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# UNIT 1 PRODUCT MANAGEMENT BASIC CONCEPTS

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## Objectives

After reading this unit you should be able to:

- comment on the meaning and scope of product management
- define a product
- discuss the types of products and their classification
- explain the terms product line and product mix
- enumerate the 'conceptual issues

## Structure

- 1.1 Introduction
- 1.2 Product Management - Meaning
- 1.3 Product Management - An overview
- 1.4 What is a Product?
- 1.5 Product Classification
- 1.6 Product Line and Product Mix
- 1.7 Product Mix and Line Decisions
- 1.8 Responsibilities of Product Management Function
- 1.9 Product Management - Conceptual Issues
- 1.10 Summary
- 1.11 Self Assessment Questions
- 1.12 Further Readings

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## 1.1 INTRODUCTION

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Product is core to any business enterprise and forms the most tangible expression offered by the firm in response to consumer needs and wants. Issues pertaining to 'product' therefore become key determinants of successful business strategy.

This unit briefly introduces to you the meaning, 'scope and major areas of responsibilities of product management function within the organisation. The unit also familiarizes what a product is all about, mentioning the related conceptual issues of product/product management. However each of these conceptual issues have been discussed exhaustively in the subsequent units of this course as it is out of the purview of this unit.

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## 1.2 PRODUCT MANAGEMENT MEANING

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Among the four elements of marketing mix i.e. product price, place and promotion, you would agree that all business activities commences and revolves around the first element namely the product. Thus product forms the core to any business enterprise. You cannot imagine any role and relevance of other three elements i.e. price, place and promotion without a product. However these elements their linkage and support is essential in designing the firms business strategy and making the product a success in the market place.

Product management is an integral part of marketing function and includes a whole range of activities pertaining to product planning and development and extends itself to brand building and management.



Every professionally managed and proactive manufacturing and marketing firms which respond to market needs resort to product planning exercise in relation to its customers, relevant markets, competition and other market forces prevalent.

Product planning does include basic corporate plan and marketing plan from which the 'product plan emerges. Generally in product plan we consider product strategies like product line its length and breadth, *line* stretching, bet upwards and downwards. The idea of introducing new products does also come under the purview of product planning. Product management also considers conceptual issues like Product Life Cycle, planning for new product and its related issues *on* pricing, promotion and distribution.

All the conceptual issues related to product and its management have been discussed and dealt in detail in the subsequent units of this course. '

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### **1.3 PRODUCT MANAGEMENT - AN OVERVIEW**

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Similar to products being offered based on consumer needs and wants the emergence of product management as a function too was an outcome based on the need as determined by the prevalent market forces and changing market dynamics.

The concept of selling has predominantly ruled in the pre and post independent era with limited number of manufactures offering products to a considerably large number of customers, This resulted *in* selling whatever goods were produced enabled the sales task to be simple and easy.

With the passage of time, and industrial polices in order, conscious attempts were made to increase the industrial output and accelerate economic growth which paved way for the onset of the concept of marketing.

The concept of marketing was characterized by increased number of manufactures producing similar products, growing markets, change in life styles and fierce competitive environment. As similar products are made by more number of manufactures, consumers had a wide option for adoption. Selling activity thus became a tough and challenging task to the marketer. There factors lead to the need for trained and skilled personnel to understand consumer tastes and preference and accordingly conceive, design, and -develop products and offer to the target consumers for adoption and their subsequent repeat purchases. These newly identified taskforce is expected to possess and equip with all the tools and techniques for creating awareness, educating the target consumers and nurture the company's product. This group of work force in thus designated as product/executive/ manager depending on the nature and size of the firm, its products and product line *etc.* Thus the birth of a well defined and distinct product management department was inevitable, focussing and utilising all the resources of the department towards managing its products.

In the current scenario every enterprise does have a separate product management department monitored and controlled by the marketing department. However *the* viability of a separate department *for* product management should be weighed on various parameters *such* as cost benefit analysis, need based in view of the firms products in relation to consumer, markets, vis-a-vis- its competitors.

Whatever may be the reason for having a separate product management department but at the end of the day it should accomplish the marketing objectives of offering innovative products across various market segments.

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### **1.4 WHAT IS A PRODUCT**

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By and large all human beings irrespective of their economic status, social and cultural influences, literacy levels would buy and use/consume various products during their lifetime thus deriving want satisfaction in relation to their inherent and latent needs existing at a given point of time.

