

SUBJECT – MARKETING MANAGEMENT

UNIT II – PRODUCT AND PRICING DECISIONS (PART – I)

❖ Meaning of Product:

Product is a physical or a non-physical good or service, made by a company to be sold to a customer fulfilling specific customer's stated or unstated needs. A product has a benefit which completes a customer need & for which a customer pays. A finished set of goods or input materials or even services are classified as products. A product is not complete in itself and requires other factors of business like marketing, distribution, sales, service etc. to be successful. A product is something that is manufactured for sale in the market. Customer needs are met by the usage of products. ***Product is one of the main components of marketing—all marketing activities revolve around the product.***

Products can be tangible or intangible. Tangible products are known as goods while intangible products are called services. The term product can be understood in narrow as well as broad sense. In a narrow sense, it is a set of tangible physical and chemical attributes assembled in an identifiable and readily recognizable form. Ordinarily speaking, product or goods is a word which means any commodity which can be recognised by its certain shape, quality or quantity e.g., car, book, watch, clothes etc. Actually this meaning of the product is narrow in sense. In a broader sense, it recognizes each separate brand as a separate product. The word 'Product' is taken in wider perspective in marketing. Here, every brand is considered a separate product i.e., Lux and Lifebuoy—both are soaps, but are treated as separate products. In narrow sense, these will be considered as merely soaps.

A product can be defined as- “A good, idea, method, information, object, or service that is the end result of a process and serves as a need or want satisfier. It is usually a bundle of tangible and intangible attributes (benefits, features, functions, uses) that a seller offers to a buyer for purchase.”

Every business firm undertakes the function of product selling, though it may or may not be visible. A laundry firm provides the clothes-washing service. This function is similar to product selling which a retailer performs. Firms while selling their products, sell services too which are related to their products.

A consumer buys a product because he gets psychological and physical satisfaction from that product. Thus a seller not only sells his products rather he enters into marketing of such psychological and physical satisfaction. For

example, a person while purchasing a product does not bother about the inputs by which that product is manufactured. He is rather interested in the fact as to what utility or satisfaction, he will gain by using that product. ***In this context, the ideas of George Fisk are worth describing. According to him, “Product is a cluster of psychological satisfaction.”***

❖ Definition of Product:

A product is what a seller has to sell and what a buyer has to buy. It satisfies the needs of customers. Customers purchase products because they are capable of realizing some benefits to the purchaser. A marketer can satisfy the needs and wants of his customers by ‘offering something’ in exchange for money. And this ‘offering’ is basically a product. The product is one of the important elements of the 4Ps of the marketing mix. It consists of a bundle of tangible and intangible attributes that satisfies consumers.

Product is an important component in marketing-mix. Other elements of marketing-mix i.e. price, promotion and place are complementary to it. A product is central to the marketing operations in an organization. Most of the time product fails not because of poor quality but because they fail to meet the expectations of the customers.

It is not just a bundle of physical attributes, but a bundle of perceived benefits which satisfy consumer’s needs. Hence, utmost care should be taken to handle product decisions. A bad product not only generates bad name for the firm but also affects negatively the price set for the product, dissuades the channel members and reduces the believability of the promotional measures.

- In a narrow sense, “A product is a set of tangible physical attributes in an identifiable form” (W.J. Stanton). But in marketing, product is used in a broader form.
- According to W. Alderson “A product is a bundle of utilities consisting of various product features and accompanying services”.
- According to Philip Kotler “A product is anything tangible or intangible that can be offered to a market for attention, acquisition use or consumption that might satisfy a need or want”.
- According to Cravens, Hills and Woodruff “Product is anything that is potentially valued by a target market for the benefits or satisfactions it provides, including objects, services, organizations, places people and ideas”.

- Stanton defines, “A product is a set of tangible and intangible attributes, including packaging, colour, price, manufacturer’s and retailer’s services, which the buyer may accept as offering satisfaction or wants or needs”.
- 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 want or need. It includes physical objects, services, persons, places, organization and ideas”.

From the above definitions, it is clear that product has the want satisfying attributes which drive a customer to purchase the product. It is nothing but a package of problem solving devices and is something more than a physical product. This is because a product encompasses a number of social and psycho-logical attributes and other intangible factors which provide satisfaction to the consumer.

❖ Features of a Product:

i. Tangibility:

Products are tangible in nature, customers can touch, seen or feel a products. For example, car, book, computer etc.

ii. Intangible Attributes:

Service products are intangible in nature, services like, consultancy, banking, insurance etc. The product may be combination of both tangible and intangible attributes like restaurants, transportation, in case of a computer it is a tangible product, but when we will talk of its free service provided by dealer, then the product is not only a tangible item but also an intangible one.

iii. Associated Attributes:

The attributes associated with product may be, brand, packaging, warranty, guarantee, after sales services etc.

iv. Exchange Value:

Irrespective of the fact that whether the product is tangible or intangible, it should be capable of being exchanged between buyer and seller for a mutually agreed price.

v. Customer Satisfaction:

A product satisfies the customer needs and wants of customers, value of products is also determined by the level of satisfaction given by a product after purchase.

❖ Description of Product:

- 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 supposed to, and do it with a good quality.
- A product needs to be communicated: Users and potential users must know why they need to use it, what benefits they can derive from it, and what difference it does to their lives. Advertising and 'brand building' best do this.
- A product needs a name: a name that people remember and relate to. A product with a name becomes a brand. It helps it stand out from the clutter of products and names.
- A product should be adaptable: with trends, time and change in segments, the product should lend itself to adaptation to make it more relevant and maintain its revenue stream.

