

Product and Brand Management
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Lecture: 21
Product Strategy and Decisions - III

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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. & Papastathopoulos, P. (2006). Product and services management. Sage Publications.

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Hello friends, welcome back to product and brand management, we were discussing product decisions, decision making in relation to product management, and we broadly divided this aspect into two major parts, product mix level decisions and product line level decisions. So, we are looking at the levels that means, the point of concern for decision making and on the other side, we are looking at these aspects as a broad criterion also.

So, going ahead with product mix level decisions last time, now, we will be moving towards product line-based decisions and let us see what do we have in store. When you say product line level decisions, we must focus with a perspective of strategies and I have already talked about that, wherein we are thinking in terms of long-term path, time and those aspects which we discussed in a couple of last sessions.

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Product Line Level Strategies

- Company objectives influence product-line length.
 - Expand a Product Line
 - Modify a Product Line
 - Reduce/Exit a Product or Product Line

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

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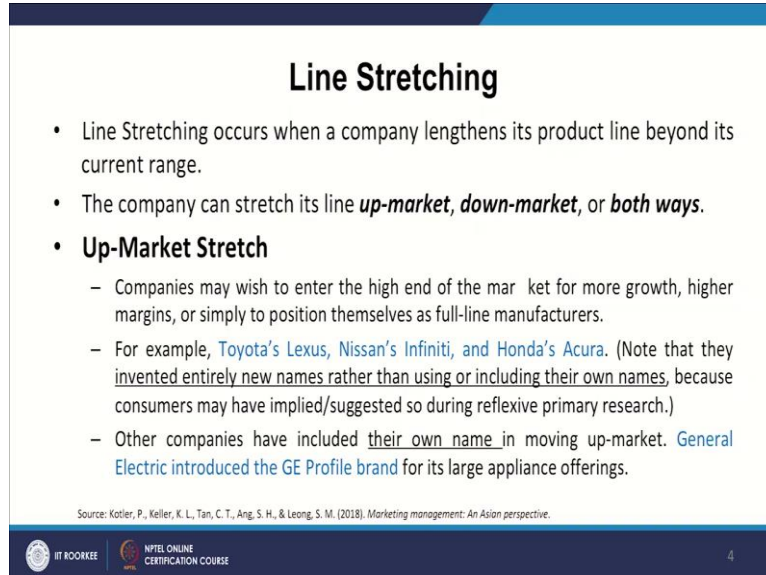
So, product line level strategies are related to when a company's objective influence product line and length and they are related to expanding product line. Although in general you would realize that this should be a major objective for almost all the company's expansion of product lines, but no, it is not the case, many a times many products in singularity, that is a particular kind of a product in its core form is light so much that a company keeps on selling it for a number of years with little alterations, definitely depending upon the kind of technological advancements which keep on taking place, because the customer wants so, and that product keeps on selling the same way becoming a customer's favorite and number of customers keep on adding to it and so on.

And then you will not find so many other variants to that product in that particular line. So, that is why though it sounds like a universal objective, it is not like that. And also, it depends upon how satisfied the organization is in terms of keeping up one form of the product for large levels, longer years and for a suitable profitability, which they are happy with.

Then comes in the other objective modifying a product line that also depends upon several factors, but here apart from customer desire competition, change in technology, those kinds of elements are stronger and I will be talking about these in little elaborate form later on. Then there is another element wherein, reduction or exit of a product in a product line or sometimes exiting the complete product line is also one of the aspects seen as objectives. So, keep these in mind and let us look further how things could be.

You see, there is an element of line stretching. While keeping those objectives in mind, let us look at line stretching wherein it is related to expansion and many a times is a resultant of initial modification which leads to expansion.

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Line Stretching

- Line Stretching occurs when a company lengthens its product line beyond its current range.
- The company can stretch its line *up-market, down-market, or both ways.*
- **Up-Market Stretch**
 - Companies may wish to enter the high end of the market for more growth, higher margins, or simply to position themselves as full-line manufacturers.
 - For example, *Toyota's Lexus, Nissan's Infiniti, and Honda's Acura.* (Note that they invented entirely new names rather than using or including their own names, because consumers may have implied/suggested so during reflexive primary research.)
 - Other companies have included their own name in moving up-market. *General Electric introduced the GE Profile brand* for its large appliance offerings.

