

## Chapter 5

# Product Decisions

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To a layman, a product is anything a purchaser gets in exchange for his money. In other words, anything is a product or service which is sold and bought in the market. However, under the marketing concept philosophy, a product is viewed as a bundle of satisfactions that accrue to its buyer either from possession or use. Thus, for providing satisfaction to the consumers, a firm must first determine his needs and wants and then plan the product mix. The product mix is the foundation of marketing mix of a firm. The other elements, namely, price, place and promotion are influenced by product mix to a great extent.



## 5.1 MEANING OF PRODUCT

A product may be defined as *bundle of utilities consisting of various product features and accompanying services*. The bundle of utilities or the physical and psychological satisfaction that the buyer receives is provided by the seller when he sells a particular product. The customer does not buy merely the physical and chemical attributes of a product. He is really buying *want satisfaction*. He will buy a product which can offer him expected satisfaction. In other words, what a buyer buys is a mixture of expected physical and psychological satisfactions. Therefore, the term 'product' does not mean only the physical product but the total product including brand, package, label, status of manufacturer and distributor and services offered to the customer, in addition to the physical product. The term product is inclusive. It means not only *physical goods* such as bike, AC and music system, but also *services* (travel agent, property dealer, retailer), credit cards, financial services, persons (artist or politician), places (hotels, flats, private bungalows), organisations (State Bank of India, World Health Organization), and ideas (neighbourhood watch scheme, pollution control and No smoking zones).

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 need or a want.**" Thus, virtually anything can be covered within the ambit of *attention* (service or idea), *acquisition* (physical goods or tangible part of product), *use* (tangible or intangible part such as leased car where leasing is a service and car is a physical good), or *consumption* (consumables such as food). In fact, the definition of product conveys more than just natural meaning. It conveys the company's business. For example, the business of *Voltas* is air conditioning.

### Product Levels

A product has many other dimensions besides its physical appearance. In fact, a product is like an onion with several layers and each of the layers contributes to the total product image. Philip Kotler feels that a product has five levels, or dimensions which must be distinguished. These dimensions are : (i) **Core Benefit**, (ii) **Basic Product**, (iii) **Expected Product**, (iv) **Augmented Product**, and (v) **Potential Product** as shown in Fig. 5.1. Each level adds, more customer value and the five levels constitute a customer value hierarchy.

- (i) **Core Benefit.** It is the fundamental dimension of a product as it represents a bundle of benefits to its prospective buyer. The core product answers the question: "*What is the buyer really buying*"? For instance, a woman buying a washing machine is buying comfort and not a mere collection of drum, heater and nuts and bolts; and a woman buying a lipstick is buying hope and not a set of chemical and physical attributes. The basic job of a marketer is to sell the core benefits.



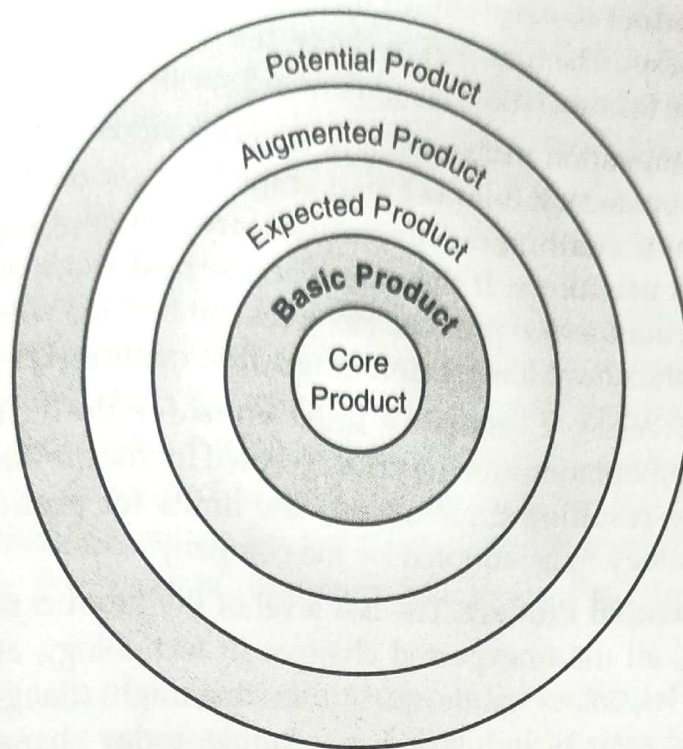


Fig. 5.1. Dimensions of a Product.

- (ii) **Basic Product** : It is the larger packaging of a core product. The basic product is what the target market recognises as the offer. For instance, washing machine, is recognized as collection of drum, heater, nuts and bolts; and lipstick as collection of chemical and physical elements, etc. Services have also got features which are generally intangible. Thus, services like auto repair, electricity supply, management consultancy, psychological counselling and medical consultation are all products.
- (iii) **Expected Product**. The customer expects the basic product, say computer, to be enveloped by certain *features* (Pentium-120, 1.2 G.B., 1.44 FDD), *style* (Desktop or Tower model), *quality and brand* (Compaq, Altos), *package* (Carton providing information on contents, and safety of the product), and a *warranty* (one-year, two-years, three-years). The most visible part of the product is its features.
- Thus, an expected product is that product which is normally taken for granted by the customer. However, the minimum expected features/benefits may differ from product to product and from industry to industry. Therefore, some differentiation can be seen at this stage.
- (iv) **Augmented Product**. It is a broader conception of the product. It represents the totality of benefits that a person may receive or experience in getting the formal product. The augmented product of a T.V. seller is not only the T.V., but also delivery, free installation, guarantee, and service and maintenance. This dimension of the



product is very important for a firm operating in a competitive market. The firm that develops the right augmented product will be able to attract more customers and survive in the competitive market. Competition in Europe and America starts at this level of product acceptance. It does not start at the basic product level. It starts only when customer expectations are not met equally by all the manufacturers. If they are met, the next stage of differentiation is the augmented product. Here, the competition heats up if all the major brands have almost similar features, quality, style, etc.