We purchase and use different kinds of products available in the market both tangible and intangible and -satisfy ourselves by adoption. Having- agreed that products are



indispensable to mankind. Lets now look into what the term "product" means to the manufacturer. In simple terms products are offered to earn revenue which is the bread and butter for the firm to survive and sustain. These products offered to the market by the manufacturer may or may not be in response to human needs/wants. The issues relating to how effectively and efficiently the marketer manages his firms products is out of the purview of this unit. However block 2 of this course is devoted on managing products,

Hitherto products were what firms manufactured and sold to the consumer or end user. Such a traditional and conventional practice lead to a market condition called the sellers market.

On the contrary, today it's a changed scenario and the focus is shifted towards consumer orientation. Thereby offering products in response to the needs and wants of the consumer. This metamorphosis also made the market condition change to buyers market. Thus the meaning of product is constantly and continuously expanding.

A product means different things to different people for example purchase of car could be a basic need for transportation for 'X' while it could be a luxury or an expression of life style for 'I'.

Thus a product is any tangible, intangible offering that might satisfy the needs or aspirations of a consumer.

Every marketer, at the stage of conception and while visualising a product offering needs-to think of it at three levels. First and foremost fundamental aspect, is the core benefit associated with the core product which the consumer derives by adoption which also answers the question of why the buyer should buy, it. This way every product tries to satisfy some core benefit or value. It is the task of the marketer, to disclose the underlying motives behind the purchase of the product. That is precisely ascertaining from the buyer whether he is genuinely satisfied by having the product.

To make you understand what core-benefit and value is all about "**Theodore Levitt**" pointed out categorically when he said:

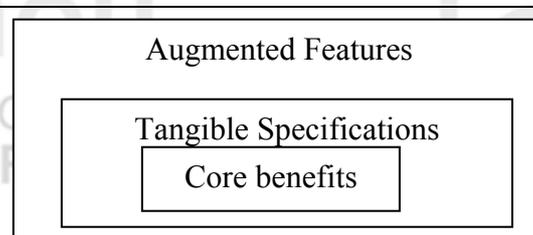
"Purchasing agents do not buy drills, they actually buy its ability to make the same size holes".

Similarly, a consumer buys a CD player not as plastic box with electronic circuitry but a means to his recreation.

The core benefit or value in buying a refrigerator is to stock, preserve and keep food stuff fresh all through the day.

At the second level the marketer generally tries to identify a range of unique and tangible aspects in the form of specialised functions, product design, specifications, size etc. continuing the earlier example of CD player, the marketer, may offer, with detachable speakers, portability, remote controlled with 3/4 band radio etc. This way one could think of umpteen number of such visible specific convenience. In case of refrigerator offering varied capacities ranging from 165 litres and above with colors to match your mood.

### Exhibit 1 Anatomy of a Product



Core benefits: What, the product means to the customer? For example, a refrigerator offers the generic benefits of storing, preserving and cooling a food or similar items.

Tangible specifications: Features, colour, design, quality, size, weight: materials used in making the product, durability, operating resource (say, diesel, petrol or electricity) & price.

Augmented features: Company name, brand image, warranty/guarantee for the whole machine or specific parts. It may include dimensions like delivery, easy accessibility, credit, packaging, repair/service facilities.



Eventually the last and yet an important level where the marketer should think of attracting more customers towards his firms products is by way of offering augmented services.

A good example could be **Indica** the small car from the Telco, a Tata enterprise, stable, known as a major producer of trucks in India, encourages and adopts local technology, competitively priced and offer ' value for money.

### **Types of Products**

Product of all categories can be classified conveniently as:

Tangible Products

Intangible Products

Tangible products are those products which are visible to the naked eye and includes products of all categories from safety pin to aeroplanes.

On the contrary, intangibles are characterized as being invisible to the naked eye, has no entity of its own and devoid of physical attributes eg. consultancy, medical assistance, car servicing etc.

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## **1.5 PRODUCT CLASSIFICATION**

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Products can be classified based on various parameters. They are as follows:

- a) Based on tangibility durability and intangibility into durable, non-durable and services respectively eg. Soap, Milk, Newspaper, Washing machine, Plumbing services etc.
- b) Based on ultimate users and their buying behavior and attitudes, we come across:
  - consumer products purchased for use by households and ultimate users these products are brought for personal consumption.
  - industrial products are purchased either by an individual or a group on behalf of an organization for the production of other product. Thus industrial products are characterised as those which go into the manufacture of other products. All engineering goods, machine tools, auto components, manufacturers fall under this category.

