

BD College, Patna - (BBM Department)
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Subject : Marketing Management

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Topic : Product, Types & Development

Definition :

A Product is item offered for sale. A product can be service or item. It can be in physical form or virtual form or cyber form. Every product is made at a cost and is sold at a price. The price that can be charged, depends on the market, the quality , the marketing and the segment that is targeted. Each product has a useful life after which it needs replacement and a life cycle after which it has to be re-invented.

Description :

A product needs to be relevant , the users must have an immediate use for it. A product needs to be functionally able to do what it is suppose to and do it with good quality. A product needs to be communicated. Users and potential user must know why they need to use it, what benefits they can derive from it. A product can be described at five levels :

- ✓ Core benefit : The first level is the core benefit that customers seek and is just a basic version of a product or service designed for the purpose of addressing and satisfying some fundamental need.
- ✓ Generic Product :: The second level is a generic product , one that provides necessary attributes or properties to address the core need . At this level , depending on whether the product is durable ,non durable or service , the product will have certain attributes such as brand name ,quality , styling ,packaging, colour and perhaps an instruction manual.
- ✓ Expected Product : The third level is the expected product that boasts of a set of attributes or characteristics that buyers normally expect in a product and which persuade consumers to buy it.
- ✓ Augmented product : The fourth level is augmented product and refers to well thought out and deliberate additions of features ,benefits and services (such as case of durable , complex products),delivery , installation, customer education and training , after sales service, guarantees or warranties , payment options , customer complaint redressed etc. Marketers deliberately instigate the design and production of goods or services that meet or exceed customers' expectations.
- ✓ Potential Product : The fifth level is the potential product . This refers to all the possible augmentations and changes that the product can undergo..

Within market of developed and developing countries , the competition is essentially hot at product augmentation level because most companies in an industry can successfully develop and produce satisfactory products at the expected level.

Product Classification

Products can be grouped under these two categories :

- 1. Consumer products :** Consumer Products are those that we buy for our personal or family use or consumption.

Consumer Products can be put under following categories :

- a. Durable goods:** Durable goods are tangible products and usually survive extensive use over prolonged periods of time, such as washing machines, footwear, autos and clothes. Sales of durable goods are generally not as fast as in case of non durable goods though margins in durable goods are usually high.
- b. Non Durable goods :** Non durable goods are also tangible goods but usually get consumed in one or few uses such as soap, wheat flour, soft drink etc. Non durable goods are purchased and consumed on an ongoing basis and are purchased without much effort. The marketer makes them available in as many locations as possible, margins are low and advertising and sales promotion is heavy to develop brand preference.
- c. Convenience products :** Products of this category are relatively inexpensive, consumed regularly on an ongoing basis and purchased frequently. Consumer involvement in such product purchases is low and they buy them with little effort without making comparisons of available brands such as eggs, bread, salt matches, bakery products, flour, petrol soft drinks etc. Even when a preferred brand in this category is not available conveniently, consumer will readily buy a substitute brand. Sales promotion on this category can cause significant brand switching.
- d. Shopping products :** These are items for which consumers willingly devote considerable time and effort because of their involvement in making the purchase such as appliances, furniture, second hand autos, music systems, Tv, ready to wear garments, cameras, mobile phones etc. Consumers are concerned about product features, quality, service and some times also warranties/ guarantees or retail outlet. These are the products that generally last for fairly long time and are less frequently purchased. Compared to convenience products, shopping products are relatively more expensive but most consumers are not particularly brand loyal.
- e. Specialty Products :** Products of this category have one or more unique and differentiated characteristics and consumers seem to have strong brand loyalty. For such products sufficient number of consumers are willing to make considerable effort in buying because of their high involvement, such as original paintings, designer dresses, luxury cars, professional cameras and expensive watches etc. Brands such as Rloex watch, Posche car, Apple computer have achieved specialty product status among many consumers. Consumers plan such purchases with deliberation and they know exactly what they want and will not accept any substitutes.

- f. Unsought Products. This category includes those products or services that consumers do not generally think of buying or about which they are not aware such as emergency repairs ,emergency drugs, Insurance , funeral processing items etc. are some examples.

2. Organizational Products.

Organizational or industrial customers purchase products and services to achieve organizational objectives.

Organizational goods are classified into seven categories based on their characteristics and intended use.

