



**Product and Brand Management**  
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**Lecture No. 20**  
**Product Strategy and Decisions - II**

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Welcome back friends, carrying forward with the discussion on strategic alternatives, wherein, we discussed market development strategies, product development strategies, briefly, because that section would come later to us when we would be talking about new product development and different aspects of product development here we come to the stage of talking about market acceptance strategies.


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**Market Penetration/Acceptance Strategies**

- One way to increase market share or sales volume is to increase the usage rate of the brand's existing customers (i.e., customer expansion).
- Product managers can obtain more volume from existing customers by, for example, using larger package sizes, promoting more frequent use, or getting a larger share of the business if the customer uses several vendors (i.e., share of wallet).
- A second route to increase sales or market share is to attract competitors' customers (i.e., customer acquisition), that is, to induce brand switching.
- Example of Market Penetration/Acceptance Strategies-
- A company well-known for its readymade soup in powder started promoting the same mix for fresh salad seasoning. It was the similar product with same price but was promoted to both new and existing customers with a new product usage. (Nestle's Maggi Masala)
- MBA to ALL

Source: Lehmann, D. R., & Winer, R. S. (2005). Product management. Boston: McGraw-Hill.  
Image Source: [www.nestle.in/](http://www.nestle.in/)



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Let us call it market penetration strategies. Now, here it is one of the ways to increase market share or sales volume to increase or by increasing the usage, the rate of use of the brands for the brand's existing customers or customer expansion.

So, you are adding on customers, but focusing upon repeated purchase and further acceptance as far as the product goes and that can be done through slightly reorienting the product usage. I would not say repositioning, but adding all positioning elements as far as the product goes and several other ways. You have to be innovative in terms of applications of product. Lego toys has been one of my favourite examples and I have been talking about that how they improved upon the different shapes and sizes which can evolve out of plastic bricks.

Product managers can obtain more volume from existing customers for example, using larger package sizes, that is again usual practice for example, they say, that, this kind of a shampoo bottle, it is very common example, you all know that when you happen to pour more, but these are not so long lasting in character. Although they have been applied at different levels and ultimately product manager wants more usage by the customer and customer understands that.

So, it is nothing related to somehow deceptively increasing the usage. It is actually motivating the customer to use (so that is the perspective because customer actually is the revenue generator for you and customer is the king) and by enhancing the frequency of use, I have just mentioned or getting a larger share of the business if the customer uses several vendors, that is share of wallet basically.

A second route to increase sales or market share is to attract competitor's customers, that is customer acquisition, that is to induce brand switching. In case of mobile communication, we have seen that this is very-very common. It is a war like situation when mobile companies say that you switch over from the existing vendor to us basically, because of this-kind of a reason. So, that has been an aggressive marketing campaign by several kinds of mobile service providers and communication service providers.


So, there are several examples of market penetration or should I say market acceptance motivating customers to accept the product more. Someone would say or discuss with you that when you are pushing the product, then it is largely penetration and not acceptance, but my argument always is related to that, that ultimately depends upon the customer acceptance. So, even if you are trying from your side, it is the customer acceptance which matters at the end of the day. So, that is why I always say examples of market acceptance-based strategies.

A company well known for its readymade soup in powder started promoting the same mix for fresh salad seasoning. It was a similar product with same price, but was promoted to both new and existing customers with a new product usage and we are referring to Nestle's Maggi masala. And this can also be seen with a perspective where an MBA program can be launched for almost everyone who is qualified with a bachelor's degree. Many of the schools did that.

They are inviting engineers, commerce students, art students, so they have customised their product in such a fashion that everyone can understand with some prerequisites and they have sort of categorized some prerequisites for people who are entering with a basic qualifying score in some entrance examination.

For example, if someone is from a non-science stream or arts stream or commerce stream has to go through these kinds of courses, and then everyone has the same platform and good to go. So, that can also be done. And then that is how courses have been designed and redesigned and as I said that I would be carrying forward with a universal kind of an example for two three stages, MBA program is one of those.

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**Diversification Strategies**

- The decision to add new product lines to the mix to capture new market is ordinarily described as diversification and it can be materialized through internal R&D, licensing, merger and acquisitions, joint ventures or alliances.
- Diversification can be distributed further as:-
- Related (Concentric) diversification
- Unrelated (Conglomerate) diversification

Source: Avlonitis, G., & Papastathopoulou, P. (2006). Product and services management. Sage Publications.