Having acquainted with the types of products, their nature, utility and consumption patterns. Let us now confine our discussion to consumer products as these are consumed or used by the ultimate consumer or the buyer.

### **Consumer Products**

Traditionally all consumer products based. on their nature, durability, utility and involvement of the consumer are further segmented into:

Convenience product

Shopping product

Specialty product

### **Convenience Products**

Are those category of products bought regularly with ease and without any time consumption. Milk, Vegetables, Newspaper are classic examples.

### **Shopping Products**

Are those categories purchased irregularly only after considering factors like price quality, style performance etc. The prices of these product are generally high and consumer involvement-1s equally high. Clothing, furniture, Household Appliance fall under this category

**Exhibit 2 Classification of Product**

Characteristics	Type of Product		
	<i>Convenience</i>	<i>Shopping</i>	<i>Speciality</i>
Example	Grocery items	Clothing, fashion items	Fancy goods, appliances
Major motive	Easy availability	Spend effort to choose the item of personal taste	Making the final selection of brand
Knowledge prior to purchase	High	Medium	Low
Effort spent to acquire product	Minimal	Moderate	As much as necessary
Frequency of purchase	Regular	Season/occasion	Varies
Willingness to accept substitutes	High	Moderate	None
Buyer behaviour	Low information search	Comparing options to acquire best within budget	Intensive consultation before actual purchase

**Speciality Product**

These products are purchased irregularly may be once in life time. Majority of these products have no substitutes and they are characterized by high buyers involvement. Example are premium Cars, Audio & Video systems, five star restaurant etc. fall under this category. The brand loyalty is high and consumers are willing to pay a high price for exclusive products as an expression of their attitude, life style and status symbol.

**Activity 1**

Pick up two convenience products, two shopping products and one specialty product of your choice. Name these products (Brands) and give reasons in one or two sentences for adoption.

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**1.6 PRODUCT LINE AND PRODUCT MIX**

All of us are familiar and exposed to the following terms.

**Product line**

Product line includes all closely related or similar products offered by the firm for example Audio systems offered by Philips is a product line. While televisions offered by the same company (Philips) is another product line.



While product mix encompasses and includes all individual products available offered by the firm. Thus the above example of Philips Audio systems and televisions collectivity form the product mix of Philips India Ltd.

From the above we can now conclude that product mix includes all the product lines offered by the firm and further each product line has a range of models, sizes, styles etc.

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## 1.7 PRODUCT MIX AND LINE DECISIONS

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### Product Mix

As already made a mention, it is the set of all products lines and items that a particular company offers to buyers. The width of the product mix refers to the number of different product lines a company carries.

For example: Philips India Ltd. Product mix consists the following product lines namely music systems and video system (Television), lighting system and medical electronics catering to different markets across various segment.

The depth of product mix refers to the number of variants/models of each product are offered in the line for examples, Halo shampoo from Colgate-Palmolive comes in three formulations and three sizes and hence has a product mix depth of nine. Similarly Rasna soft drink concentrate from Pioma Industries has seven flavors which also forms the depth of the product mix.

The consistency of a product mix refer to how closely related the various product lines are in end use. Hence, Philips's product lines are consistent in the sense that they are all electronic products while Wipro has a unrelated product mix.

### Merits of Product Mix

- helps in defining firms product portfolio based on width, depth and consistency.
- appeals to diverse consumer needs across various segments, thus helps in maximizing shelf space and sustain dealer support.

In the earlier discussion we have cited two examples namely Philips India offering products which are closely related and has consistency in its mix while in case of Wipro, it offers different products (unrelated) product lines like, consumer electronics, Information Technology products, and FMCG products making it a diversify mix of product offered to the market.

By and large consistent mix is easy to manage than diversified mix. It allows the marketer to concentrate on its core competencies, helps build and create a strong image among consumers and trade channels.

However excessive consistency may be risky with limited scope leaving the marketer to a narrow range of business. Agro based companies are good examples in view of their vulnerable to environmental threats and vagaries of business. On the other hand companies like Wipro, Videocon etc. enjoy the benefit of diversified product mix.

### Line Stretching

As the name suggests, the decisions pertaining to adding or dropping items from the **line** as and when it is profitable to do so. Line stretching could be upwards, downwards or both ways.

