

## UNIT-III

Product planning and development- meaning- objectives-product mix- Standardisation and simplification, branding, packaging and labelling. New product development-product life cycle-product management.pricing-objectives-factors influencing pricing decisions- methods of pricing.

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### **PRODUCT MEANING**

In a general usage, a product is any object which has an identifiable physical existence. The term product in the modern marketing includes more than physical goods. The product may be intangible – services or an idea or an amalgamation or all the three.

### **DEFINITION**

According to Philip Kotler, " A product is anything that can be offered to a market for attention, acquisition, use or consumption that might satisfy a want or need. It includes physical objectives, services, persons, places, organizations and ideas."

According to W. Anderson, " A product should be considered as a bundle of utilities consisting of various product features and accompanying services."

### **CLASSIFICATION OF GOODS OR PRODUCT**

#### **I. CONSUMER GOODS**

Consumer goods are those goods which are designed for final consumption by individuals and house holds. Television, radio, cigarettes etc., are the examples of consumer goods.

#### **TYPES OF CONSUMER GOODS**

1. Convenience Goods: Goods which consumer buys frequently, immediately and with minimum shopping effort are classified as convenience goods. Examples: Cigarettes, newspapers, magazines etc.
2. Shopping Goods: Goods which consumer selects and buy only after making comparisons on such bases as suitability, quality, price and style are called as shopping goods. Examples: furniture, ready made garments etc.
3. Speciality Goods: Goods for which significant number of buyers are habitually willing to make a special purchasing effort are known as speciality goods. They should possess unique features or have a high degree of brand identification or both.

#### **II INDUSTRIAL GOODS**

Goods which are for use in the commercial production or other goods or for use in connection with carrying on of some business or institutional activity are known as industrial goods.

## **TYPES OF INDUSTRIAL GOODS**

1. **Equipment and Physical Facilities:** Major capital assets such as plant, machinery, building etc., come under this category.
2. **Materials entering into the Product:** This category of industrial goods include raw materials, semi- manufactured goods and fabrication parts.
3. **Manufacturing or Service Supplies:** These are products that are essential to the business operations of the industrial users but do not become part of the finished goods. Example: Fuel, oil etc.
4. **Management Materials:** This category covers both office equipments and office supplies. Example: Stationery, typewriters, calculators.

## **PRODUCT MIX MEANING**

The term product mix refers to the collection of products dealt with by a business firm. The product mix is one of the element in the product policy.

### **DEFINITION**

According to Philip Kotler, " Product mix (also called as product assortment) is the set of all product lines and items that a particular seller offers for sale to buyers."

According to William J. Stanton, " The product mix is the full list of all products offered for sale by a company."

### **DIMENSIONS OF PRODUCT MIX**

The relationship between the items and lines that form a given product mix may be described in terms of three dimensions, namely, width, depth and consistency.

1. **Length of the Product Mix:** The length of the product mix refers to the total number of items in its product mix.
2. **Width of the Product Mix:** The width of the product mix refers to the number of different product lines the company carries.
3. **Depth of the Product Mix:** Depth refers to how many varieties are offered in each product line. In other words, the depth is measured by assortment of sizes, colours, models, prices and quantity offered within each product line.
4. **Consistency of the Product Mix:** The consistency of product mix is a measure of how closely related its various product lines are to one another. The relationship may be due to the use, production requirements, distribution channels, consumer behaviour and other characteristics.

## **Factors determining the product Mix**

1. **Changes in Demand:** Change in market demand may arise due to the changes in the population or changes in the purchasing power of the consumers, or changes in the consumer's behaviours, tastes, preference etc.
2. **Cost of Production:** A firm may think of adding new products to its product line which can be produced easily with the same machinery and production facilities. It will certainly bring down the cost of production of existing products. Thus, the cost consideration may be a tempting motive behind such diversification.
3. **Advertising and Distribution Costs:** A firm using a wider network of advertising and distribution channels can think of adding new products to its product line as they can be distributed with the help of the same network. It will lower down their advertising and distribution cost also.
4. **Production Influences:** New line may be added when the production of a product has discontinued by another firm. Sometimes, due to the use of waste and residual also there can be an increase in the product line.
5. **Competitive Action and Reaction:** The firm may differentiate its product line to meet price competition and save it from low profits.

