

**Product and Brand Management**  
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**Lecture 23**  
**Product Category Management**

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**Crucial steps in Product Portfolio Management**

1. Product Portfolio analysis
2. Resource Allocation
3. Forming the Product Portfolio Roadmap
4. New Product Development and acquisitions
5. The logic is Life Cycle, Potential, Mutual Strength within Families and Lines, between families and lines.
6. The objective is to satisfy customers, gain loyalty, push the competition aside, be profitable, stay forever.

Source: Baker, M. J., & Hart, S. (2007). *Product strategy and management*. Harlow: FT Prentice Hall.

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Hello friends. Welcome back to another session on Product and Brand Management. Taking a cue from where we stopped in last session wherein, we were discussing product and product portfolio management and just to give you a glimpse of that, see, we are going for a broader understanding. Then we will be going towards specific aspects and reaching out to product and then traversing into brand.

So, after this, I would be taking you along let us say categories, competition, customers and specifically with reference to analysis and then we would be thinking in terms of strategic progression wherein we would be talking about how to strategize in terms of product management.

And after that we would be going for elements like pricing, promotion. We have gone for a quick correlation of these elements or let us say relationship of these elements earlier as well. But, now we would be going for an elaborate discussion on for example types of pricing to understand how it is related with product management and the promotional perspective and retail channel perspective.

And then we would be focusing upon innovation, insight, design and design thinking which is a very important part of product management and then rest other aspects also. So, coming

back to portfolio management there are some crucial steps. So, first element is portfolio analysis and we discussed about this.

I am just enumerating this here for you to give a cue. Then we have to think in terms of resource allocation and just recall the last session or revisit the last session and you would realize when we focused on the discussion on one product, actually supporting the larger portfolio or complete portfolio many a times.

Forming the product portfolio roadmap, how this portfolio in a coherent way can go all together. Now this is a very complex thing which I have mentioned about last time as well. New product development and acquisitions is a part of portfolio perspective because then while looking at the complete picture we realize that what kinds of products have to be added on and how.

And this I have talked about in earlier product line, product width reference as well. And then in strategic part, I would be mentioning it once again while I will be using it with the strategic orientation to demonstrate that if we look at a line with a perspective of profitability, then, how to use it as a strategy in terms of line growth and line stretching and I have mentioned about this.

So, the logic in product portfolio management is related to lifecycle that is enhancing the lifecycle of each product, to looking at the potential and developing the potential both ways. Mutual strength within the families and lines; how to strengthen it is very simple like a larger joint family is staying together, how they enhance the strength of each member of the family with the strength of the other members of the family and so on.

For example, someone is doing very well in his career or her career and the person supports the family economically. For example, someone is good at something so someone is taking care of home and so on. So, that is how families are looked at and then between families and lines also. I will not go into the details of the terminologies, we have talked about this many a times.

The objective is very clear, it is related to satisfying customers, gain loyalty because ultimate aspect as I have been repeatedly telling you is to have loyal customers who are using your product just like that. Push the competition aside. If you have loyal customers, competition might not be able to touch you and one can be profitable as well. Of course, being profitable is the lifeblood of the organization and then stay forever. And many organizations with all

their product portfolios like SBI, Coke and Pepsi and several others are strong examples of this argument and this discussion.

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**Product Category**

- Industry---Components, Capital Machinery, Manufacturing, Tools
- Functionality---Makers, Enablers, Processors, Mixers
- Customer Needs—Bed Linen ---- Along with Home Textiles
- Customer Preferences---Movies
- Demographics---Sports Bike, Sports Cars
- Convenience---Shampoos, Pencils
- Quality---Food like Atta
- Performance---Mobile, Cars, Electrical Appliances

Source: Varley, R. (2001). Retail product management: Buying and merchandising. London: Routledge

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Now, I will be taking you towards product category. Just look at for example an industry. In industrial sector we have a category called components category. Let us say we have a category called capital machinery. We have manufacturing machine category or tools category.

If you look at a functionality perspective like mixers and grinders, processors, enablers, these kinds of categories and you can fit in any product, which if you can imagine at this moment here, then you can have a category of customer needs based on customer needs, bed linen for example. You may categorize it further through a broader category outline like home textiles.

You see when you go to a home decor shop and you think in terms of your curtains as well as bed linens and then so many things actually and then at the same time you are actually looking at and imagining the complete room or sometimes a complete house. So, that is how the seller also categorizes the customers.

