3. Speciality goods.

Industrial Goods

Goods that are bought for any of the two purposes:

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- First, for reselling them further to other organisations or retailers,
- Secondly, to manufacture other goods and services.

Business goods have been classified into five categories:

- Raw materials,
- Fabricating materials and parts,
- Installations,
- Accessory equipment, and
- Operating supplies.

Convenience Goods: These are the goods which are easily available to consumer, without any extra effort. People buy such products frequently and with the least possible time and effort.

Features

- 1. Convenience goods are frequently purchased.
- 2. Price of such goods is low.
- 3. Consumers do not spend a lot of time and efforts in purchasing such products. Consumers are likely to purchase the product with the minimum effort. Consumers do not research before buying these products.
- 4. Consumers have complete knowledge of the products which they want to buy.
- Products require extensive distribution. Products must be available at the convenient locations and retailers must maintain the required amount of stock.
- 6. Consumers are looking for the brand from the variety of brands available in the market. They will buy the most accessible brand. Consumers can even switch to other product for trying it since price of theses product is low. If the brand used by the customer is not available he is likely to buy other brand which is available to him.
- 7. Manufacturers have to promote the product extensively as retailers usually carry several competing brands of convenience products.
- 8. Such goods are generally not affected by the fads and fashion.
- 9. Consumers do not spend a lot of time in comparing the brands. He may compare the brand available on the shelf.

10. Stores are located at easily accessible locations.

Shopping Goods: In shopping goods, consumer do lot of selection and comparison based on various parameters such as cost, brand, style, comfort etc, before buying an item. They are costlier than convenience goods and are durable in nature. Examples of shopping goods are clothing items,

televisions, radio, footwears, home furnishing, jewellery etc.

Features

- 1. Shopping goods are not frequently purchased.
- 2. Price is an important factor in the purchase of the relatively homogeneous goods.
- 3. Consumers spend some time and efforts in purchasing such products. Consumers do some research before buying these products. They may go to different store for comparing the product features.
- 4. Consumers lack knowledge about the products which they want to buy so they gather the information before buying the product.
- 5. Such products do not require extensive distribution.
- 6. Consumers are willing to accept any brand from the variety of brands available in the market. They will buy the brand with the best features.
- 7. Retailers can promote the products. Sales person can convince the buyer by telling him the advantages of the product.
- 8. Consumers spend a lot of time in comparing the brands. He even go store to store for comparing the product.
- 9. Stores are located at easily accessible locations.

Speciality Goods: Goods which are very unique, unusual, and luxurious in nature are called specialty goods. Specialty goods are mostly purchased by upperclass of society as they are expensive in nature. Examples of specialty products are: antiques, jewellery, wedding dresses, cars etc.

Features

- 1. Speciality goods are not very frequently purchased.
- 2. Price is an important factor in the purchase since these products are priced high.
- 3. Consumers spend considerable time and efforts in purchasing such products. Consumers do extensive research before buying these products. They may go to different store for comparing the product features.
- 4. Consumers lack knowledge about the products which they want to buy so they gather the information before buying the product.
- 5. Such products do not require extensive distribution.
- 6. These products are not bought so frequently.
- 7. Retailers can promote the products. Sales person can convince the buyer by telling him the advantages of the product.

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- 8. Consumers spend a lot of time in comparing the brands. He even goes store to store for comparing the product.
- 9. Stores are located at central locations.

PRODUCT LINE AND PRODUCT MIX

A firm may not just sell one product; it can offer variety of products in the market. All the products produced and offered by a firm constitutes to its product mix. Product mix has various product lines. Product line has products with similar characteristics and uses yet different target markets. Three components of product mix are: breadth, depth & consistency. Width of the product mix is the no. of product lines in the product mix, Length of a product line. Consistency is the relatedness of the product lines.

Product line refers to all closely related products offered by the company. For example, soaps offered by the Hindustan Unilever Limited is one of its product line. Shampoo offered by HUL is another product line. On the other hand, **Product mix** comprises of all the individual products offered by the company. For example, soaps, shampoos, deodorants and other product lines of HUL collectively cater to its product mix.

PRODUCT MIX AND LINE DECISIONS Merits of Product mix

- It defines firm's product portfolio based on width, depth and consistency.
- It helps in appealing to diverse customer needs across various segments and so helps in maximizing shelf space and sustains dealer support.

We have already read an example of HUL offering product lines containing related products on the other hand, WIPRO offers unrelated product lines like consumer electronics, information technology products, and FMCG products making it a diverse mix of product offered to the market. By and large related product mix is easy to manage than unrelated product mix. It allows marketier to concentrate on its core competencies and helps to create a strong image among the consumers and trade channels. But, excess of consistent mix may be risky and has limited scope as it leaves a marketier to a narrow range of business. Companies like Wipro, Videocon etc. enjoy the benefit of diversified product mix.

Line Stretching

Line Stretching refers to the decision related to adding or eliminating product items from the line as an when it is profitable to do so. Line stretching could be upwards, downwards or both ways. Downward stretch is appropriate when the company finds its offerings are at a high price end of the market and then stretch their line downwards. Upwards stretch is appropriate when there is higher growth rate, increased market share, tapping new market segment, better margins etc.

Line Fillings

Line fillings refer to introducing more items within the existing product range. It increases the length of the line.

Firms adopt line filling due to the following reasons:

- To increment profit
- Optimal utilization of excess and under utilized capacities
- An attempt to offer a full line of the product
- In response to dealer complain about lost sales due to the missing products in the line.

MAJOR RESPONSIBILITIES OF PRODUCT MANAGEMENT FUNCTION

Factors that determine the responsibilities of the product management department in a business organisation are size of the firm, nature of the products, consumers, relevant markets, competition and top management decisions and vision. Each member in the organisation have to play a specified role based on their levels in the hierarchy. Hence, all the member of the organisation works both independently and jointly with the members within different departments. They are responsible to discharge well defined tasks for effective coordination and implementation of various product related strategies.

The major areas of responsibilities are as follows:

- All activities related to the product and the elements of the marketing mix.
- Tasks of the STP strategies i.e. segmenting, targeting and positioning and the related activities.
- Short term and long term production planning in relation with manufacturing.
- Planning promotional activities with communication and advertising department.
- Planning and forecasting sales and market potential with sales department.
- Coordinating marketing research activities with internal or external agencies.
- Coordinating with advertising agencies and other external agencies like government for seeking statutory license etc.