## **BENEFITS OF PRODUCT MIX**

1. **Sales Growth:** an organization can achieve sales growth either by increasing its share of the existing markets or by finding new markets. Since market conditions are always changing, the product mix must be flexible enough so that the organization can implement new strategies and to combine them with one another whenever necessary.
2. **Sales Stability:** A good product mix enables the firm to balance its total sales as much as possible so that a slumping product may be counteracted by another fast selling product. Hence, stability in sales is ensured.
3. **Profits:** Profits, which are the primary measures of the firm's success, are determined largely by the components of product mix. Some items are usually more profitable than the others. Low profit items also, however, perform a more valuable role in helping to sell the profitable items.

## **PRODUCT MIX STRATEGIES**

A company has several major strategies at its disposal, with respect to the width, depth and consistency of its product mix. One major management aspect involved in product policy is the decision concerning product mix. The following strategies are generally employed by the producer or wholesaler of the product.

1. **Expansion of Product Mix:** It is also referred to diversification. A firm may expand its present product mix by increasing the number of product lines or increasing the number of product items within the same line. New lines may be related or unrelated to the present products.

2. **Contraction of Product Mix:** In certain circumstances, the management has to drop the production of unprofitable products. A firm may either eliminate an entire line or simplify the assortment within a line, this is termed as contraction of product mix. This is also known as simplification.
3. **Alteration of existing products:** As an alternative to developing a completely new product, management should take a fresh look at the company's existing products. Often, improving an established product can be more profitable and less risky than developing a completely new one.
4. **Positioning the Product:** When a product can offer satisfaction in the manner the buyer gets a strong position is created in the market. The product's position is the image which that product projects in relation to rival products. A product's features will attract the

customers or prove attractive to the customers. This can be attained by product differentiation, market segmentation and market aggregation.

5. **Trading Up and Trading Down:** Trading Up refers to adding of higher priced and more prestigious products to their existing line, in the hope of increasing the sales of the existing low priced products. Trading Down is opposite to trading up. A company is said to be trading down, when it adds a lower priced item to its line of prestige products in the hope that people who cannot afford the original products, will want to buy the new one, because it carries some of the status of the higher priced products.
6. **Product Differentiation and Market Segmentation:** Product differentiation involves developing and promoting an awareness of differences between one company's product and those of others. This strategy enables the company to remove itself from price competition so that it may compete on non price basis, that is, its product is different from and better than competition models. This differentiation is done either in quality, design, brand or packaging. Market segmentation is a natural reflection of the diverse and constantly shifting needs of the population. By dividing the whole market into a small number of specific markets, which has different wants and motivations, a marketing organization can tailor its offerings to fit to the carefully defined needs of specific markets.

## **PRODUCT LIFE CYCLE**

Each product, like a human being has a certain length of life, during which they pass through different stages. For some products, the life cycle may be very short, while for some other products, their life may be sufficiently long. Consequently, such products may not be purchased by the consumers and go out of the market. The quick changes in the tastes and preferences of the consumers, developments of science and technology, shall certainly compel the consumers to switch over to some products which can more effectively satisfy their wants.

## **STAGES IN THE PRODUCT LIFE CYCLE**

From birth to death, each product passes four different stages. The are as follows:

1. **Introduction or Market Pioneering:** Introduction stage starts when the new product is first distributed and made available to the consumers. In this stage, profits are negative or low because of the low sales and heavy distribution and promotion expenses. More money is needed to attract the distributors as well as consumers. During this stage, the price of the new product shall be high because of the high costs etc. Thus, introduction stage is a period of heavy promotion, demand creation and market capturing.
2. **Growth Or Market Acceptance Stage:** Growth is a period of rapid market acceptance and increasing profits because promotion costs are spread over a large volume. The main problem in this stage is to produce the product in sufficient quantities and market the output with minimum delay. Competitors also enter into this field during this stage. Therefore, the promotional expenditure also tend to be high during this stage.
3. **Maturity Stage:** During this stage, competition becomes more acute. Sales continue to increase but at a decreasing rate. Therefore, the producers spend more on advertising and other sales promotion measures to capture the market. Only firms with extremely effective marketing programmes shall withstand in this stage. The marketer should make necessary modifications in the marketing mix and also in the production mix. The existing products should be improved, prices can also be cut with the view to attract more customers and to compete with other competitors.
4. **Saturation Stage:** This is a period of stability. The sales of the product reach the peak and there is no further possibility to increase it. During this stage, other competitors shall also become popular and invade the market.
5. **Decline Stage:** During this stage, sales began to decline. The decline in sales may be due to technological advances, consumer's shifts in taste and increased competition. As sales and profit decline, some firms may withdraw from the market. Those remaining may reduce the number of their products.
6. **Abandonment Stage:** The last stage is abandonment or obsolescence. At this stage, there is no chance for profitable sales of the product. The product become totally out of date. Hence, the management must drop it from the product line.

## **BENEFITS OF PRODUCT LIFE CYCEL CONCEPT**

1. product life cycle concept is useful to chart individual items, brands, product forms and product classes.
2. This concept can also be used to chart styles, fashions and fads.
3. management can understand what typically happens at different stages in a product life. Therefore, it can improve its forward planning.
4. It also enables the management to try new products in order to equalize the profit or return.

5. Different suitable price policies can be formulated for different products passing through different stages.

### **CRITICISMS AGAINST THE CONCEPT**

1. The product life cycle concept has only a limited value as a method of forecasting.
2. The product life cycle measures only the fluctuations in sales and profits that a product experiences during the time of its existence.
3. It does not explain the causes for the fluctuations or predicts when they will occur.
4. According to this concept, it is assumed that all products will decline eventually after the maturity stage. But in case of many products, this decline does not occur for many years. For example: basic foods, medicines.

### **SUGGESTION TO IMPROVE THE CONCEPT**

The product life cycle can be well managed and effectively controlled. The following alternatives are available to a management to resist the declining sales.

1. Improve the product in the functional sense or revitalize it in some manner.
2. Review the marketing and product programmes to make sure that they are as efficient as possible.
3. Stream line the product assortment by pruning out unprofitable sizes and modes. Frequently, this tactic will decrease sales and increase profits.
4. Run out the product i.e. to cut all costs to the bare minimum level that will optimize profitability over the limited remaining life of the product.
5. Abandon the product.

### **PRICING**

Pricing the products is one of the important areas in marketing decision making. Price is the main factor which affects the sales organizations. A good pricing policy is significant to have maximum sales revenue. The ultimate object of the firm i.e. profit maximization depends upon the pricing decision of the concern. The reason is, price not only affects the margin through its revenue impact but also affects the quantity of goods sold through its influence on demand.

#### **MEANING**

Price means the exchange value of a product or service in terms of money. In other words, if the exchange value of a product or service is expressed in terms of money, it is called as price.

#### **DEFINITION**

According to W.J. Stanton, " Price is the amount of money which is needed to acquire in exchange of some combined assortment of a product and its accompanying services."

## IMPORTANCE OF PRICING

The market price of a product influences wages, rent, interest and profits. The price is a matter of vital importance to the buyer and the seller. Exchange of the goods or services takes place only when the prices are agreed upon by the seller and the buyer. Price can decide the success or failure of a firm.

Prices are important economic regulators. By transferring to money economy, the importance of price has been increased. The marketing demand for a product or service to a large extent depends upon the price of the product.

When a firm fixes a price for its goods, it has to consider many factors such as demand, existing competition, legal restrictions etc. Only the cost of production is not enough to fix the price, but the objectives of the firm may also be considered in consumer oriented marketing. When a new firm launches a promotion campaign, introduces a new product, or reduces its price to expand the market, the market goes to competitors. Under these circumstances, price reduction or changes in the price structure will help to overcome the situations.