Source: Kotler, P., Keller, K. L., Tan, C. T., Ang, S. H., & Leong, S. M. (2018). Marketing management: An Asian perspective.

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So, line stretching occurs when a company lengthens its product line beyond its current range. As I said it depends upon customer, competition, environment, but if you will look into the history of several organizations, wherein the desire of the market leadership or product managers is a very important factor in terms of line stretching, how far they would like to take it up.

I remember few decades back automotive companies, they did not believe much in line stretching, although many people say that line stretching enhances the product life cycle span of products in due course of time, they added on products or variants, they add on the life of the existing products and many organizations if they do not do that, their products they go for decline in due course of time.

But, then, there are several other factors which actually support that dip and there is always a chance of rejuvenation which companies may not try or try depending upon for example, we have talked about several, Joss Polymers and Enfield and Java and these kinds of products earlier as well.

For example, I remember a car very wonderful product and you will still find that car running as taxis in many cities, especially, I remember Kolkata, you have large number of Ambassador cars as taxis/transport vehicle, and that was a wonderful car, but somehow and

they came up with variants, mark one, mark two, mark three, kinds of variants were there, but they did not go for much of a line stretching although later on they collaborated with the Isuzu motors to come up with Contessa and then they went for some other variants and so on.

But, somehow within the sphere of that span wherein ambassador was growing, line stretching was not done and that was the case with many other manufacturers, there was a scooter earlier, then there were some Bajaj products, Bajaj scooter was one of the most accepted products in this country. So, I would not prefer to say that it was a faulty decision or this should have been taken as I would prefer to say that it is the desire of the leadership, customer response, competition and so many things which come to fore in terms of as far as these kinds of decisions go.

So, the company can stretch its line up market or let us say for a larger market, I personally do not prefer saying down-market, but it is in reference to line so, it can be talked about as up or down basically or you may if you want to take it up in terms of other directions. So, you may choose to call it anyway whatever you wish to but because we are talking in terms of product width, product line, that is why up and down. So, both ways that can also be a method of as far as stretching goes.

So, upmarket stretch is when companies may wish to enter the high end of the market for more growth, higher margins or simply to position themselves as full line manufacturers depending upon what they are seeing in terms of the potential of that particular line. And here, keep this word potential in mind. I have talked about this earlier as well, because potential is an analyzed perspective, wherein, so many factors tells a brand manager or product manager that how far this product can go and how far this line can go in terms of different variations and when I say how far definitely repeated purchase or add on customers and so on.

Now, there are several examples. There is a product, a wonderful car by Toyota called Lexus, Nissan's Infiniti is there, again, a very good car, Honda's Acura, and these are specific models, but there are other wonderful models by these manufacturers, world class models. Now, note that they invented entirely new names rather than using or including their own names when they projected although we know that Lexus is Toyota Lexus, but they focused upon Lexus being Lexus actually, because consumers may have implied or suggested. So, during reflexive primary research, which they would have done, when you go to a prospective customer, you target that customer, you ask him that would you like to have this

kind of a car, this is the prospective, these are the prospective features, this is the prospective price, this is how this is going to be. So, you try and talk with the customers in a reflexive mode that is wherein you communicate in such a fashion that you are part of the complete communication and you are not doing research as an outsider actually.

Now, once you talk to the customer this way, then many of the customers would suggest many things and they might suggest that a name should be unique, uniquely allocated or given to, a unique name should be given to this product because customer wants to carry a different kind of an image in his mind or let us say in the minds of his peer group and so on.

We are living in a brand driven world. It is a mesmerizing world of brands, I will talking about this, a couple of sessions after today, but again, having experienced so much in terms of brands, we understand very well how name matters to us.

Other companies have included their own name and moving up market for example, General Electric introduced the GE Profile brand for its large appliance offerings as well. Why? Again, the same reason, they would have gone for talking to their customers and customers would have deciphered that in front of them. Ultimately, we are dependent upon the inputs, the reflexive suggestions, reflexivity-based suggestions from all these stakeholders of our value chain.

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Market Stretch towards lower prices

- A company may want to introduce a lower-priced line for any of three reasons:
 - The company may notice strong growth opportunities as mass retailers. (Walmart)
 - The company may wish to meet the competitors who might otherwise try to move up-market. (Mercedes introduced A-class after Toyota entered high-end with Lexus)
 - The company may find that its market is stagnating or declining.
- A company faces a number of naming choices during this strategy:
- Use the parent brand name on all of its offerings.
- Introduce lower-priced offerings using a sub-brand name. (P&G's Pantene and P&G's Tide)
- Introduce the lower-priced offerings under a different name.