Customer preferences, in terms of movies, I have mentioned this earlier, you are surfing through Netflix. Netflix is actually tracking the way you are looking at or surfing the movies and the kind of movies you like and then they start prompting you with a particular category of movies. So, they categorize movies on let us say war movies or fiction movies or many kinds of categories can be seen that way also.

Then demographics; wherein demographics can be associated with let us say sports bike. Now sports bike obviously is actually liked by sports people or sports enthusiasts or let us say younger lot who wish for high speed actually same as with sports cars basically.

Then convenience; you can have 'n' number of products. Quality; what quality is perceived by the customer and then if you have created quality as a benchmark so, definitely you can think of and it is relative. So, I will leave up to you for choosing examples according to your own choice.

Performance; performance of a car, performance of an electrical appliance, performance of a mobile phone, for example, performance of a mobile network actually. So, there can be various kind of aspects through which you want to look at things and you see this cannot be a composite specific list. There can be interpretative aspects to it. You may interpret these things slightly differently according to your own experience but, the message is that there is a categorization perspective in the mind of the producer and the product manager specifically.

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### Types of Product category

- Industry
- Functionality
- Customer Needs
- Customer Preferences
- Demographics
- Convenience
- Quality
- Performance

PRICE	CONSUMER	OCCASION	PACKAGING	PRODUCT
PREMIUM	FOR ME	ON THE GO	SIZE	CARBONATED / NON-CARBONATED
MAINSTREAM	FAMILY	SCHOOL	UOM	FLAVOUR
ECONOMIC	CHILDREN	WORK	RE-SEALABLE	NORMAL / SUGAR FREE
	GENDER BASED	SEASONAL	TYPE	COLD / AMBIENT

Source: Varley, R. (2001). Retail product management: Buying and merchandising. London: Routledge

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And then price can be a categorizing factor. For example, premium priced products. Then consumer itself can be an aspect. For example, children, children products, kid's products, kid's toys, children from this age group to that age group. That means children and demographic perspective, especially in terms of age.

Then occasion can also define the categorization like when you are school going. Work; or let us say events or parties and occasions. Marriages; I have mentioned somewhere in my discussions, in preceding discussions that in India marriages constitute a larger occasion for

whole of the country in fact. Packaging can be a categorization. We have talked about that earlier as well. And product itself has several kinds of categorizations. For example, carbonated drinks, let us say sugar free.

Now, here, it reminds me of one thing which, I should be suggesting you that categorization is an evolving fact. For example, this sugar free category was not much of a prominent kind of a thing let us say two or three decades back wherein, people were health conscious but they used to work out and they either used to consume sugar or did not consume sugar. But then there is a sugar free element which came in with scientific developments and so on and then several alternatives started coming in and people started consuming those products and it is a very large category now.

So, you have the taste but you do not have that kind of a content which, might harm someone because of health reasons. Now let us go to a definitional frame. We have discussed a broader outlook on categories.

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**Product Category**

- **Product categories** are typically created by industry organizations / firms or brands to focus their promotional efforts effectively by grouping similar items together. <sup>[1]</sup>
- For example,
  - Dove Skin Care, Dove Personal care & Beauty, Dove Hair care, Dove Fragrances.
  - Fastrack men watches, Fastrack Women watches and so on.

Source: [1] Lehmann, D. R., & Winer, R. S. (2005). *Product management*. Boston: McGraw-Hill.

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So, product categories are typically created by organizations, firms or brands to focus their promotional efforts effectively by grouping similar items together. Now it makes sense, it is very logical actually. For example, you separately promote each and every product. Many a times, it is very difficult to create messages, storyboards around specific products.