## OBJECTIVES OF PRICING DECISIONS

1. **Ensuring Target Return:** Business requires capital for making both capital and revenue expenditure. When a trader invests capital in a business, he determines the probable return of his investment. Then he fixes the price accordingly. In such cases, the pricing is based on the seller oriented policy.
2. **Market Share:** A good market share is the best indicator of progress. When the market share is decreasing, low pricing policy can be adopted because competitors may be discouraged from entering the market and new users may also be attracted. Market share and return on investment are closely related because a larger market share will increase profitability due to greater economies of scale, market power etc.
3. **Preventing Competition:** Meeting competition is also one of the most important objectives of pricing particularly if the product is introduced in a competitive market. In such cases, a low price policy can attract customers and can get good market share. It will discourage competitors also.
4. **Maximising the Profit:** Each business concern is running with an idea of maximizing the profits which can be enjoyed only where monopolistic situation exists. Besides, profit maximization will create an unhealthy image about the concern. If a pricing policy with an aim of maximizing profit in the short run is formulated, the company will lose its place in the market very soon. The pricing decision should be made with a view to maximize the profit in the long run.
5. **Stabilising the Price:** Some companies seek to keep their prices relatively stable over long periods, hoping to even out cyclical price fluctuations. A stable price policy can win the confidence of the public. So, the price should not be allowed to fluctuate very often. Even during periods of depression, the prices should not be allowed to fall below a certain level, and in the boom period, the prices should not be allowed to rise beyond a certain level.

6. Ability of the customers: Sometimes, price decisions may be taken according to the ability of the customers to pay for the products. Generally, this type of policy is adopted by doctors, lawyers etc.

7. Resource Mobilisation: In the case of firms, having resource mobilization as one of its pricing objectives, the products are priced in such a way to make use of all available resources for the expansion etc., of the concern.

### **FACTORS INFLUENCING PRICING DECISIONS**

The pricing decisions are influenced by many factors. The price policies should be consistent with pricing objectives. The influencing factors for a price decision can be divided into two groups i.e. Internal factors and External factors.

#### **INTERNAL FACTORS**

1. Organisational factors: Pricing decisions occur on two levels in the organisation. Over all price strategy is dealt with by top executives. They determine the basic ranges that the product falls into in terms of market segments. The actual mechanics of pricing are dealt with at lower levels in the firm and focus on individual product strategies.

2. Marketing Mix: Marketing experts view price as only one of the many important elements of the marketing mix. A shift in any one of the elements has an immediate effect on the other three i.e. production, promotion and distribution. In some industries, a firm may use prices as a deliberate strategy to build a high prestige product line. In either cases, the effort will not succeed unless the price change is combined with a total marketing strategy that supports it.

3. Product Differentiation: The price of the product also depends upon the characteristics of the product. In order to attract the customers, different characteristics are added to the product such as quality, size, colour, attractive package, etc. Generally, customers pay more price for the product which is of the new style, fashion, better package etc.

4. Cost of the Product: Cost and Price of a product are closely related. The most important factor is the cost of production. In deciding to market a product, a firm may try to decide what prices are realistic, considering current demand and competition in the market. The product ultimately goes to the public and their capacity to pay will fix the cost, otherwise the product would be flapped in the market.

5. Objectives of the Firm: A firm may have various objectives and pricing contributes its share in achieving such goals. Firms may pursue a variety of value oriented objectives such as maximizing sales revenue, maximizing market share, maximizing customer volume etc. Pricing policy should be established only after proper considerations of the objectives of the firm.

## EXTERNAL FACTORS

1. Demand: The market demand for a product or service obviously has a big impact on pricing. Since, demand is affected by factors like, number and size of competitors, the prospective buyers, their capacity and willingness to pay etc. A firm can determine the expected price in a few test markets by trying different prices in different market and comparing the results with the controlled market in which price is not altered.
2. Competition: Competitive conditions affect the pricing decisions. Competition is a crucial factor in price determination. A firm can fix the price equal to or lower than that of the competitors, provided that the quality of the product in no case be lower than that of the competitor.
3. Suppliers: Suppliers of raw materials and other goods can have a significant effect on the price of the product. If the price of cotton goes up, the increase is passed on by suppliers to manufacturers. Manufacturers in turn, pass it on to consumers. Sometimes, however, when a manufacturer appears to be making large profits on a particular product, suppliers will attempt to cash in on the profits by charging more for their supplies. Scarcity or abundance of the raw materials also determines pricing.
4. Economic Conditions: The inflationary or deflationary tendency affects pricing. In recession period, the prices are reduced to a sizeable extent to maintain the level of turnover. On the other hand, the prices are increased in boom period to cover the increasing cost of production and distribution.
5. Buyers: The various consumers and businesses that buy a company's products or services may have an influence in the pricing decisions. Their nature and behaviour for the purchase of a particular product, brand or service etc affect pricing when their number is large.
6. Government: Price discretion is also affected by the price control by the government through enactment of legislation, when it is thought proper to arrest the inflationary trend in price of certain products. The prices cannot be fixed higher, as government keeps a close watch on pricing in the private sector.