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Let us talk of diversification strategies. The decision to add new product lines to the mix to capture new market is ordinarily described as diversification and it can be materialised through internal research and development, licensing, mergers and acquisitions, joint ventures or alliances and these elements are more discussed in strategic management classes. But, product is at the core, marketing is at the core, especially, when we were talking about the relationship of elements of marketing mix - product, price, place, promotion. There was a

very specific mention that product is at the center if product is not there, nothing would be there.

So, diversification can be distributed further into two related parts that is concentric diversification, and unrelated that is conglomerate diversification. There are several names given to relation and related and unrelated perspectives, several texts have suggested different kinds of connotations or specific terms, or interpretations for that, but just to divide them into two parts on the basis of relatedness and unrelatedness.

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• **Related (Concentric) diversification** provides the potential to obtain synergies by the exchange or sharing of skills or resources associated with any functional area such as marketing, production or R&D.<sup>[1]</sup>

• For e.g. The country's first indigenous sewing machine was marketed under the brand name Usha in 1936, and today, the company Usha International, a consumer durable company, has diversified into many more consumer segments -- sewing machines ranging from the basic to the high-end, automated digital ones, fans, kitchen and home appliances, engines and pump sets, electric motors and pumps, drinking water coolers, water dispensers, and auto components.<sup>[2]</sup>

Source: 1. Avlonitis, G., & Papastathopoulou, P. (2006). Product and services management. Sage Publications.  
2. Usha International committed to building a better future for India - Hindustan Times  
Image Source: <http://www.usha.com/>

**USHA**

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Now, when you talk of related diversification, it provides the potential to obtain synergies by the exchange or sharing of skills or resources associated with any functional areas such as marketing, production, research and development and so on. Can you use the same production facility in an automotive production process to produce two different kinds of products? Is it possible?

There are several manufacturing methodologies in today's world wherein those enable you for that. Can you utilise the same human resource for manufacturing different kinds of products? It is very common, there are consumer product companies which are utilising the same human resource for manufacturing different kinds of products and different kinds of lines, I should say. So, this is a common example on production processes and human resource and so on.


Now, one example can be seen as the country's first indigenous sewing machine that was marketed under the brand name USHA in 1936, a very renowned organisation in terms of

their product and brand equity especially in these kinds of segments otherwise also. Today the company USHA international a consumer durable company has diversified into many more consumer segments, sewing machines, ranging from the basic to high end automated digital ones and I remember my mother used to sew on one of those USHA machines and that was a delight to watch her.

So, earlier days, almost all the houses they had one of those. I do not know exactly, how it is going on in at household levels because USHA has gone a long way in terms of developing product segments, if I remember. So, automated digital machines are also there, and then fans, kitchen and home appliances, engines and pump sets, electric motors and pumps, drinking water coolers, water dispensers, auto components, and several other kinds of products.



So, to an extent, when you go to auto components, although there are electrical parts associated with those auto components as well and because they have been focusing on electrical parts, so it traverses into auto components as well. But to that extent or to a larger extent, there is a relatedness in many of their products in terms of the fundamental definition which we have referred to here with a reference point of let us say research and development or let us say marketing or let us say production and so on.

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- **Unrelated (Conglomerate) diversification** lacks commonality in markets, distribution channels, production technology or R&D. The objectives are therefore mainly financial, to manage and allocate cash flow, to generate profit streams that are either larger, less uncertain or more stable than they would otherwise be. <sup>[1]</sup>
- For e.g., Tata group has diversified themselves into various sectors- <sup>[2]</sup>
  - Information technology (TCS, Elxsi), Metals (Tata Steel, Metalinks),
  - Automotive (Tata Motors, Jaguar and Landrover), Infrastructure (Tata Power, Tata Housing)
  - Consumer & retail (Tata Tea, Tata Starbucks, Titan, etc.) Jewellery (Tanishq)
  - Financial services (Tata Capital, AIG etc.) Aerospace & defence (Tata Advanced Systems)
  - Tourism & Travel (Vivanta, Vistara, Air India) Telecom & Media (Tata Sky, Tata Teleservices Ltd.)
  - Trading & Investments (Tata Investment Corporation Ltd.) E-commerce (Tata Cliq)

Source: 1. Avlonitis, G., & Papastathopoulou, P. (2006). Product and services management. Sage Publications.  
2. <http://www.tata.com/>



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Then comes in unrelated diversification; here, the organisation does not have commonality in markets, distribution channels, production technology or R&D. It is completely diversified. The objectives are mainly financial to manage and allocate cash flows, that is always the objective basically, but just to categorize on what an organization has in mind. Otherwise, if

you will look at objectives, I would say that it is related to the visionary perspective of the organisational leadership that is where do they want to take their organisation in times to come and I am talking of visionary perspective not vision.

