Department of Commerce (CA)

Principles of Marketing 18BCA54C

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UNIT IV

Marketing mix - Product mix - Meaning of product - Product Life Cycle - Branding - Labelling - Price Mix - Importance - Pricing objectives - Pricing Strategies.

Reference Book

Modern Marketing

Principles and Practices

RSN PILLAI and BAGAVATHI

UNIT 4

Marketing Mix

Meaning It refers to the set of actions, or tactics that a company uses to promote its brand or product in the market. It is the process of designing and integrating various elements of marketing in such a way to ensure the achievement of enterprise objectives.

Nature of marketing mix.

1. It is the crux of marketing process
2. It has to be reviewed constantly
3. Changes in external environment necessitate alterations in the mix
4. Changes taking place within the firm also necessitate changes in marketing mix
5. It is applicable to business and non-business organisation
6. Helps to achieve organisational goals
7. It concentrates on customers

7 P's of marketing mix

1. Place Mix
2. Price Mix
3. Promotion Mix
4. People Mix
5. Physical Environment Mix
6. Process Mix
7. Product Mix

PRODUCT MIX

Meaning: Product mix is one of the main components of product mix

Product is a bundle of tangible and intangible attributes. It includes physical objects, services, persons, place, organisation ideas or mixes

Features of a product

1. Set of features: It is a set of tangible and intangible attributes.
2. Associated attributes: It includes brand, package and warranty
3. Bundle of utilities
4. Exchange value
5. Consumer Satisfaction

Types of product

1. Consumer goods
   a) Convenience goods
   b) Shopping goods
   c) speciality goods
   d) unsought goods
2. Industrial goods
   a) Installations
   b) Accessories
   c) Raw materials
   d) component parts
   e) Supplies

NEW PRODUCT DEVELOPMENT

Meaning: New products are those degree of change for customers to sufficient to require the design or redesign of marketing strategies

categories of new products

1) New to the world
2) New product lines
3) Additions to the existing product lines
4) Improvements or revision
5) Repositioning
6) Cost reduction

Sources of new products

1) Innovation
2) Modification
3) Acquisition

Reasons for a failure of new product;

1) Inadequate market analysis
2) Product deficiencies
3) Higher cost
4) Poor timing of introduction
5) Competition
6) Insufficient marketing efforts
7) Inadequate Salesforce
8) Weakness in distribution

Stages in new product development

1) Idea generation
2) Idea Screening
3) Concept testing
4) Business Analysis
5) Product development
6) Market Test
7) Commercialisation

PRODUCT LIFE CYCLE

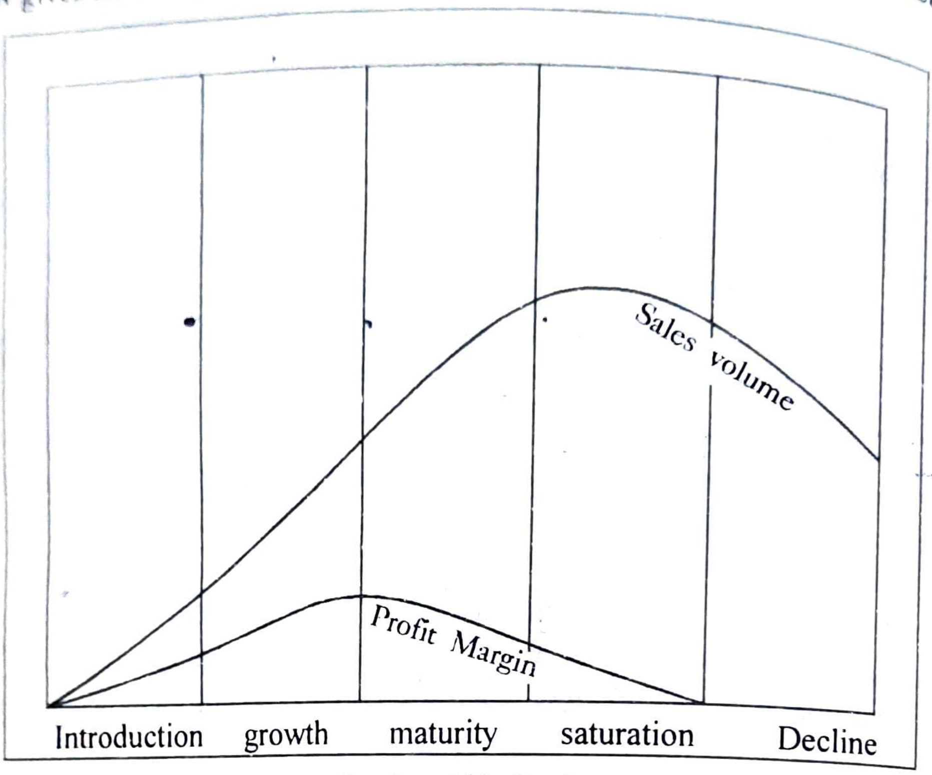
A product passes through different Stages during its life. The time period required for the product to move through all Stages is product life cycle