Source: Kotler, P., Keller, K. L., Tan, C. T., Ang, S. H., & Leong, S. M. (2018). Marketing management: An Asian perspective.

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So, let us see a market stretch towards lower prices. Technically you may say down-market stretching, but usually it is a price based stretching there you have larger consideration of developing a product for a different kind of a target who definitely has a larger buying

capacity or wishes to pay for that, but then you have several other things in your mind, you have features, you have addons, you have potential of the product, you have so much, but here you have price as the prime factor. So, primarily that becomes the reason because you want to go for a larger customer base, wherein people would like to buy in larger numbers also.

So, probably you are reducing the price, customer has a larger buying capacity, but then the customer would be buying that product in larger numbers possibly. So, company may want to introduce a lower price line for any of the three reasons, the company may notice strong growth opportunities as mass retailers like Walmart. So, why not to take it to masses and the philosophy is different basically, that no specific person is thought of in terms of the sales, it is open for all, one and all and that is the particular philosophy and there are several products. This is a large retail chain we all know about it.

So, Ikea furniture's they have definitely been focusing on this kind of a thought process and I am not saying Ikea furniture, they just lowered the prices while they compromise on anything else, they do not compromise on anything else, because many times while thinking in terms of mass market and lower prices, the manufacturers they standardize their manufacturing process and they go for mass production actually.

So, it should not be correlated with that kind of a thing and remember the discussion we have had on production line and product line. So, it is not always that you are reducing something from the product because by the time you have decided to go for a low-price market stretching or product line stretching by that time your base product has already become an augmented product and it is now taken as a base product that means, the expectations have risen high.

Then other aspect is that company may wish to meet the competition, who might otherwise try to move up market, that means, if they are coming upside, they are bringing the variants which they are enjoying a particular kind of a brand image, resonance, equity, remember these three-four words we will be talking about this later on, but they are enjoying that, they are enjoying the strength in the market now, they are thinking in terms of moving up, so, it is better you move slightly down.

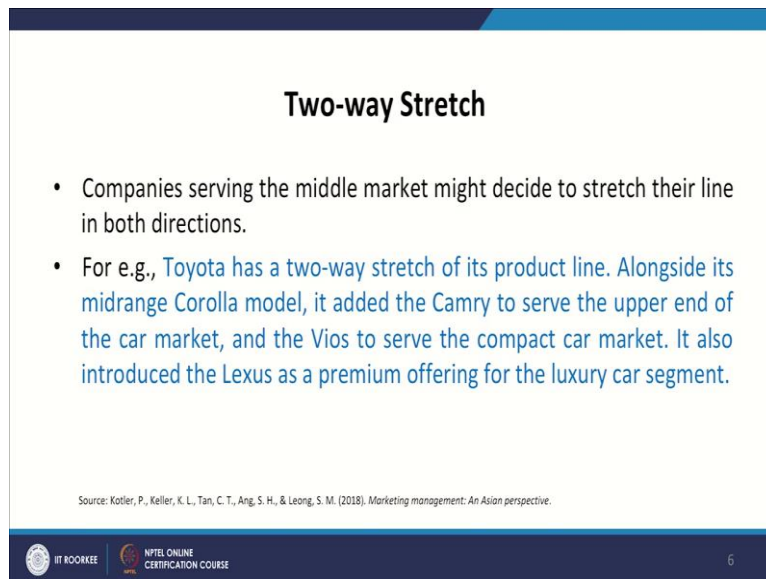
And Mercedes introduces, 'A' class not so, low price, but definitely lower priced as compared to other models of Mercedes. And when Toyota and other car manufacturers they

started entering into the similar sphere, which they were enjoying for a long time and definitely Lexus gave a good competition to those kinds of variants.

A company faces a number of naming choices during this strategy, they use the parent brand name on all of its offerings and introduce lower priced offerings using a sub brand name also, and Procter and Gamble is one of those examples, Maruti Suzuki has several such examples, and several other manufacturers, they make that brand name very-very specifically prominent.