So, then other objectives can be of generating profit streams, that are either large and then thinking in terms of more stability and one of the best and favourite examples I have is Tata Group, which has diversified into various sectors. Now, here you talk of sectors actually and we are going beyond products now, developing different kinds of streams altogether.

So, it is slightly bigger in terms of the presence of an organisation which would start with specific product orientation going for lines and widths and then going for larger diversification, moving through related diversification towards completely unrelated diversification. And when I would be referring to brand and branding, I would tell you that how this enables that organisation to diversify so much, if at all they think of.

For example, they are into information technology, Tata Consultancy Services and Elxsi, then automotives we all know their products one of the finest products in terms of Range Rover and Defender, one of my favourite examples, one of the recent launches and one of the finest SUV's they have manufactured in recent times.

Then consumer and retail; they are into Tata Tea again a wonderful and very renowned product and then Titan watches and then financial services, tourism and travel, they have one of the finest properties all around and, for example, if I am not wrong Taj Mauritius is a wonderful place and then trading and investments.

Then you have metals; Tata Steel's is an iconic organisation and the products they have. Tata Power in infrastructure, Tata housing, in jewellery Tanishq, one of the finest known brands all around and then aerospace and defence and overall technological development, Tata Technologies is an exceptional organisation. Then telecom and media, Tata Sky, Tata Teleservices, and E commerce Tata Cliq.

So, complete spectrum, although if you will try, you will think in terms of that many of those products are touching our lives from this or that side in our homes and that can still be a concentricity of an organisation which moves around a customer, touching the lives of people actually. So, even if it is extremely diversified, that perspective always is at the heart of an organisation and that is why I referred to visionary perspective.

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**Product Decisions**

- The management must first decide what products to offer in the marketplace before other intelligent product decisions pertaining to the product's physical attributes, packaging branding, and so on, can be made.
- There are two distinct levels at which such changes take place, namely:

Product-mix level      Product-line level

Source: Avlonitis, G., & Papastathopoulou, P. (2006). Product and services management. Sage Publications.

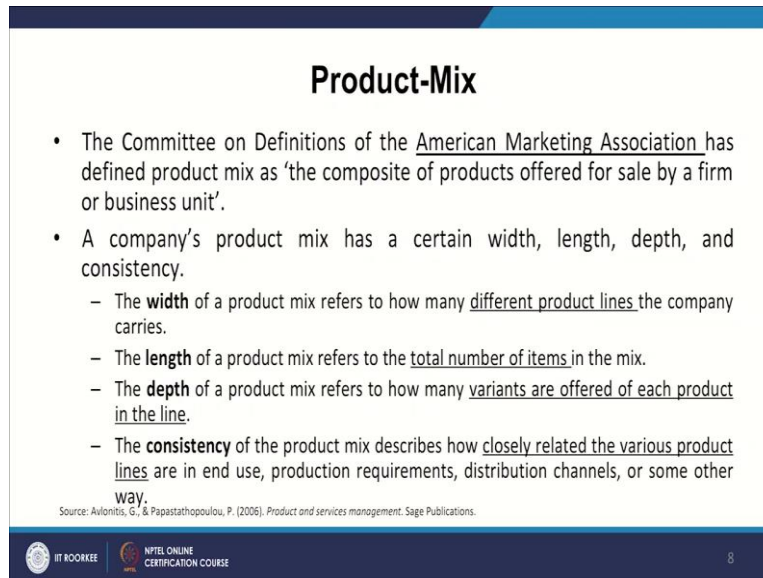
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Now, let me take you to product decisions. The management must first decide what products to offer in the marketplace before other intelligent product decisions pertaining to the products, physical attributes, packaging, branding, and so on and there are two distinct levels where decisions are taken and we are talking about strategic perspective. So, we are focusing upon timeframe steps and elements and here we have to take a call and decide on what is to be done.

Product manager says that we are going for this today, so once he says that, we are going for this today that can be at the product mix level or product line level. So, in this section or in this session, the remaining discussion I would have with you is around product mix level and then, in subsequent session, I will be coming back to you in product line levels and further discussion on as far as product decision goes. So, please be with me till that time.





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### Product-Mix

- The Committee on Definitions of the American Marketing Association has defined product mix as 'the composite of products offered for sale by a firm or business unit'.
- A company's product mix has a certain width, length, depth, and consistency.
  - The **width** of a product mix refers to how many different product lines the company carries.
  - The **length** of a product mix refers to the total number of items in the mix.
  - The **depth** of a product mix refers to how many variants are offered of each product in the line.
  - The **consistency** of the product mix describes how closely related the various product lines are in end use, production requirements, distribution channels, or some other way.

