

**M.COM PART-1**  
**PAPER-VII**  
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**EVOLUTION OF MARKETING**

It took a long time for businesses to realize that satisfying customers was the key for creating long run profits

**CLASSIFICATION**

***PRODUCTION ERA*** : Initiated by the industrial revolution. Say's Law was applicable "Supply creates its own demand". It was a sellers market. Demand was more than supply.

Focus was on Manufacturing process, Production features was not cared for

***SALES ERA 1920 to 1950***

Depression of 1930's initiated competition. Advertisement strategies were devised. Consumer needs and wants were ignored

***MARKETING ERA***

Co's realized that consumers needs had to be satisfied. Consumer orientation began. Marketing management was coordinated. Customer orientation and profitability were embraced. Focus was on consumer needs

**MARKETING CONCEPT**

**IDENTIFY NEEDS AND SATISFY THE NEEDS**

Belief Planning and operations customer oriented generate profitable sales vol.

- Features - Consumer orientation
- Long term profitability
  - Functional integration (like IMC)
  -

## **MARKETING DYNAMICS**

Technology provides product identification. Co's. become more competitive and me too's come on shelves. Customer becomes choosy, Communication cost increases, prices fall and margins decline

## ***COMPANY RESPONSES***

- 1) **Reengineering** – redesigning organization structure, business processes and associated systems
- 2) **Outsourcing**
- 3) **E commerce**
- 4) **Benchmarking** – For improving set your own benchmarks
- 5) **Suppliers** - Keep small no. of suppliers for a cordial relationship
- 6) **Global and local markets**
- 7) **Decentralization**

## ***ADJUSTMENT IN MARKETING***

- Customisation ( For better form utility)
- CRM
- Target oriented marketing
- Customer database
- I M C

## ***ECONOMIC UTILITY***

The extent to which a product satisfies customer needs and wants is called utility.

Consumption leads to customer satisfaction

## TYPES OF UTILITY

- \* **Form**                      Biscuits, Dress, Chocolate
- \* **Time**                        ATM, E commerce
- \* **Place**                        Doorstep, E Commerce
- \* **Possession**                Automobiles, fridge, AC's W/M

**MARKETING**      identify customer needs and fulfill it through 4 P's  
(introduced by J McCarthy and developed by Kotler, Father of marketing)

**Product** - goods services idea celebrities  
(bundle of tangible and intangible attributes)

Services are perishable (*plane seat*)

**Product planning** - Decision making related to all aspects of the devt. And management of a firm's products including branding and packaging

## PRODUCT PERSONALITY

- **Core features**                      basic component  
    Car                                      Benefit private transportation
- **Associated features**              size, shape, color, brand name, Power brake, ABS, steering (useful in identification amongst ME TOO's)

A brand is inseparable asset built over time , Package provides identification (Sandoz in "puppies")

## NATURE OF THE PRODUCT

**Theodore levitt** differentiated product based on value they provide to customers

In 1980 he conceptualized

1) **GENERIC** Unbranded, inexpensive, plain package, can have slight differences (Sheets of TISCO & SAIL)e.g salt

2) **EXPECTED** Identify FAB reqd. By customers

Egs negotiable terms, conditions of sale, product delivery,  
support e.g to tata salt

3) **AUGMENTED PRODUCT** additional features added for product  
differentiation

Market research - trend - exceed expectation

Egs. Warranty, toll free no's.

4) **POTENTIAL PRODUCTS** includes all possible improvements possible  
- technological, economic, competitive

NO FUNDS - NO R&D - NO IMPROVEMENT

### ***PRODUCT HIERARCHY***

Arranging products in an organizational chart

Product class	cars
Form	SUV
Variation in forms	2 doors
Brand	TOYOTA

### **PRODUCT CLASSIFICATION**

#### ***On DURABILITY & TANGIBILITY***

\* Non durables      Tangible (paste, soap) FMCG  
\* Durables (White goods)      video camera, AC's. W/M  
Services                      intangible and perishable

#### ***On USAGE***

Consumer products

Consumption for personal, family, household

- 1) convenience      coke
- 2) shopping          shoes, dress
- 3) speciality          car, camera
- 4) Unsought          repair, umbrella (bought only when in crisis)

## ***INDUSTRIAL PRODUCTS***

Purchased to produce other goods or facilitate smooth functioning, they fulfill organizational needs

- Raw materials
  - Component parts                      wheels, carburetor (car)
  - Process material                      used in production of final                      product  
(alcohol in perfume)
  - Support products                      facilitate production process
  - Capital equipment
  - Accessory                      computers, furniture, calculator
  - Consumable                      consumed during production
- MRO Equipments
- Maintenance                      broom, repair item
  - Operating                      water, power, stationery
  - Business services                      financial service, MR

### ***Limitation of product classification models***

Salt, diesel, coal                      consumer as well as industrial product  
Umbrella                      shopping product for one unsought for another  
Impulse purchase

## **PRODUCT HIERARCHY**

NEED	HOPE
FAMILY	TOILETRIES
PRODUCT CLASS	COSMETICS
PRODUCT LINE	LIPSTICK
PRODUCT TYPE	TUBE
BRAND	REVLON
ITEM	FROSTED

Need family - The core need that underlies the product family egs hope

Product family – Product classes that satisfy core need egs. Toiletries

Product class – Products within product family having functional coherence  
egs. cosmetics

Product line – Group of products in the product class, closely related  
because of function, are sold to similar groups or marketed through same  
outlets egs. Lipstick

Item within a product line with one possible form egs. Tube lipstick

Brand - THE UTTERABLE (Revlon)

A distinct unit within a brand egs. Frosted

### **PRODUCT MIX WIDTH**

	<b>Detergents</b>	<b>Toothpaste</b>	<b>Bar soap</b>
<b>PRODUCT</b>	Ivory snow	Gleem	Ivory
<b>LINE</b>	Drift	Crest	Camay
<b>LENGTH</b>	Tide		Zest
	Dash		
	Bold		

#### **Product Mix or Assortment**

Set of all product lines & items that a seller offers for sale to buyers.