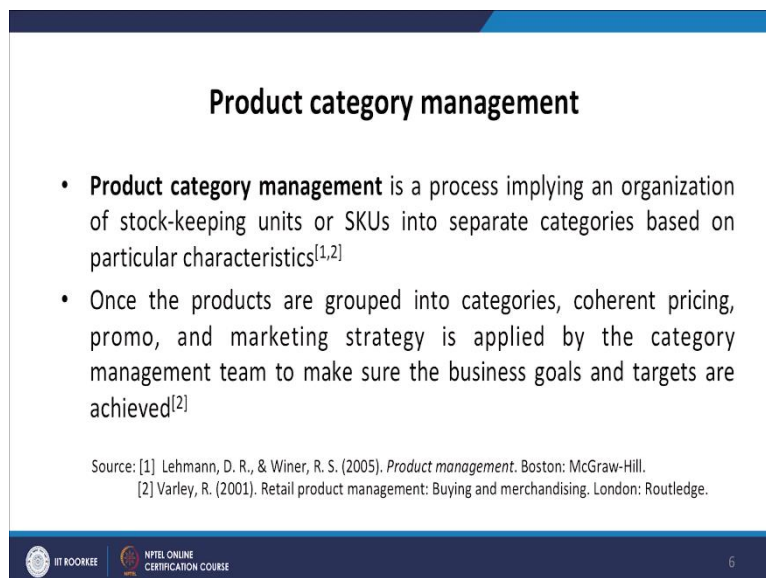
So, you broadly categorize and promote because you understand that it would be sold to a similar kind of a customer or there can be a chord which can be generated for promoting

these products. And when I say promoting the products, I am not just mentioning about communication I am actually mentioning about product promotion in all the terms.

So, for example the Dove skincare, Dove personal care, Dove hair care and so on. Fastrack men watches and women watches and so on. So, there are different kinds of categories and as I said for many organizations there can be a very broad category or let us say very specific category and it depends how customers have started looking at these things.

For example, if watches are preferred despite of gender, then you might be relooking at categories. It depends on how customer actually thinks about it and that is why universally liked watches are also being manufactured or produced.

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**Product category management**

- **Product category management** is a process implying an organization of stock-keeping units or SKUs into separate categories based on particular characteristics<sup>[1,2]</sup>
- Once the products are grouped into categories, coherent pricing, promo, and marketing strategy is applied by the category management team to make sure the business goals and targets are achieved<sup>[2]</sup>

Source: [1] Lehmann, D. R., & Winer, R. S. (2005). *Product management*. Boston: McGraw-Hill.  
[2] Varley, R. (2001). *Retail product management: Buying and merchandising*. London: Routledge.

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Now, product category management is a process implying an organization of stock keeping units or SKUs into separate categories based on particular characteristics. Again, a definitional perspective. Once the products are grouped into categories, coherent pricing, promotion and marketing strategies are applied by the category management team for product managers at large to make sure the business goals and targets are achieved.

So, coherence in pricing and promotion is a very important thing which can be brought through this kind of element and this will very effectively be shaping our thought process when we will be talking about product strategy at the end of the day.

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**Category Attractiveness Analysis**

The important factors in assessing the underlying attractiveness of a product category are:

1. Aggregate Market Factors
2. Category Factors
3. Environmental Factors

Source: Lehmann, D. R., & Winer, R. S. (2005). *Product management*. Boston: McGraw-Hill.

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There is a category attractiveness analysis. The important factors in assessing the underlying attractiveness of a product category are aggregate market factors, category factors and environmental factors.

But, here there is a very important thing which you should be focusing upon. Look at this discussion or almost all the discussions with the perspective of a product manager, person who has to take decisions. What is that person should be thinking actually and what is the logic behind that?

Last time, I think few sessions back, I mentioned specifically when you are working with a large organization and you are the person at the helm of the affairs so, how would you be tracking that, how should the organization be pursuing each and every single product they produce?

For example, they are producing 300 brands that is products with different variations and names and then there are ‘n’ number of aspects associated with them. Few of them are retailed at some outlet, few of them are targeted towards specific customers and so on. So, how would you talk about what is to be done and how it goes ahead? Categorization is one of the aspects which itself may be thought of as a strategy and we will be talking about this briefly in our strategy segment.

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**Aggregate Market Factors**

- Category size (measured in both units and monetary value)
- Category growth
- Stage in product life cycle
- Sales cyclicity
- Seasonality
- Profits

Source: Lehmann, D. R., & Winer, R. S. (2005). *Product management*. Boston: McGraw-Hill.

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Aggregate market factors are related to category size measured in both units and monetary value. Now, to make things simpler, you go to a channel partner and you say that this product has to be sold like this, and when customer comes in, you have to talk about this product with a specific perspective.