## KINDS OF PRICING

1. Psychological Pricing: Many consumers use the price as an indicator of quality. Costs and other factors are important in pricing. Certain people prefer high priced products, considered to be of high quality. Costly items like diamond, jewellery reveals the status of the persons who wear them. They demand highly priced items.
2. Customary Pricing: Customers expect a particular price to be charged for certain products. The prices are fixed to suit local conditions. The customers are familiar with the rates and market condition. Manufacturers cannot control the price. Such products are typically a standardized one. Certain business people reduce the size of the product, if the cost of manufacturing increases.
3. Skimming Pricing: It involves a high introductory price in the initial stage to skim the cream of demand. The products, when introduced in the market have a limited period free from other manufacturers. During this period, it aims at profit maximization, according to the favourable

market condition. Generally, the price moves downward when competitors enter into the market field.

4. **Penetration Pricing:** A low price is designed in the initial stage with a view to capture greater market share. That is if the pricing policy is to capture the greater market share, then this is done only by adoption of low prices in the initial stage. Because of the low price, sales volume increases, competition falls down.

5. **Geographical Pricing:** The distance between the seller and the buyer is considered in geographic pricing. In India, cost of transportation is an important pricing factor, because of the wide geographical distance between the production center and consuming center. The majority of the producing centers are located in Mumbai, Delhi, Calcutta and Chennai. There are three ways of charging transit. They are:

a. **F.O.B. Pricing:** In F.O.B. Pricing, the buyer will have to incur the cost of transit and in F.O.B (destination) the price influences the cost of transit charges.

b. **Zone Pricing:** Under this, the company divides the market into zones and quotes uniform prices to all buyers who buy within a zone. The prices are not uniform all over India. The price in one zone varies from that of another one. The prices are uniform within a zone. The price quoted is by adding the average of the transport cost.

c. **Base Point Pricing:** Base point policy is characterized by partial absorption of the transport cost by the company. One or more cities are selected as points from which all shipping charges are calculated.

6. **Administered Price:** Administered price is defined as the price resulting from managerial decision, and not on the basis of cost, competition, demand etc. But this price is set by the management after considering all relevant factors. There are many similar products manufactured by different firms and more or less the price tends to be uniform. Usually, the administered price remains unaltered for a considerable period of time.

7. **Dual Pricing:** Under this dual pricing, a producer is required compulsorily to sell a part of his production to the government or to its authorized dealers at a substantially low price. The rest of the product may be sold in the open market at a price fixed by the producer.

8. **Mark up Pricing:** This method is also known as cost plus pricing. This method is generally adopted by wholesalers and retailers. When they set up the price initially, a certain percentage is added to the cost before marking the price.

9. **Price lining:** This method of pricing is generally followed by the retailers more than wholesalers. This system consists of selecting a limited number of prices at which the store will sell its merchandise. Pricing decisions are made initially and remain constant for a long period.

10. **Negotiated Pricing:** It is also known as variable pricing. The price is not fixed. The price to be paid on sale depends upon bargaining. In certain cases, the product may be prepared on the basis of specification or design by the buyer. In such cases, the price has to be negotiated and then fixed.

11. **Competitive Bidding:** Big firms or the government calls for competitive bids when they want to purchase certain products or specialized items. The probable expenditure is worked out. Then the

offer is made quoting the price, which is also known as contract price. The lowest bidder gets the work.