Many times, it is supportive of the fact that they strongly emphasize their presence in a larger market and capture whole of the scenario. All depends how do you strategize. We will be talking about this continuously in due course of time. And, as I said, we have seen a few elements of how to think strategically when we talked about analysis part, so, remember that lesson also. Now, introduce the lower priced offerings under a different name that is also one of the reasons when we talk of downwards stretching.

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Two-way Stretch

- Companies serving the middle market might decide to stretch their line in both directions.
- For e.g., Toyota has a two-way stretch of its product line. Alongside its midrange Corolla model, it added the Camry to serve the upper end of the car market, and the Vios to serve the compact car market. It also introduced the Lexus as a premium offering for the luxury car segment.

Source: Kotler, P., Keller, K. L., Tan, C. T., Ang, S. H., & Leong, S. M. (2018). *Marketing management: An Asian perspective*.

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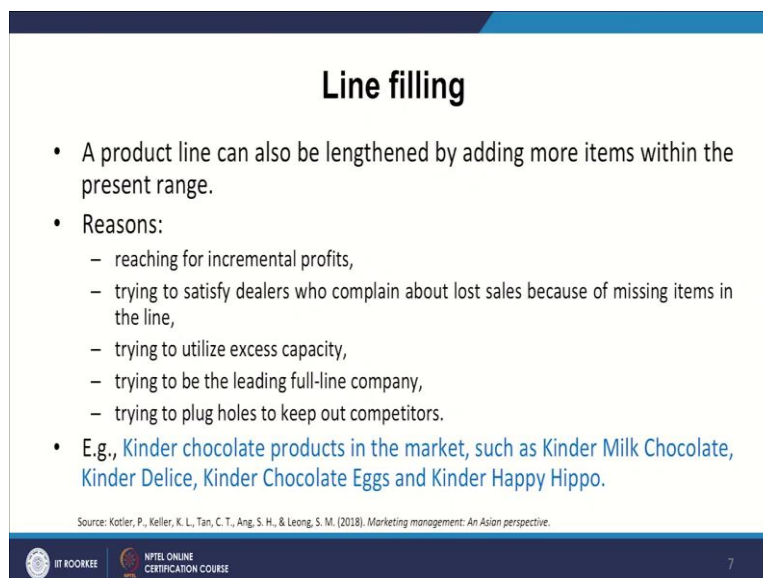
Then two-way stretching, once we have talked about up and down way, there are examples, who have chosen to go for both ways simultaneously depends upon the capacity, depends upon the capability, financial capability, depends upon the confidence and the customer response, and depends upon how well customer is very ready to accept that.

So, companies serving the middle market might decide to stretch their line in both directions. Toyota has a two-way stretch of its product line, many times they have done this successfully. Alongside its midrange Corolla model, it added the Camry to serve the upper

end of the car market and Vios to serve the compact car market. It also introduced the Lexus as a premium offering for the luxury car segment, Isuzu has done this several times, and so on.

So, there is a whole range of depends upon what is the initial response of the customer towards the products or how persistent the company has been in terms of establishing their roots in terms of the product. One more important thing which you should remember is that if a company enjoys a strong positioning, and they are going for a consistent growth for a longer time in terms of one or two or few of their products, then these steps are much feasible for the organization.

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Line filling

- A product line can also be lengthened by adding more items within the present range.
- Reasons:
 - reaching for incremental profits,
 - trying to satisfy dealers who complain about lost sales because of missing items in the line,
 - trying to utilize excess capacity,
 - trying to be the leading full-line company,
 - trying to plug holes to keep out competitors.
- E.g., Kinder chocolate products in the market, such as Kinder Milk Chocolate, Kinder Delice, Kinder Chocolate Eggs and Kinder Happy Hippo.

Source: Kotler, P., Keller, K. L., Tan, C. T., Ang, S. H., & Leong, S. M. (2018). Marketing management: An Asian perspective.

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Line filling is again a very important concept. A product line can also be lengthened by adding more items within the present range. How is it different with stretch? The point is stretch you take that way or this way. Here you know that something else can be brought in. Now, that something else is not much different than the product which you are actually producing, probably in for example, choosing again, the automotive sector, they might be using the same platform, they might be using the same engine, but they would have a slightly different product or many a times very different product.