Features of product life cycle

1) Products have a limited life
2) Each stage has different challenges
3) Profits rise and fall at different Stages
4) Products require different Strategies in each stage
5) It is normally presented as a Sales curve spanning the course from Introduction to decline.

PRODUCT LIFE CYCLE

As every being has life, a product has its life. Industrial goods may have a longer life than consumer goods. When a product idea is commercialised, the product enters into the market and competes with the rivals, for making sales and earning profits. Products, like human beings, have a length of life. This has been described as life cycle in human beings and when applied to products, it is called as product life cycle. The product life cycle is generally termed as product market life cycle, because it is related to a particular market. For instance, an old product in the market of Bombay, may have a new life in a remote village. The product life cycle may be short for some products and long for some other products. The period may differ form product to product. But the product passes through the stages, collectively known as product life cycle. The chart below gives the life cycle of a product.



Product Life Cycle

Introduction : Product is new : awareness in market is low : cost of marketing is high : profits are low.

Growth : The product has given satisfaction to the first buyers. Others follow : Sales increase rapidly and product starts generate profits. Competitors notice the success and start planning competitive offering.

Maturity : The product reaching its maturity and sales are good. But battle for market share is about to begin.

Saturation : Total sales are not growing any more. The battle for market share is difficult. Try for strong brand loyalty and reduced price.

Decline : Sales and profits are starting to fall and future of the product does not look healthy. Remedial strategy–modifying, repositioning or even deleting the product is needed.

Every product moves through a life cycle, having five phases and they are :

1. Introduction
2. Growth
3. Maturity
4. Saturation

product

5. Decline

1. **Introduction** : This is the first stage in the life of a product. This is an infant stage. The product is a new one. The new product means "a product that opens up an entirely new market, replaces an existing product, or significantly broadens the market for an existing product." The initial stage needs greater amount for investment. In this stage, the product is introduced into the market and made available to the customers with a slow rise in sales. The profit may be low, because of heavy advertising and sales promotion in order to stimulate the demand.

2. **Growth** : The product satisfies the market. In this stage, a product gains acceptance from the part of consumers and businessmen. Sales of the product increase. Profit also increases. This is the stage where competitors appear along with substitute products in large numbers. Previous buyers continue in their purchase and new buyers appear. Firms may find it difficult to meet the demand. The success of firms depends upon the efficient manufacturing and distributing systems of the product.

3. **Maturity** : At this stage, keen competition increases. Sales continue to increase for a while, but at a decreasing rate. Competitors go for mark-down price by increasing advertising levels. Market expenses increase, even after mark-down prices, which enable to face competition. Thus profit is thinned. Additional expenses are involved in product modification and improvement of the marketing mix or/and product mix or style changes, to attract the customers and retain the market. Overall marketing effectiveness becomes the key factor in this stage.

4. **Saturation** : In the saturation stage, the sales are at the peak and further increase is not possible. The demand for the products is stable. The rise and fall of sale depend upon supply and demand. At this stage, a replacement of product is needed, because the sale of the existing product cannot be increased.

5. **Decline** : When sales start declining, buyers go for newer and better products. This is because of many reasons–technological advances, consumer shifts in taste, increased competition etc. At this stage, the product cannot stand in the market; many firms withdraw from the market, when sales and profits decrease. Price becomes the competitive weapon. Under such a situation, firms shift their attention to other products. The product becomes out of date and fashion. Then the firm will drop the product from the product line.