12. **Monopoly Pricing:** Monopolistic conditions exist where a product is sold exclusively by one producer or a seller. When a new product moves to the market, its price is monopoly price. There is no competition or no substitute. Monopoly price will maximize the profits, as there is not pricing problems.

13. **Odd Pricing:** Odd pricing refers to a price ending in an odd number or a price just under a round number. For example, Bata Shoe company, priced one of its product at Rs.99.99. This type of pricing of the products is generally adopted in the case of speciality or convenience goods.

14. **Oligopolistic pricing:** Oligopoly is a competitive market situation and the presence of a few large sellers, who compete for larger market share. None has control over the price it charges. Any firm may take initiative in fixing the price of a product and others will follow.

#### METHODS OF PRICE DETERMINATION (PROCEDURE FOR PRICE DETERMINATION)

There is no specific procedure applicable to all firms for price determination.

However, the following steps may be followed to determine the price:

1. **Determining the demand for the product:** The first step in determining the price of new product is estimating the anticipated demand of the product. However, anticipation of demand for a new product is a difficult task. It can be estimated by considering the following two factors:

a. **Estimated Price:** Estimated price can be anticipated on the basis of the relative importance of the product to the consumers in their budget estimates.

b. **Estimated Demand of the product at different price level:** The estimate of demand at different price levels can be fixed on the basis of elasticity of demand of the product. In case of inelastic demand, the prices may be fixed higher and in case of elastic demand, the prices may be lower.

2. **Anticipating Competition:** Once the demand is estimated, the next step is anticipating competition. The study of competition can be done in two angles:

a. **Competition from the producers of similar product and**

b. **Competition from the substitutes of the product.**

Reactions and activities of both types of competitors should be made extensively. Estimating the future competitive situation is more important in fields where production of the product can be started with low initial capital and efforts, and the profit margin is quite attractive.

3. **Determining Expected Share of Market:** The next step is to determine the market share which a company will try to capture. It depends on various factors such as present production capacity, cost of extension programmes, cost of production and competition etc. The market share should not be fixed beyond the production capacity of the plant.

4. Selecting a Suitable Price Strategy: There are various price strategies that can be adopted such as Skimming the cream pricing strategy, low penetration pricing strategy, discouraging potential competitors and follow the competition. Each strategy has its own merits and demerits. Keeping the new business objectives and the relative merits and demerits of various price strategies in mind, a suitable price strategy should be selected.

5. Marketing Policies of the Company: The marketing policies regarding production, channels of distribution, promotion etc should be considered as a next step. The nature of the product, product mix should also be considered. Channels of distribution also influence the price of the product because the distribution expenses and commission payable to various middlemen form part of the total cost. Prices should also be fixed for wholesalers and retailers separately in order to allow a fair return to them.

6. Fixing the Price: Having completed the above steps, the next and final step is fixing the price. While fixing the price for any product, interest of various parties namely producer, middlemen and consumer should be considered. The price should be fixed in such a fashion to give a fair return to the producer, a good profit to the middlemen and a nominal price to the consumers. Consultation with the various departments such as production, finance, marketing etc is also essential while taking any pricing decision.

### **BASIC PRICING POLICIES**

The following are the basic policies recognized for pricing:

#### 1. COST ORIENTED PRICING POLICY

Various methods adopted under cost oriented pricing are Cost plus pricing, target pricing and break even pricing.

a. Cost Plus Pricing: Under this method, the price covers entire cost incurred and so it assures that there will not be any loss to the products. This method is totally based on cost concept. Cost of the product is taken as a starting point and then a fixed percentage is added to it so as to fix the price for that product. This method is adopted by retail traders and by the manufacturers of non standardized goods.

#### MERITS

1. Simple system
2. Socially fair
3. No price war among competitors
4. Safe recovery of cost guaranteed
5. Reasonable system in changing situation

#### 1. DEMERITS

1. Demand ignored
2. Future cost not considered
3. Unaccounted competition
4. Inefficiency during manufacturing stage, not considered.

5. Profitability of every product ceases limitation.
- b. Target Pricing: Another common method adopted under cost oriented pricing is known as target pricing. Target pricing is invariably followed by manufacturers who fix the target return on the total cost.
- c. Break Even Pricing: Break even analysis refers to the system of determining the level of operations where total revenues equal total expenses i.e., point of zero profit. This is sophisticated pricing technique which takes into account both the fixed costs and variable costs.