❖ Meaning of Product Concept:

Product Concept states that customers or consumers prefer product which is of the highest quality, performance and features. Product concept is a mandatory concept in order to give the best possible product to the customer as per the demand and expectation.

❖ Features of Product Concept Of Marketing:

1. Emphasis on Product Quality

Product concept of marketing gives emphasis to produce quality goods in large quantity.

2. Reasonable Price

The product concept believes that no hard effort needs to sell quality products at reasonable price.

3. No Concern with Customers' Need

The product concept does not care for customers' needs, wants or interest, preference etc. rather it focuses attention on producing quality and durable goods at lower cost.

4. Quality Improvement

The product concept believes that quality product should be improved to attract customers.

❖ Importance of Product Concept:

Using Product concept, a company can give identity to the product and can add functional value and usability so that the intended customers can derive this benefit and eventually buy the product in the market.

Product concept is one of the orientation strategies & marketing strategies towards market which a company can follow.

❖ **Example of Product Concept**

Apple is one company which works highly on product concept to get the best products to their consumers. Apple's products are perceived to be very high quality with innovative features and great performance. Customers go after the products of Apple and that creates a marketing pull.

❖ **Advantages of Product Concept**

Some of the main advantages of product concepts are as follows:

1) Prefers Quality rather than Quantity:

The most important and good thing about the product concept is that it prefers quality rather than quantity. The businesses and companies that follow this marketing philosophy, their primary focus is to manufacture a quality product/service with unique features and more benefits rather than the quantity. Their manufacturers do care about satisfying the needs and wishes of customers.

2) Develops Curiosity:

Every time a company launches a new product in the market, it creates and develops a curiosity in the minds of customers. They would like to purchase the product and checkout the new features to satisfy their curiosity. Companies and businesses maintain the spotlight in the media and keep circulating updates and rumours about the new product. How it would be different from the previous model.

3) Earn High Margin:

The interesting thing about the product concept is that it allows companies to charge a higher price than the competitors in the market. The customers would be willing to pay for it. It's because of the quality image that the company has created in the minds of customers. They believe that what this brand is offering, others can't.

❖ **Disadvantages of Product Concept**

Some of the main disadvantages of the product concept are as follows;

1) Price Conscious Customers:

Marketers have observed a new phenomenon that the majority of the customers in some markets are price-conscious. They prefer the cheap product even it has the lowest quality. In other words, they do more care about the price rather than quality. The product concept is suitable in such a market where customers do care about the quality, and the price is secondary to them. It's only possible when the economic conditions of the country are good.

2) Irrelevant and Impractical Features:

In the race of becoming different and innovativeness, it seems as most of the companies have gone off track. Often they offer features that don't have any use and value to the customers. For instance - if a person is thirsty and all he needs is water. The shape, size, colour, and material of the glass don't matter to him.

3) Avoid the Interest of Consumers:

Tech companies are competing with one another in the field of research and innovation. Sometimes their innovation and latest features don't have anything to do with customers. They completely avoid the interests of customers, whether they would like it or not.

❖ LEVELS OF PRODUCT

Kotler defined a product as anything that could meet consumer needs or wants. It's important to note that a lot of needs and wants are not related to product functionality. That is, the needs and wants of the consumer are more abstract in nature.

Offering products with abstract value is the goal of any business. Since the consumer receives this value on top of the functional value of the product, their buyer satisfaction is higher. Satisfaction is also increased when the perceived value of a product matches the actual value of owning it.

Once a product has high perceived value, the brand behind the product forms an emotional bond with the consumer. This increases brand equity and ensures that a business is top-of-mind the next time a consumer needs to make a purchase.

The Five Product Levels model was developed by Philip Kotler in the 1960s. It can be useful in helping organizations understand their customers. The five product levels are:

- 1) **Core benefit:** The first and the basic level is the core product/benefit the customers look at. It is the basic good or service purchased, aside from its packaging or accompanying services. The core benefit is the fundamental need or wants that the customer satisfies when they buy the product or

service. For example, the core benefit of a hotel is to provide somewhere to rest or sleep when away from home.

- 2) **Generic product:** The generic product is a basic version of the product made up of only those features necessary for it to function. In our hotel example, this could mean a bed, towels, a bathroom, a mirror, and a wardrobe.
- 3) **Expected product:** The expected product is the set of features that the customers expect when they buy the product. In our hotel example, this would include clean sheets, some clean towels, Wi-fi, and a clean bathroom.
- 4) **Augmented product:** The augmented product refers to any product variations, extra features, or services that help differentiate the product from its competitors. In our hotel example, this could be the inclusion of a concierge service or a free map of the town in every room.
- 5) **Potential product:** The potential product includes all augmentations and transformations the product might undergo in the future. In simple language, this means that to continue to surprise and delight customers the product must be augmented.

In our hotel, this could mean a different gift placed in the room each time a customer stays. For example, it could be some chocolates on one occasion, and some luxury water on another. By continuing to augment its product in this way the hotel will continue to delight and surprise the customer.

❖ **Five Product Levels Advantages**

The real advantage of the model is that it enables an organization to identify the needs and wants of customers. The organization can then

- match the features they create to what the customer wants.
- match operational processes to what customers want. In our hotel example, this would mean strict processes around cleaning each room.
- match marketing efforts to appeal to customers wants.

The model ultimately helps organizations differentiate themselves from their competitors in a way that aligns with the wants and needs of their customers.