However, a company must consider the relative cost of the augmentation and the price accepted for the product by the customer. The resulting trade-off sets the limits for product differentiation strategy to be adopted by the company.

- (v) **Potential Product.** The last level of the product is its potential part, i.e., all the unexpected changes in technology, attributes, features, styles, colour, grade, quality, etc. that might change the structure and character of industry. For example, today changes in information technology have brought about changes in the processing speed of computer. This has made us to anticipate reduction in the size and weight of computers and introduction of new features.

**TABLE 5.1 DIMENSIONS OF A PRODUCT AND SERVICE**

<i>Product Dimensions</i>	<i>Tangible Product</i>	<i>Service (e.g., restaurant)</i>
1. Core Product	Comfort, Convenience	Change of mood
2. Basic Product	Washing Machine	Restaurant (Having place for Kitchen, Dining, Office, etc.)
3. Expected Product	Features, Style Quality, Brand, Package, Warranty	Tasty food, Furniture, Crockery, Cleanliness, Convenience facilities.
4. Augmented Product	Guarantee, Service & Maintenance, Free Home Delivery	Television, Light Music, Separate Entrance/Place for family, Package Offer, Acceptance of Credit Cards.
5. Potential Product	Orders taken at home, Customer call-back of performance of product, Make suggestions, Video, Tape for Demo. Accept the Responsibilities	Performing Artists entertaining guests, Booking for Tours, Hotels, Railways, Airways, etc.



The product levels indicate the importance of all benefits that are or could be passed on to a consumer. Further, they help indicate the importance of creating differentiation by changes in the product levels which might be required to counter competition.

### 5.1.1 Product Attributes

As the product moves away from its core or generic form, a number of attributes or features are added in order to differentiate it from those of its competitors. These attributes include a variety of additional features, quality finishing, design, branding, packaging, customer service etc. In each case attributes should be developed to meet the needs of the target market and provide a competitive advantage for the product. Product attribute decisions involve deciding the **quality, features and design** of the product as discussed below :

(1) **Product Quality.** It refers to the ability of the particular product item to perform its intended functions, and as such, it summarises factors such as durability, reliability, precision, performance and ease of operation. The selection of a quality level depends on the nature of the market or market segment being targeted and also on the position selected for the product.

(2) **Product Features.** Product features also qualify as an important source of product differentiation. In addition to the core product, the firm must offer a range of necessary features, that is, the features that a customer would expect to see in the product. Unique features help in product differentiation with respect to those of competitors.

(3) **Product Design.** The product design should indicate its usefulness and makes it attractive. Decisions have to be taken in this regard too. A product can also be distinguished because of its unique style or design which helps to create a distinct "personality" of the product. A distinctive design is difficult to create, relatively rare and usually expensive. In consequence, most mass market goods are not characterised by distinctive designs and if anything, there is a tendency for business firms to use fairly standard styles for their products.

### 5.1.2 Product Policies

Product policies are the general rules set up by the management itself in making product decisions. Products of a firm are the backbone with which profits are earned, enabling the firm to exist. Therefore, the product is the fundamental feature which determines the firm's success or failure. Good product policies are the basis on which the right products are produced and marketed successfully. The fundamental function of a product policy is that it guides the activities of a firm as regards product planning and development. The policy of the firm must be to manufacture right products for the consumers. **Product policy is concerned with defining the type, volume and timing of**



the products a company offers for sale. A product policy, generally, covers decisions in the following areas :

- (i) Product planning and development.
- (ii) Product line.
- (iii) Product mix.
- (iv) Product branding (Identification)
- (v) Product style.
- (vi) Product positioning.
- (vii) Product packaging.

## 5.2 IMPORTANCE OF PRODUCT

There are two variables in marketing-consumers and product. However, **product is the first and most important element in the marketing mix of a firm.** Product is the starting point of all marketing activities, because the ultimate objective of every business enterprise is to sell its product at a price which yields a reasonable profit. Therefore, all the marketing efforts of the enterprise begin with the product and end with the product.

Product is the most tangible and important component of the marketing programme. A product is more than just physical object. In other words, a television is more than just television. It means that a product (television) must satisfy the needs and wants of the consumers. If a product fails to satisfy consumer needs and demands, no other ingredient of marketing mix will be fully successful and nor will it improve the product performance in the market place. Hence, product planning and development assumes great significance in the marketing programme. People do not buy a product. They buy benefits.

A firm marketing goods and services has two basic objectives-consumer satisfaction and profit maximisation. These objectives can only be achieved when a suitable product is developed and marketed. A product is the company's main link with the consumers. If there is no product, there will be no pricing, no physical distribution and no promotion. That is why product is considered to be the most tangible and important single component of the marketing programme. Before deciding about pricing, physical distribution and promotion, the firm has to decide what product it should present in the market. In other words, a product or service will be purchased by a prospective customer if he knows (i) that it exists, (ii) where it can be purchased, (iii) what its price is, and (iv) that it is likely to meet the need for which it is required. This introduces what in the context of marketing can be referred to as 4 As, namely, (i) **wareness**, (ii) **Affordability**; (iii) **Availability**, and (iv) **Acceptability**. The marketer has to take care of these aspects in achieving the marketing goals.

The 4 As are determined by 4 Ps, but their order is reversed as follows :

Awareness is developed by Promotion

Availability by Place

Affordability is a function of Price

Acceptability is determined by the Product