## 2. DEMAND ORIENTED PRICING POLICY

In this method, the demand is the pivotal factor. Price is fixed simply by making adjustments in it to the market condition. When the demand is greater, a high price is charged and when the demand is low, a low price is charged.

### MERITS

1. Consumer's price elasticity and preferences are considered.
2. Inefficiency is penalized.
3. New product pricing is facilitated. DEMERITS
  - a. It is socially unfair.
  - b. It does not ensure competitive harmony.
  - c. Consumers are at disadvantage.

## 3. COMPETITION ORIENTED PRICING POLICY

Many concerns fix prices only after having considered the competitive price structure. Deliberate policies may be framed with a view to sell below or above or in line with competition. As per this method, there cannot be any rigid relation between the price of the product and the firm's own cost or demand. Even if there is any change in its own cost or demand, it maintains its prices. The firm will change its prices only when the competitors change.

### Branding.

Introduction. Since several centuries, brands are around us. Origin of the word brand is from brandr which means to burn. According to the American marketing Association, brand is name, sign, design or a combination of them intended to identify the foods and services from one seller or group of sellers and to differentiate them from those of competitors. But can anybody think in today's environment that brand is only for differentiation of the products? The answer obviously would be "no". But brand gives you some idea of some design and some picture some meaning of something called perception. Here, name, term, sign, symbol, design or distinguishing feature – all are known as brand elements.

Products and brands.

Product is something like raw material while, brand gives it a final touch. According to Kotler, a product is anything we can be offered to a market for satisfaction. A product is something that might satisfy a need or want. Product is classified as goods, services and ideas. A product has different levels of understanding for consumers.

- The overall benefit level.- This is the basic need or want that consumers wish to satisfy. For example, in a hotel, consumers need space to stay.
- The generic product level.- This means the basic product that sellers offer. For example, in a hotel, sellers offer a room to stay.
- The expected product level.- Consumers normally expect some level of a product in addition to the generic product level. These expectations are normal. For example, in a hotel, consumers expect cleanliness, a bed and some space.
- The augmented product level.- These level takes the expected product to a new height. This is something which is augmented by the seller. For example, in a hotel, a television a soap or a towel is augmented with the expected products.
- The potential product level.- This is the obligation for the seller and thinking for future. For example, in a hotel, a computer with high-speed Internet is the potential product level for majority of them.

Importance of branding.

Importance of branding can be from different angles i. e. from consumers' point of view and from producers point of view. For consumers brands provide important functions brand means the identification of producer, the thoughts of past experiences with the producer, the identification of product designer from various products lying down in the same array or needs or wants matching with the products or not. Branding also provides a symbol of quality and promises by the producer. In this way branding is reducer of risk and uncertainty. For producers, brands provide an identity. It gives the loyalty of consumers and competitive edge. Criteria for choosing brand elements.

Several criteria are there to choose brand elements as given below.

1. Memorable.
  - a. Easily recognized. b. Easily recalled.
2. Meaningful. a. Descriptive. b. Persuasive.
3. Likable. a. Fun and interesting. b. Aesthetically appealing. c. Rich visual and verbal imagery.
4. Transferable. a. Within and across product categories. b. Across geography.
5. Adaptable. a. Updatable. b. Flexible.
6. Protectable. a. Competitively. b. Legally.

Packaging.

The package is a vital part of the total product. Packaging is a part of product decision and consists with activities concerned with design and production of the container and wrapping of the product. Packaging is so effective that the returns on the investment on them are very high in the form of

increase in sales turnover and better price realization. Successful localization of packaging involves cultural research as some graphics, such as pictures, icons,