Source: Avlonitis, G., & Papastathopoulou, P. (2006). *Product and services management*. Sage Publications.

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Now, product mix level decisions; where to focus, how to focus actually. When we talk of these aspects, let us revisit the aspects of product mix. I have been talking about these, but here, I would spend some time. So, the Committee on definitions of American Marketing Association has defined product mix as the composite of products offered for sale by a firm or business unit. A company's product mix has a certain width, length, depth and consistency that means dimensions and consistency in terms of the customers in relation to the dimensions. So, that is how the product mix comes in.

Let us talk of width for example. The width of a product mix is related to how many different product lines the company carries, we have talked about this earlier as well, but how this width comes into being? Let us briefly ponder upon this. The logic of the width is associated with the desire of the organisation and the product managers to serve the same customers with different kinds of products. How they get motivated towards that? They get motivated towards that, because the customer says so, that he or she is satisfied with their services, their products and they desire if they could have offered something of this sort.

Potentially, he has gone for a larger width all through because they know that they have satisfied customers in various product lines which they are creating. So, they created a line and they realise that they have to go for a width or many times many organisations go for several different kinds of products that means initiating different lines all together and then developing those lines. So, there can be a logic to everything, but that has to be a customer driven logic.



Then comes in the length. The length of a product mix refers to the total number of items in the mix. And here I should suggest one thing which is very important and text also says that, that the length of a line can also be there. So, length can be seen both ways, but in terms of numbers. So, when you talk of lengths, it is average number of products in a line with reference to the length of the product line actually and we understand that it is related to variation, we have talked about the relationship of production line and product line and variation comes because of the reason of production as well as the customer feedback both ways.

So, then comes in depth, the subsequent point and depth of a product mix refers to how many variants are offered of each product in the line. This depth perspective is also associated with the timing of introduction of a variant. You may think in terms of introducing those in subsequent successions, if you are focusing upon the larger market acceptance by the similar kinds of customers, while, simultaneously adding on customers one by one.

Now, if you are adding on larger target segments, then definitely you may think in terms of introducing simultaneous variants and in terms of whole of the width or let us say, continuously one or two variants are introduced though all depends upon what kind of market growth potential you foresee.

Again, revisiting that element of product lifecycle, once again, you are foreseeing growth or you are coming out of saddle and you want to grow sharp your advertising is working, your message is playing its role and I will be talking about this later on that there is a brand resonance, awareness has been generated, satisfaction is coming in and there you decide for putting on lots of variants.

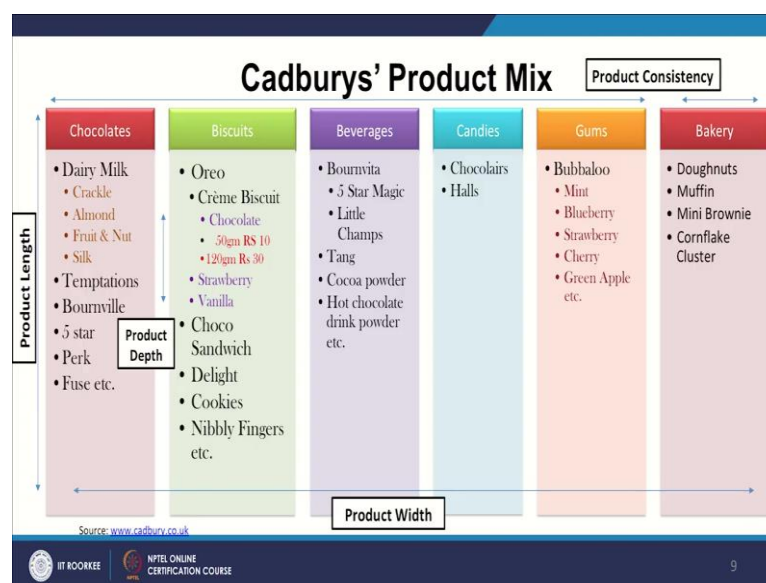
Then comes in another logical aspect. We want to develop variants, but there has to be a consistency, it can go towards extreme diversification also, we have talked about that, but more the consistency is there, the better would be the logical reach to the customer with so many products while having similar customers in front of you, because there you would not have to go for several kinds of behavioural analysis.