And refrigerators, air conditioning, electronics, you may have several examples on depending upon what kind of a flexible production systems I have talked about. So, that is where a product line can also be lengthened by adding more items within the present range. Reasons, reaching for incremental profits, trying to satisfy dealers who complain about lost sales

because of missing items in the line. They always say that, competitors are doing better than us because they have larger number of variants within the same range.

Trying to utilize excess capacity, you have idle capacity and the same product would not be accepted more, there is a maturity level in terms of that product, so, definitely, you have to think in terms of variation. And customer also wants some difference, customer wants the same Paratha with a different kind of a taste for example, same pizza, but slightly different. Now that slightly will explain you what I am talking about and when we talk about the automotives and these kinds of things, there is a huge logic to that wherein, the organization is trying to be leading full line, they want to encompass almost everything they want people to say and their competition to acknowledge that they have all the answers, they have all the products. Trying to plug holes to keep out competition, competition foreseen or unforeseen and we have talked about this in competitor's analysis, remember that lesson, when we talked about this.

Examples are there, Kinder chocolate products in the market, such as Kinder milk chocolate, Kinder Delice, Kinder Chocolate Eggs and Kinder Happy Hippo and so many. And whenever I tell you about the examples, my intent is that you add on to these examples, keep this habit or generate this habit of adding on the insight developed and the examples which are being discussed, because I wish for you to start observing all around in terms of whatever we are discussing here.

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Line Modification & Pruning

Product-line Modifications	Product-line Pruning
<ul style="list-style-type: none">• An alteration to an existing product:<ul style="list-style-type: none">– New and different varieties– Colors– Styles– Features– Sizes• E.g., Microprocessor companies such as Intel and software companies such as Microsoft continually introduce more advanced versions of their products.	<ul style="list-style-type: none">• A few items can be deleted due to following reasons:<ul style="list-style-type: none">– Obsolescence/Stagnation– Loss of Appeal– Changes in Company Objectives– Replacement with New Products– Lack of Profit– Conflict with other products in the line.• E.g., Google Play Music has been replaced with YouTube Music and Google Podcast.

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Then comes in line modification and pruning; Product line modifications are related to an alteration to an existing product, new and different varieties in colors, styles, features, sizes. Microprocessor companies such as Intel, and software companies such as Microsoft continually introduce more advanced versions of their products. One of my favorite examples is office 365.

Product line pruning is where in a few items can be deleted due to following reasons or exited because of following reasons that is stagnation, obsolescence in terms of technology, loss of appeal, that means you did not add the technological features at the time when you should have, so that is what obsolescence means. Loss of appeal, customer does not want it, customer likes it but wants something different. Changes in company objectives, leadership wants something else, leadership wants their brand to be known with x plus y plus z, kind of a perspective, not just what they have been.

IBM from a hardware company became a solutions company and then they have a wonderful tagline just visit their website. Replacement with new products is the call, lack of profits is there which is a very considerably strong kind of a reason. Conflict with other products in the line. Google Play Music has been replaced with YouTube music and Google podcasts and some other examples, these are general life examples.

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Decisions about the intangible/augmented product

- Customers usually seek more from a product than the performance of some specific tangible function.
- As far as the product variable is concerned, the key characteristics external to the physical product are:
 - Branding,
 - Packaging (decisions based on its functions and its appearance),
 - Product services (decisions based on value they add),
 - Product performance enhancing services,
 - Product life prolonging services and
 - Product risk reducing services.

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

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Now, decisions about the intangible oblique augmented product. Customers usually see more from a product than the performance of some specific tangible function. Customer actually always wants more and that is why we are studying product and brand management, otherwise it would not have been a requirement if customer would have been satisfied on the basic product, every product would have been basic. So, remember this, as a customer our desires are ever growing and that is the zest of a marketer to satisfy those desires.

As far as the product variable is concerned the key characteristics external to the physical product are branding, I have mentioned about it. Packaging, decisions based on its functions and its appearance, I have talked about it at length, so, just visit that video. Product services, decisions based on value they add, now value they add in terms of product performance enhancing services. Then software companies they started coming in. So, they started training institutions.

Now, that was wherein they wanted their product to become a mass product. So, they wanted that their software should also become the reason for livelihood generation, employment, Microsoft's certified programmer, now do you remember something. So, that is where and these are just examples, there are several other modes to enhance the performance of the product through different kinds of support services, product life prolonging services, wherein upgradations of the products are done, and many a times are suggesting different kinds of usage with different kinds of addons, many a times putting up specific equipment within the product to enhance its life.