Let us say you have to talk about linen with a specific perspective, mattress with a specific perspective and then so on. But if you train your or suggest your retail chain partners that if a customer comes in, we are promoting the complete category in terms of home decor and we are suggesting a coherence and interrelationship of all the products within a category. Once they come in, you also put up those things in front of the customer. The similar way we are trying to promote that through our advertisements and pricing should be in terms of putting up a coherence in front of the customer that is a markup I have for one of my rooms wherein, there is a twin bed and then there are four windows and then there are four pillows. So, this is the total kind of a price I would be paying for decorating almost everything.

Now this makes sense and then once you put up the size to this, it would be much simpler for you to imagine a household-based sales where you would not be thinking in terms of how many customers would be purchasing bed linen separately, because then you have a structure around and you will be focusing upon these many houses. They have our products and that is what many organizations have been doing. For example, water purifier category; Eureka Forbes tried to push it up with a different kind of a strategic perspective and then they widened the category, and they came up with a larger structure in terms of home appliances, for example.



There they started focusing on how many homes are using their products compositively. It was a wonderful thing for them to go ahead. Today, I would have mentioned earlier, probably someone from Eureka Forbes call you and they ask you how many Eureka Forbes products you are not using.

So, category growth which you can monitor it at a specific level and I will be showing you a structure and life cycle so we can think in terms of category life cycle also. Otherwise, you have to put in several life cycles of several products, then superimpose each life cycle on each other, then find a correlation of each. It can be done.

In today's AI world and Data Sciences world it can be done, but it is a difficult task and especially, when you have to take call on interpreting that in favour of all the products you are having probably then you would be concluding on that which product is supporting which product.

For example, does the customer buy the mattresses first or the curtains first? So, one has to think in terms of those kinds of things but in category you have to think compositively. That makes things simpler. Sales cyclicity definitely is again associated with product life cycle and many other elements, I should not say specifically.

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Market Variables	Attractiveness	
	High	Low
Market size	+	-
Market growth	+	-
Sales Cyclicity	-	+
Sales seasonality	-	+
Profit level	+	-
Profit variability	-	+

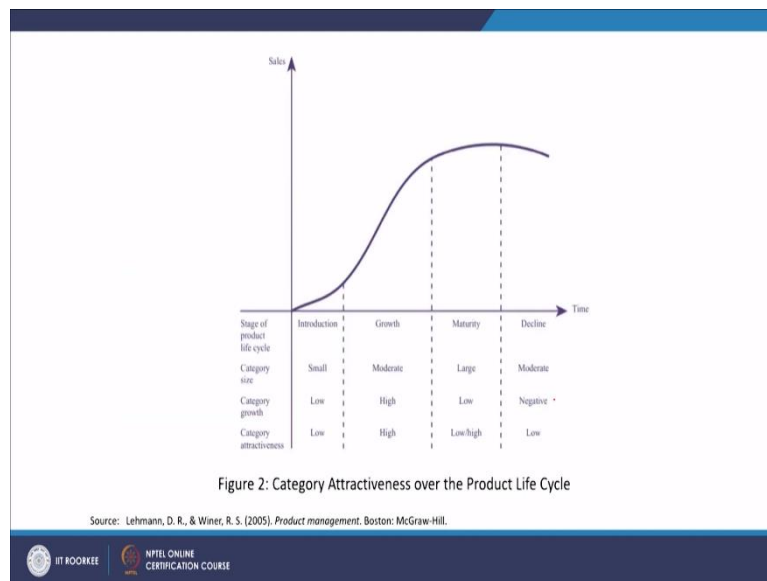
Figure 1: Attractiveness of Market Variables

Source: Lehmann, D. R., & Winer, R. S. (2005). *Product management*. Boston: McGraw-Hill.

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Seasonality and profits; now, there are again variables and attractiveness; a metric structure makes it easier for us to understand if market size is going on a higher side and seasonality is low. We can focus upon making it a multi season category, as simple as that. Rest is up to your wisdom.

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And then comes in life cycle perspective on category. Now here in front of you when we are looking at this two-dimensional plane and a graph, do think of category moving from introduction to maturity. For example, if we look at the introduction stage, category size might be small and I am imagining that category is introduced, that is how we are looking at this. Then in growth the size would moderately grow or might grow at a large level. Basically, it depends upon how a category is promoted.