Remember one thing, if you have known customers, loyal customers, and you are adding similar customers, so there would not be lots of behavioural fluctuation. I am not saying this is a formula, but if there would not be larger behavioural fluctuation, then there would be a better chance for you to actually continuously support or serve the customer in a better way. It is a mutual long term understanding where in lots of synchronization would work for both.

So, consistency of the product mix describes how closely related the various product lines are especially in terms of production requirements, which makes lots of sense, because that will save lots of cost, and that is going to enhance profitability at the level of maturity wherein, number of customers would be getting stabilized.

So, production requirements, distribution channels, your retailers would be happy that this company is giving me all the products I need to serve the customer in this particular sphere, the segment or some other way there has to be a synchronization between as far as the relatedness of the products in the marketing mix.

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And I will spend few more moments on this beautiful picture in front of you, wherein you can change the name Cadbury's to other names as well and then you have to subsequently change the names below as well. But let us look at this example of Cadbury's product mix. One line is of chocolates and then you have a length starting from Dairy Milk, to Temptations to Bournville to 5 Star to Perk, Fuse, etc.

And if you will look at this length, you would appreciate one thing that all these products are differently positioned. Many times, you focus upon the same customer with different kinds of product inputs or in many cases you would realise that there is a customer overlap as well as newer customers, so whole lots of combinations are there.

Many times, you would realise that when you will simultaneously plot these products on a product life cycle two-dimensional plane, one lifecycle is supportive of the other lifecycle. I would not take you into that complexity but, I have just given you food for thought on that

and that is what organisations want. Remember, we are talking of commonalities of production and marketing processes, retail outlets here and cost rationalization is one of the most important elements.

And then within dairy milk you have crackle, almond, fruit and nut, and silk. Am I sounding someone from their production or product team or marketing team? No, no I am not, but I love this product as everyone does. So, there is a depth aspect associated with the kind of variants and then you will realise if you will just go into their history when these variants were launched.

So, how this length was built, and how these variants were launched basically. So, you will realise the timing associated with that, and length talks about the number of different products in the width basically, but as I have mentioned, that length is associated with line as well.

So, then goes biscuits Oreo, and then subsequently cream biscuits then comes in chocolate, and some sizes, as we talked about sizes and sizes of packs and we talked about packaging also, so here it works. And when you talk of packaging in these kinds of cases, production, last part of production facility that has to be slightly differentiated that has to be augmented because, packing has to be changed, not in the color or those kinds of things, but several other elements especially in terms of sizes.

Then comes in Choco sandwiches, Delight, Cookies, Nibbly fingers and so on. Now, looking at these two lines, do you find some commonality in the customers? Because the story started from there actually. What kind of a competition do you foresee in terms of when you are looking at customers and competition? Then can you think of that, which of the products have larger number of loyal customers, and because of the customer loyalty towards those products, Cadbury is getting benefitted by selling other products as well.

That means, loyalty to one product by the customer is supporting the sales of other products to that same customer as well. There, we would find some branding element and again, brand equity, perspective, awareness and those kinds of elements. But then, let us look at beverages and candies and gums and bakery products wherein doughnuts, muffin, mini brownie, cornflake, clusters, also are there, especially beverages because I am referring to a branding element here.

So, Bournvita a very well-known product and here one thing, which I should mark out in front of you as well, that do you find some of these names that you did not know are manufactured by Cadbury's? Do you find some names here which you knew are manufactured by Cadbury's and you did not notice that means those names were more prominent as compared to the name of the manufacturer itself? If you are finding the answers yes, then, that is where the brand strength of an individual product comes into play, and we will be talking of that.

So, when we talk about 5-Star magic for example and we have seen 5-Star under chocolates, that is where we are talking of one line supporting the other line as such. So, a customer or consumer liking 5-Star may think in terms of 5-Star magic as well. And that again is the case specifically associated with Tang or Cocoa powder or Hot chocolate drink powder etc. and so on.

So, that is the concept of a product mix with elements of length, width, as well as the line then elements of depth and all with the point of view of product consistency, the relatedness which is associated with the fact that how closely related the various product lines are in end use production requirements, 5-Star, 5-Star Magic. Think of those elements, I am not sure how technically I am close to as far as production requirements go in this example, but somehow marketing definitely resonates.

So, production requirements, distribution channels or some other way. And in any case, distribution channels definitely can be common for almost all the products here. And that is the magic of product strategy with the perspective of a product manager who is trying to develop coherence all through. Start thinking like product managers. Start putting different examples here in these kinds of charts. Start working on defining length, line, width and consistency, along with depth for yourself. Start reading different examples and cases. I will be coming back to you with lots of other insights. Till then, goodbye.