- a. Raw Materials : Raw materials include basic goods that become a part of tangible product These include natural products such as minerals ,fruits ,vegetables, cotton, wheat, crude petrochemicals etc.. Raw materials also include manufactured products such as chemicals , steel ,plastic, cement, fabric etc. Organizations generally buy raw materials according to grades and specifications and in large quantities.
- b. Capital Equipment : Products called capital equipments refer to large machines and tools used for production work such as lathes, cranes ,bulldozers and stamping machines. Capital equipments are expensive and are used in production work for considerably long periods of time. Purchase of any capital equipments constitutes a long term investment. Such purchase decisions often involve top management and experts. Some capital equipments may be custom made to be used for specific function in certain organizations while other items are standardized and used to perform identical functions in different types of companies.
- c. Accessory Parts : Accessory parts are tangible products , usually less expensive , purchased more routinely and are not as long lasting as capital equipment. These products do not become part of the final tangible product but are used in production and performing an organizations daily office activities such as computers, fax machines, motors etc . They are usually sold through a limited number of outlets and service requirements are not as many as with capital equipments.
- d. Component parts :Component parts are distinguishable and can be either completely finished items or those that need little processing before they become a part of larger finished tangible product, such as spark plug and shock absorbers become part of autos ,computer hard drives, microphone , RAM modules and monitors are component parts of computers . Organizations buy component parts according to industry standards or in many cases according to their own planned specifications.
- e. Process Materials : Process materials are also used in producing another final product and are mostly indistinguishable in the finished product, as in the case of cosmetics manufacturers who might purchase alcohol as an ingredient for some products. Organizations often place orders for large quantities of such materials based on their own specifications or some industry standards.
- f. Industrial Services : Services are intangible products and are required by organizations in different industries to run their operations such as financial, legal, marketing research, advertising, training, consultancy ,computer programming, maintenance and repair services etc. Companies make decisions to provide required services internally or to purchase independent service providers.

New Product Development

The small business environment today is very dynamic and competitive, and new product development is a crucial process if you want to survive. For small enterprises to withstand competition from multinationals, they have to continuously update their products to conform to current trends. The new product development process is the cycle that a new product has to undergo from conceptualization to the final introduction into the market.

Different companies manage new product development in several ways. In some companies, the responsibility is given to Product Management handling a product, product line or several products that make up an interrelated group. Product managers generally have their hands full in managing existing products. Some companies have new product management set up, reporting to category managers. Some companies assign new product development to venture teams. It is a unit within the company responsible for creating entirely new products aimed at new markets. They are removed from their normal duties, given a budget, a time frame and provided informal workplaces that may even be garages to work as a team and develop new products. The team handles all aspects of new product development, including R&D, engineering, production, finance and accounting and marketing. Team members are generally drawn from different functional areas of the company. After their new product is successful the members may return to their functional area or join a new existing division to manage the product.

Before its launch in a market, a new product passes through several distinct phases and the process may vary across different companies. The five distinct phases guide the new product development process as :

- a. **Phase one - Idea generation** : This is the initial stage where a business sources for ideas regarding a new product. Some of the sources for new product ideas include the business customers, competitors, newspapers, journals, employees and suppliers. Small businesses may be limited when it comes to technical research-based idea generation techniques. This stage is crucial as it lays the foundation for all the other phases, the ideas generated shall guide the overall process of product development. Producers of technical products sometimes study customers, making the most advanced use of supplied products and recognize the need for improvements
- b. **Phase two – Idea screening** : The aim of screening is to reject the poor ideas as early as possible because the cost of new products development keep rising sharply with each successive development phase. The business seeks opinions from workers, customers and other businesses to avoid the pursuit of costly unfeasible ideas. External industry factors affecting small businesses, such as competition, legislation and changes in technology, influences the enterprise's decision criteria. At the end of the screening process, the firm remains with only a few feasible ideas from the large pool generated.
- c. **Phase Three- Concept Testing** : The enterprise undertakes research to find out the potential costs, revenues and profits arising from the product. The business

conducts a SWOT analysis to identify the strengths, weakness opportunities and threats existing in the market. The market strategy is set out to identify the product's target group, which facilitates segmentation of the product's market. Market segmentation is important as it enables the firm to identify its niche. The identified niche influences most of the marketing decisions.

d. **Phase four – Product Development :** The product development entails the actual design and manufacture of the product. Development commences with the manufacture of a prototype that facilitates market testing. Based upon the results of the tests, the business owner decides on whether to undertake large-scale production or not.

e. **Phase five – Commercialization and rollout:** The decisions to commercialize involves the largest cost. Quite often a new product replaces an old one that may still have a customer base and mistakes can occur. Companies generally do not launch new products overnight but adopt the rollout method . They introduce the product in stages . It is first introduced in a region and subsequently the adjoining areas , states or countries. The major factor that may favor this approach is if the product fails , the company will suffer smaller losses . Also , if the company does not already have a wide network in place it would take considerable time to setup a distribution network.

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