Management of PLC

The marketing manager should manage the life cycle of a product towards better progress and for a healthy growth of the firm. A marketing manager, while forecasting the PLC, must also anticipate the limitations and other drawbacks. Thus he may be able to chalk out programmes more successfully. We discuss how the PLC is managed under various stages.

1. Management of Introduction Stage

There is a high percentage of product failures in the first stage. When a product is first introduced at the pioneering stage, since the product is new, profits are negative or low because of low sales and heavy distribution and promotion expenses. There is very little direct competition. The promotional programme is designed to stimulate demand. By looking ahead, one can know that competition will enter sooner or later and cause prices and its market share to fall. Once the product gains consumer acceptance the sales go up in growth stage. The PLC is the result, not the cause, of marketing strategies choosen by the firm. Since "the first impression is the best impression," the marketing manager should :

1. Make proper advertising before the products are released in the market.
2. Shorten the period of introduction, as far as possible.
3. Formulate new pricing and marketing strategies.
4. Undertake large scale promotional work.
5. Give proper attention to the distribution aspects.

II. Management of Growth Stage

This stage is marked by a rapid climb in sales. Potential buyers start buying ... Buyers compare this product with the rival product, because new competitors enter with new product features and thus competition increases. The number of outlets ... Companies maintain their promotional expenditures at the same or at a slightly ... meet competition. Since this is a crucial stage, the marketing manager should

1. Improve product quality
2. Add new product features and improved styling.
3. Enter into new market segments.
4. Enter into new distribution channels.
5. Reduce the prices to attract buyers.
6. Increase promotional activities.

III. Management of Maturity Stage

During this stage, a manufacturer gets maximum profit through maximum ... competition becomes increasingly severe. A novel method of pushing sales as creative ... called for. The sales and profits start scale down as the products gradually lose their ... in the presence of better goods substitutes. For an effective management, the marketing ... should

1. Improve the quality of the product.
2. Give proper attention to increase the usage among the current customers.
3. Try to convert non-users into users of the product, that is creating new buyers.
4. Give proper emphasis to advertisement and promotional programmes.
5. Try to discover new uses for the product.

IV. Management of Saturation Stage

This is a stage where a manufacturer finds it difficult to expand the sales volume be... particular point, that is, sales are at the peak and further increase is not possible. Since the ... product cannot be increased, the marketing manager should :

1. Introduce new models.
2. Pursue new uses for the product.
3. Introduce new package and repricing.
4. Middlemen's margin is to be increased.
5. If the price is heavy, offer the product on instalment basis.

V. Management of Decline Stage

This is the last and most crucial stage. Sales may decline for a number of reasons–tech... advances, arrival of new products at low cost, changes in fashion, consumer preference etc. S... and profits continue to fall at this stage. If the substitutes are more attractive and in ... fashion, buyers may turn their eyes towards them. At this stage, cost control is increasi... important to generate profits by the following alternatives : (Suggested by Stanton) :

1. Improve the product in a functional sense, or revitalize it in some manner.
2. Make sure that the marketing and production programmes are as efficient as possible.
3. Streamline the product assortment by prunning out unprofitable sizes and ... Frequently, this tactic will decrease sales and increase profits.
4. "Run out" the product, that is, cut all costs to the bare minimum level th... optimize profitability over the limited remaining life of the product.
5. Abandon the product.

Advantages of PLC

1 When the product life patt... advance steps, before the decline ... style, quality change etc.

2 The firm can prepare an eff...

3 The PLC will greatly help t...

A management may be able to...

1 Extension of the life at ... pricing or product modification et...

2 Creation of new uses by ex...

3 Creation of more varietie... Powder, through advertisement ... like having a dairy in your home...

4 Adoption of the latest tec...

Product Identification (Brandi...

Branding is the use of a di... similar competitive products. (F...

In a growing economy like ... needs must be discovered and ... needs of the customers. The li... through technological innovat... established business as well a... detailed study of the market ... instance, a ready-made garme... fashions. Product failure wast... of the firm.