Product risk reducing services, and we have several examples on that and for this section, which I have been discussing for almost 20-25 minutes now, so, please refer to the source mentioned in the slides and this is a book in 2006, Product and Services Management. So, refer to this and you will find lots of wealth of wisdom here.

Then, there are other ways of products, in terms of strategizing, product proliferation. And once we discussed terms and terminologies, we talked about concepts, here, we are again sort of mentioning different terms, but these are largely strategies actually. So, this can convert with being a terminology, but these are strategy that means, these are implementation action-based kind of elements.

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Other ways Products can be strategized		
Product Strategy	Firm	How?
Product proliferation	Honda	On entering the European motorcycle market Honda offered an enormous wide range of engine sizes.
	Procter & Gamble	When launching their disposable nappy Procter & Gamble offered a wide range of sizes and gender specific products.
Value	BMW	BMW offer a high-quality product with emphasis on reliability. It is not the most expensive and emphasis is on value for money.
	Toyota	Similarly, Toyota use the same product strategy in different market segments.
Design (outward appearance)	Sony	Both Sony and Apple emphasize good design in all their products, frequently pioneering unique styles and offering elegance and easy-to-use products.
	Apple	

Source: Trott, P. (2017). Innovation management and new product development. Pearson

So, product proliferation; wherein, for example, Honda and Procter and Gamble. Honda on entering the European motorcycle market offered an enormous wide range of engine sizes. In full force, they went with different kinds of models, because Europeans like that, and as I said, customer is at the heart of decision. Procter and Gamble when launching their disposable nappy offered a wide range of sizes and gender specific products.

Then there is another strategy in terms of value, value itself is a proposition, throughout the value chain, you have to find value generating points and you have to implement that, that is why value itself is called, is referred to being a strategy. For example, BMW offers a high-quality product with emphasis on reliability, it is not the most expensive and they emphasize on value for money. Although, it is not so low price as well.

Now, similarly, Toyota uses the same product strategy in different market segments. Then comes in design as a strategy, I will be focusing upon design and design thinking at length in one of the sessions. So, design specially, here we are talking of outward appearance.

Sony, and Apple emphasize good design in all your products. I know many of you are Apple fans, and they focus on frequently pioneering unique styles and offering elegance and easy to use products. Last two, one is innovation, which itself is big and it is a longitudinal process. I will be talking about innovation, insights and design thinking later on and there you would realize that it is not simple.

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Other ways Products can be strategized		
Product Strategy	Firm	How?
Innovation	3M	3M and more recently Merck and Phillips have developed reputations for product innovation. This is based on a strong technology culture. This is distinct from design, in that while the product may incorporate a new outward appearance it is the use of new technology that is the focus of the strategy.
	Merck	
	Phillips	
Service	American Express	Both American Express and Tesco continue to be at the forefront of service development. Historically American Express pioneered many service offerings. Tesco (UK retail grocer) compete by continually offering new and improved services to their customers. Their competitors always seem to be trying to catch up.
	Tesco	

Source: Trott, P. (2017). Innovation management and new product development. Pearson

Firms like 3M are known for innovation. 3M and more recently Merck and Philips have developed reputations for product innovation. They have positioned themselves like that. Philips has a campaign on innovation and that is a beautiful campaign just watch it on YouTube.

So, this is based on a strong technology culture as well. So, how an organization is nurturing internal technological culture? Now, this is distinct from design, in that, while the product may incorporate a new outward appearance, it is the use of new technology that is the focus of the strategy in innovation, many a times process, many a times development of the product as such.

And last part of it is service, American Express, Tesco, both American Express and Tesco continue to be at the forefront of service development. Historically, American Express pioneered many service offerings. More recently, UK retail grocer Tesco as a grocer,

compete by continually offering new and improved services to their customers. Their competitors always seem to be trying to catch up as it seems. It is not that they are not catching up, but they are following them many times.

Meaning thereby there are several such examples which exemplify on services with a strategic perspective to be used as a strategy and innovation and design are one of my favorite strategies. So, just keep these in mind and now onwards start looking at innovation and design with a perspective of being implemented as strategies to carry forward the product through and through for a longer growth in its product lifecycle. I will be catching up with you in my next session, on again a complementing but definitely a different kind of a subject. Till then, goodbye.