- 1) Product width - No. of product lines (Here 3)
- 2) Product length of product mix  
Total No. of items in product mix (Here 10)  
Average product length = Total length/No. of lines =  $10/3 = 3.33$
- 3) Product depth – Different variants of each product. If crest comes in three sizes and 2 formulations(regular & mint)  
Depth =  $2 \times 3 = 6$

#### ***CONSISTENCY OF PRODUCT MIX***

Refers to the close relationship of various product lines – in end use, production requirements, distribution channel, etc..

In the above examples, the products are consumer goods and will share the same distribution channel

### *Product mix strategies*

- **expansion** – product line, depth (related/unrelated)
- **contraction** – economic slumps, competition, eliminate or simplify assortments- get a better profit margin
- **altering** - redesign, add new features
- **positioning** – 1) in relation to competing product (avoid when competitor has a strong market)
  - 2) In relation to target market (marlboro)
  - 3) In relation to product class (associate or disassociate from common class TROPICANA – 7 flavours)
  - 4) By price & quality Mercedes

Trading up – prestigious high priced products to existing line to enhance image or increase sale of low priced products or gradually shift to the high priced product

Trading down –

### **MANAGING PRODUCT LINES**

Develop a basic platform for the product around which additional features can be developed. This offers variety & reduces production cost. Decide length of line, modernization , prune

#### *Product line analysis*

Study profits generated by each product in the product line – Now build, maintain, extend or prune, small lines are vulnerable

#### **Product line length**

Short line – add and generate profit

Long line - remove loss making products

Manufacturing capacity, sales pressure & distribution pressure compel marketers to increase line

- Line stretching -
  - 1) Downward – Intro of products at a lower price. Takes place because of stagnation, better potential in down market, give competition, some Co's. don't move up
  - 2) Upwards –
  - 3) Both ways

**Line filling** - adding new products, increase profits, utilize production capacity, satisfy sales people

**Product line modernization** - Old M/C, old models – shifting purchasers ( if too early damages sales of existing products & if too late, brings in competition

**Line pruning** - Loss generating products, improper budget allocation

#### **Reasons for line extension**

- low cost low risk
- variety of goods under one umbrella
- advertise superior quality and charge more
- less time and less cost to introduce a new product
- boost short term sales by introduction of products raises the price of admission of new product

#### **limitations**

- weaker lines – sometimes extension to a point of super saturation
- lowers brand loyalty – too many products
- under exploitation of ideas – instead of a new brand, a new product under the same umbrella
- stagnant demand – rarely increases the demand of a total category
- profits earned by extended product lines are short lived
- dilutes brand image
- complexity in logistics and error in forecasting
- distracts R&D from producing new products
- cost of extension remains hidden

#### **PRODUCT LIFE CYCLE**



Introduction – growth – maturity – decline

## STRATEGY & PLANNING

**SBU'S** (Strategic Business Units)

Separate and self sufficient business units operating in the market

Define a Co's. business and identify whether they are profitable (egs. TATA)

### BCG Matrix (Boston Consultancy Group, 1970)

High

<b>STARS</b> <i>(High, High)</i>	<b>?</b> <i>(Low High)</i>
<b>Cash cow</b> <i>(High, Low)</i>	<b>Dogs</b> <i>(Low, Low)</i>

**Mkt.GROWTH**  
**GROWTH**  
**RATE**

Low

High ----->Low  
**(RELATIVE MKt. SHARE)**

## **GEC Model (General electric Co.**

### **Industry attractiveness :**

Mkt. growth, demand fluctuations Mkt. size, industry potential, competitive environment, global demand

### **Business unit strength :**

Mkt. share & relative growth, Production capacity, Brand, Channel strength & Relative profit

**Forward Integration** - A picture tube supplier becomes a TV manufacturer

**Backward integration** – A TV manufacturer starts manufacturing picture tubes

## **THE PRODUCT MARKET EXPANSION GRID**

	<b>Existing</b>	<b>New</b>	
<b>Products</b>			<b>Products</b>
<b>Existing markets</b>	<b>Market penetration</b>	<b>Product development</b>	
<b>New markets</b>	<b>Market development</b>	<b>Diversification</b>	

Diversification - Starting up or buying business outside of it's current products and markets.( United Breweries - Kingfisher airlines)

Downsizing removal of Co. or people

SWOT analysis

Business mission -> SWOT -> strategy -> Alliance (Merger, acquisition or JV) -> implementation -> feedback & control

$A + B = C$  (Merger)

$A + B = A \text{ or } B$  (Acquisition)

$A + B = AB$  (JV)