Product plan is the first ... includes product developmen... supervising the research, sc... modification of existing line... management, including spec... steps :

1. Idea generation
2. Screening
3. Business analysis
4. Product developm...
5. Test marketing
6. Commercialisatio...

Advantages of PLC

1. When the product life pattern is known, the management must be cautious in taking advance steps, before the decline stage, by adopting product modification, pricing strategies, style, quality change etc.

2. The firm can prepare an effective product plan, by knowing the PLC of a product.

3. The PLC will greatly help the management in drawing future plans of the firm.

A management may be able to adopt some measures to **control** the PLC. They include :

1. Extension of the life at maturity and saturation stage by adopting new packaging, re-pricing or product modification etc.

2. Creation of new uses by expansion of the market.

3. Creation of more varieties of the product among current users. For instance, Amul Milk Powder, through advertisement emphasises many uses, in preparing milk, tea, curd etc. "It is like having a dairy in your home."

4. Adoption of the latest technological changes, fashion changes, market acceptance etc.

BRANDING

It is the process by which a name or mark is selected for the product

Functions of branding

1) It helps to identify the product
2) It helps to identify the manufacturer
3) It helps to distinguish between competing products
4) It helps buyers to buy quality goods
5) It gives legal protection to the producer
6) It helps to eliminate fake or duplicate goods
7) It helps in packing, labelling and advertising
8) It helps to create brand loyalty

Characteristics of a good brand

1) It should be appropriate for the product
2) It should be easy to remember
3) It should be suggestive
4) It should be easy to pronounce

Types of brand names

1. Individual brands
2. Family brands
3. Organisation brands
4. Group brands
5. Event brands
6. Geographic place brands
7. Private label brands

ADVANTAGES OF BRANDING

To the manufacturers

1. It gives legal protection
2. It is easy to market the products
3. It differentiates their products
4. It helps to secure goods
5. It reduces promotional efforts

To the dealers and distributors

1. It requires minimum efforts
2. It helps to find out fast moving brands
3. He can Stock the most popular brands
4. The risk in Selling is less

To the buyers

1. The buyer can buy with Confidence
2. The buyer can pay right price
3. The buyer can buy branded goods
4. Shopping in departmental Store is easy
5. Easy to get opinions from others by mentioning brand names

LABELLING

Label contains verbal information about the product. It may be a part of the package or it may be attached to the product as a tag.

Types of Label

1. Brand label
2. Grade label
3. Descriptive Label

Contents of label

1. Brand name
2. Address of the producer
3. Gross & net content
4. Ingredients in the product
5. Directions for use
6. Precautionary measures
7. Nature of the product
8. Date of packing
9. Expiry date
10. Retail price

Functions of Label

1. To give clear Instructions about the uses of produc
2. To avoid price variations
3. To establish manufacturer - buyer relation
4. To encourage producers to make standard goods
5. To identify the products

Advantages of Labelling

1. It grades the product
2. It facilitates buyers to pay the right price
3. It helps in avoiding confusion
4. It gives the characteristics
5. It helps advertising

6) It gives all needed information to buyers

7) It gives guarantee for the standard

8) It is the media to popularise products

Disadvantages

1) No use for illiterate people

2) It increases the cost of the product

3) It aims at mainly popularising products rather than giving information to consumers

PRICE MIX

Meaning of price : It is the exchange of goods in terms of money.

Objectives of price:

1) Pricing for target return
2) Market share
3) To meet or prevent competition
4) Profit maximisation
5) Stabilise price
6) customers' ability to pay
7) Resource mobilisation

Factors affecting pricing decision

- Internal Factors
- External factors

Internal Factors

1) Organisational factors
2) Marketing Mix
3) Product differentiation
4) Cost of the product
5) objectives of the firm

External Factors

1) Demand
2) Competition
3) Suppliers
4) Economic Conditions
5) Buyers
6) Government

Kinds of pricing or STRATEGIES OF PRICING

1) Psychological pricing
2) Customary "
3) Skimming "
4) Penetration "
5) Geographical "
6) Administered "
7) Dual "
8) Mark up "
9) Price lining
10) Negotiated Pricing
11) Competitive "
12) Monopoly Pricing
13) Oligopoly Pricing

Importance of Pricing

1) Flexible Element of Marketing Mix
2) Right level pricing
3) Price creates first impression
4) Vital element of Sales promotion

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