Downward stretch is apt when the company finds its offerings are at a high price end of the market and then stretch their line downwards for example, Daewoo motors, small car "**Matiz**" was originally introduced as a premium high end car with one single variant catering to the top end or the elite segment. Subsequently the feedback from market and research findings made the company to offer a low end variant to tap the low end market segment: Today, Matiz offers four variants catering to all classes across various segments. This decision made the company a turnaround resulting in increased in sales manifold and continue to attract more customers.



On the other hand upward stretch is possible when the company enters the upper end through a line extension. The reason could be a higher growth rate, increased market share tapping new market segment, better margins etc. A good example would be that of lifebuoy soap, which was initially positioned as a hygienic soap focussing the semi urban and rural mass markets: Currently lifebuoy is also into the high end premium liquid hand wash market catering to the higher strata of the society.

### Line Fillings

Adding more items within the existing product range results in lengthening the line. Following are the reasons for line filling.

- aiming for incremental profit
- optimal utilisation of excess and under utilised capacities
- an attempt to offer a full line of the product
- in response. to dealer complain about lost sales because of missing items on the line.

The addition of double toned milk, is an example of line filling. Mother dairy has added the said item to its existing range of full cream, and single toned milk thereby catering to the health conscious milk consumers. All the categories of milk mentioned above are easily identifiable by their packaging making the exchange process simple and easy.

### Activity 2

Identify any two recent brands of your choice

- a) Which have been added to the product line.
- b) Which have been dropped from the line.

Analyze each of these items and give comments accordingly.

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## 1.8 MAJOR RESPONSIBILITIES OF PRODUCT MANAGEMENT FUNCTION

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You should remember that size of the firm, nature of the products/industry, consumers, relevant markets, competition and top management decisions and vision all collectively determine the responsibilities of the product management department in a business organisation. Each individual member within the department are assigned to play a specific role based on their levels in the hierarchy. Thus all the member of the department both independently and jointly with the members of other departments would be responsible to discharge well defined tasks for effective co-ordination and implementation of various product related strategic decisions.

The following are the major areas of responsibilities

- All activities (both minor and major) related to products and its linkages with other three elements of the marketing mix.
- All related activities and tasks of STP strategies (segmenting, targeting and positioning)
- Short term and long term production planning in consultation with manufacturing.
- Meticulous planning for promotional activities with communication and advertising department.



- Planning and forecasting sales and market potential with sale department.
- Coordinating marketing research activities with in house/external agencies
- Co-ordinating with advertising agencies and other external agencies like Government for seeking statutory license etc.



**Scope of Product Management**

## **1.9 PRODUCT MANAGEMENT - CONCEPTUAL ISSUES**

Besides employees, a company's products/services are the only assets which would generate revenue and enable the firm to earn its bread and butter and sustain in the market place.

Thus the products of the firm are to be managed similar to its employees for growth and development by careful and systematic planning and nurturing the products over a period of time and allowing them, to grow, branch out and diversify catering to all consuming classes *across various* segments by providing superior quality products at all times.

In order to manage the product a firm needs to conceive and systematically develop the various elements of marketing program in relation to the nature of the products and its product lines. The following are the elements of marketing programme

- Product lines decisions
- Product Life Cycle
- Segmenting Targeting and Positioning Strategies
- Branding
- New product development
- Test marketing
- Product launch
- Business environment
- Competition
- Trade, Industry and other market forces etc.

Each of these elements mentioned above have been discussed in detail in the subsequent units of this course.



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## 1.10 SUMMARY

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In this unit you are familiarized with the term '**Product**' its meaning, classification and kinds of products which we all come across and consume in our daily lives. The significance of product management function has been rationalized enumerating major areas of responsibilities, decision making and its linkages with other functional areas for effective co-ordination and implementation of product related decisions in accomplishing. over all marketing objectives.

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## 1.11 SELF-ASSESSMENT QUESTIONS

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1. Discuss the scope of a product. Elucidate the term taking two products of your choice and comment on the satisfaction you derived by adoption.
2. Product mix and line decisions are viewed as strategic tools to increase market share and keep competition at bay. Discuss.
3. What are the Pros and Cons for product management as a separate functional area not falling under the purview of marketing function. Explain.

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## 1.12 FURTHER READINGS

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Donald R. Lehmann, Russell S. *Winer*, *Product Management*, McGraw-Hill International Edition

C.Merte Crawford, C. Anthony DiBenedth, *New Product Management*, McGraw-Hill International Edition

Ramanuj Majumdar, 1999, *Product Managment in India*, Prentice Hall of India.