

# PRINCIPLES AND PRACTICE OF MARKETING

## UNIT 3: PRODUCT AND PRICING DECISIONS

### 17. Concept of Product

A **product** is anything that can be offered to a market to satisfy a want or need. It includes physical goods, services, ideas, people, or places.

**Kotler's Definition:**

*"A product is anything that can be offered to a market to satisfy a want or need."*

Products have **3 levels**:

1. **Core Product** – Basic benefit (e.g., communication in a phone)
2. **Actual Product** – Features, design, brand name, packaging
3. **Augmented Product** – Additional services like warranty, after-sales service

### 18. Classification of Products

#### A. Consumer Products:

- **Convenience Products:** Low involvement, frequently bought (e.g., soap, snacks)
- **Shopping Products:** Compared on quality, price (e.g., clothes, electronics)
- **Specialty Products:** Unique characteristics, brand preference (e.g., Rolex, BMW)
- **Unsought Products:** Not actively sought (e.g., insurance, funeral services)

#### B. Industrial Products:

- **Raw Materials:** Used in production (e.g., cotton, crude oil)
- **Capital Items:** Long-term assets (e.g., machinery)
- **Supplies and Services:** Maintenance, repairs

### 19. Product Mix

The **Product Mix** (Product Assortment) is the total set of products offered by a company.

### Elements of Product Mix:

1. **Width:** Number of product lines
2. **Length:** Total number of products
3. **Depth:** Variants within a product line
4. **Consistency:** How closely related the product lines are

Example: Hindustan Unilever – soaps, shampoos, tea, detergents (wide mix)

## 20. Product Life Cycle (PLC)

The **Product Life Cycle** shows the stages a product goes through in the market.

Stage	Characteristics	Strategies
<b>Introduction</b>	Low sales, high cost, slow adoption	Heavy promotion, market development
<b>Growth</b>	Rapid sales growth, increasing profits	Expand distribution, improve product
<b>Maturity</b>	Sales peak, competition intense	Diversify product, discounts, differentiation
<b>Decline</b>	Sales drop, market shrinks	Discontinue, sell off, or reposition

## 21. Stages in New Product Development

1. **Idea Generation** – Internal/external sources
2. **Idea Screening** – Eliminate unfeasible ideas
3. **Concept Development and Testing** – Test consumer response
4. **Business Analysis** – Estimate profitability, costs, ROI
5. **Product Development** – Create prototypes
6. **Test Marketing** – Launch in limited markets
7. **Commercialization** – Full-scale launch

## 22. Product Branding

**Branding** is the process of creating a unique identity for a product.

### Importance of Branding:

- Builds recognition and trust
- Differentiates from competitors
- Helps in positioning and loyalty
- Adds value to the product

Examples: Nike (Just Do It), Apple, Maggi

### Brand Elements:

- Name, logo, tagline, symbol, design, packaging

## **23. Product Packaging**

**Packaging** is the activity of designing and producing the container or wrapper for a product.

### **Functions:**

- Protection
- Promotion
- Convenience
- Differentiation
- Information

Example: Attractive packaging of chocolates increases impulse buying.

## **24. Product Labelling**

**Labelling** refers to printed information appearing on or with the package.

### **Purpose:**

- Identifies product
- Provides legal information (MRP, expiry, ingredients)
- Helps in branding
- Aids in product comparison

Example: Nutrition labels on food products.

## **25. After-Sales Service**

Services provided after a product is sold:

- Installation
- Maintenance
- Warranty
- Customer support
- Repairs

Builds long-term trust and loyalty (common in electronics, automobiles).

## **26. Pricing of Product – Meaning and Objectives**

**Pricing** is determining what a company will receive in exchange for its product.

### **Objectives:**

- Maximize profit or sales
- Achieve market share
- Survive in competition
- Penetrate new markets
- Maintain product image

## 27. Importance of Pricing

- Affects **demand and sales**
- Generates **revenue** (only mix element that earns)
- **Competitive tool**
- Affects **profitability**
- Influences **consumer perception**

Price is the only element of the marketing mix that produces revenue; all others are costs.

## 28. Factors Affecting Price of a Product

### Internal Factors:

1. **Cost of Production** – Higher cost = higher price
2. **Marketing Objectives** – Penetration, skimming, etc.
3. **Product Lifecycle Stage** – Introduction stage may need low prices
4. **Brand Image**

### External Factors:

1. **Demand** – High demand may allow premium pricing
2. **Competition** – Pricing must consider rival products
3. **Government Policies** – Price control, taxes
4. **Customer Perception** – Value-based pricing
5. **Economic Conditions** – Inflation, recession

## 29. Methods of Pricing

1. **Cost-Based Pricing**
  - **Cost Plus Pricing:** Add fixed margin to cost
  - **Break-even Pricing:** Price to cover costs only
2. **Value-Based Pricing**
  - Based on perceived value by the customer
3. **Competition-Based Pricing**
  - Pricing compared to competitors
4. **Penetration Pricing**
  - Low price to attract large market share
5. **Skimming Pricing**
  - High price for a new, innovative product

6. **Psychological Pricing**

- Pricing like ₹99 instead of ₹100

7. **Bundle Pricing**

- Grouping products together at a lower price

**30. Discounts and Rebates**

- **Discounts:** Direct price reduction to stimulate sales
  - Types: Cash, Quantity, Seasonal, Trade
- **Rebates:** Partial refund after purchase (e.g., cashback)

Used to encourage bulk buying, clear inventory, or reward loyalty.