

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
Introduction	Low sales, high cost, slow adoption	Heavy promotion, market development
Growth	Rapid sales growth, increasing profits	Expand distribution, improve product
Maturity	Sales peak, competition intense	Diversify product, discounts, differentiation
Decline	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.