and other non verbal elements, may look different in different cultures. What looks familiar to one person may be unrecognizable to someone else. Product packaging can come in many forms, from bags and boxes to tins and bottles. The most suitable packaging for your product will depend on what you are selling and how it is transported and stored. Ideally your packaging should reinforce the brand image of your company or product. This can be done through the use of color, shape, logos, illustrations or slogans. Packaging is defined as "all products made of any materials of any nature to be used for the containment, protection, handling, delivery and preservation of goods from the producer to the user or consumer." If you produce food or drink products, another important consideration is food safety. It is possible for harmful chemicals to migrate from labels and packaging into your food products so you must choose your packaging carefully. Once you have decided which type of packaging is most suitable for your product you can concentrate on its design. Your design should communicate the main benefits of your product and encourage people to buy your product rather than that of your competitors. Innovative packaging decisions themselves help create new customer classes. For example Amul's 10 gm or 25 gm cheese packs are widely used by Indian Airlines and other institutional clients. If your business is involved in trading goods you must be both clear and honest on all packaging and labeling. If you're misleading in any way you could find yourself committing a criminal offence under the Consumer Protection from Unfair Trading Regulations 2008.

Functions:

- It should provide a barrier against dirt and other contaminants thus keeping the product clean.
- It should prevent losses. For example, packages should be securely closed to prevent leakage.
- It should protect product against physical and chemical damage. For example air, light, insects.
- the package design should provide protection and convenience.
- It should help the customers to identify the product and instruct them how to use it correctly.
- It should persuade the consumer to purchase the product. Levels of packaging:
- Primary packaging is seen at the point of sale. It needs to contain and protect the product, as well as display it and provide information.
- Secondary packaging is the middle layer of packaging - example a cardboard box with a number of identical products inside.
- Transit packaging is the outer container that allows easier handling during transfer between factory, distribution centers and retailers. Environmentally friendly packaging: Environmentally friendly packaging causes less damage to the environment. There are three types:
- Reusable packaging can be cleaned and re-used. For example, glass milk bottles are reused.

- Recyclable packaging is made of materials that can be used again, usually after processing. Recyclable materials include glass, metal, card and paper.
- Biodegradable packaging will easily break down in the soil or the atmosphere. Recyclable packaging should carry standard symbols that show what the product is made from and how it can be recycled. Packaging materials: Plastics: Plastics are widely used in packaging because they are:
  - Versatile - plastics can be flexible or rigid, and can be molded into shapes.
  - resistant to acids and other chemicals
  - easy to print on
- lightweight and cheap to produce Modified-Atmosphere Packaging (MAP): Air in a plastic container can be modified to prolong shelf life and slow down colour deterioration. MAP is used to package:
  - cold meats
  - smoked fish
  - cheeses
  - salads
- fresh pasta Other packaging materials: Paper, card, metal and glass can also be used for packaging. Constraints on adequate packaging: Inadequate packaging may be the result of:
  - A lack of knowledge of the materials and/or the requirements for packaging different products. Each product has its own characteristics and packaging requirements vary
  - In many countries the choice of packaging materials may be limited. For those that are available, supplies are often situated in urban areas and this may cause problems for the rural producer in terms of transportation and often in negotiating with suppliers.
  - Packaging can represent a large part of the total cost of a product. This may be in part the result of the higher unit cost when small quantities are ordered for small-scale production. Labelling.

Labeling is regarded as part of marketing because packaging decision making involves the consideration of the labeling requirements. In international trade, many countries insist that labeling should be done in the absence of such a statutory requirement. Statutory obligations are important aspects of labeling. Many countries have laid down labeling requirements in respect of a number of commodities. According to the regulations labeling of food items should disclose information about a number of aspects like date of manufacturing, expiry date or optimum storage period for good which do not have an indefinite storage period, composition, storage conditions, necessary method of use, if necessary etc. The label may be a simple tag attached to the product or an elaborately designed graphic that is part of the package. It might carry only the brand name, or a great deal of information. Even if the seller prefers a simple label, the law may require more. Labels perform several functions. First, the label identifies the product or brand-for instance, the name Sunkist stamped on oranges. The label might also grade the product; canned peaches are grade-labeled A, B, and C. The label might describe the product: who made it, where it was made, when it was made, what it contains, how it is to be used, and how to use it safely. Finally, the label might promote the

product through attractive graphics. New technology allows for 360-degree shrink-wrapped labels to surround containers with bright graphics and accommodate more on-pack product information, replacing paper labels glued onto cans and bottles.