Then maturity definitely it is slightly larger as compared to growth and depends upon that are we stopping somewhere? And here comes the perspective wherein strategic power lies which you would be witnessing in subsequent videos. There again you revisit the elements of category through focusing on specific products and looking at lines and width and so on and then thinking in terms of how this category can be put up, can be projected towards further growth rather than stopping at maturity or stabilizing at maturity, I should not say stop.

Decision can easily be taken at that particular levels and in decline definitely it again moves towards moderation and I would remind you of the aspect that there is a saddle stage because it is with products, it can be with the categories as well although not much of a literature highlighting the saddle perspective with category is available, but since it is for products so we can think of that therefore, it can be there for categories as well.

And rejuvenation; obviously you can rejuvenate the complete category as such. So, then you see category growth. Again, there is a combination in terms of low, high, low and category attractiveness. It can be low or start from high, then go for higher and then moderate at a level

and so on. Decision making is easier if we try to develop an expertise around what we are talking of at this moment.

Now, did I mention Professor Michael Porter who worked upon five forces model? I would be mentioning about this model a couple of times in due course of time. It is a very apt and a wonderful framework which enables the thinking of a marketing student and it simplifies the thought process in your mind. Just read it on any source. I have also used a source from I have sourced it from that is the book we are referring to at this moment Lehmann and Winer 'Product Management', Boston McGraw Hill published in 2005.

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## Category Factors

- Threat of new entrants
- Bargaining power of buyers
- Bargaining power of suppliers
- Amount of intra-category rivalry
- Pressure from substitutes
- Category capacity

Market Variables	Attractiveness	
	High	Low
Threat of new entrants	-	+
Power of buyers	-	+
Power of suppliers	-	+
Rivalry	-	+
Pressure from substitutes	-	+
Unused capacity	-	+

Figure 3: Impact of Category Factors on Attractiveness

Source: Lehmann, D. R., & Winer, R. S. (2005). *Product management*. Boston: McGraw-Hill.

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You see category factors are threat of new entrants, bargaining power of buyers, bargaining power of suppliers, amount of intra category rivalry. Now apart from five forces which are governing the situation including pressure from substitutes there is an element of category capacity as well.

But one of the important elements which authors have included here is the amount of intra category rivalry. That means within the category which are the products which are stars, that means they are drawing larger money towards them not because of pricing but because of their attractiveness and usage.

So, you see there is one advantage of such kind of products that they will push the whole category further but there is one disadvantage also that they might push the usage of other products slightly lower on the scale. So, there you have to think in terms of lots of

combinational perspective which can be met through promotional aspects. You have to promote the category in such a fashion that rivalry within the category gets reduced.

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The slide is titled "Environmental Factors" in bold black text. Below the title is a bulleted list of five factors: Technological factors, Political factors, Economic factors, Regulatory factors, and Social factors. At the bottom of the slide, there is a source citation: "Source: Lehmann, D. R., & Winer, R. S. (2005). *Product management*. Boston: McGraw-Hill." The slide has a dark blue header and footer. The footer contains the IIT KOOBEE logo, the text "NPTEL ONLINE CERTIFICATION COURSE", and the number "12".

**Environmental Factors**

- Technological factors
- Political factors
- Economic factors
- Regulatory factors
- Social factors

Source: Lehmann, D. R., & Winer, R. S. (2005). *Product management*. Boston: McGraw-Hill.

Then, there are environmental factors, technological factors, political factors, economic factors, regulatory factors and social factors. So, these definitely touch upon category management from all the sides like how the economy is going on. COVID has taught us several lessons wherein, several categories altogether have suffered but intelligent product managers, have focused upon a portion of category that is focusing upon subcategories rather than the complete categories in due course of time to keep alive the category level.

And now, when economy is going towards a full swing revival in the month of November 2021, where I am recording this session for you there again category pull up managers have started thinking in terms of how to develop the whole lot of a category as such.

And then there are technological factors. For example, I was referring to bed linen and then curtains and mattresses within home decor category. Now there was a time when technology was not specifically very advanced in terms of manufacturing of mattresses, for example.

So, at that particular time the category was represented mainly by bed linen or many a times curtains also. And there was an element of social factors, that is social perspective wherein people like to put up heavy curtains but would not like to change curtains so many times because that was a cultural or social element of sorts.

Bed linen definitely had a prominent kind of a thing basically, and I am talking of three, four decades back where a joint family structure in India was prominent, and not many new

housing structures came in. So, at that particular level the whole scenario was pushed up in home décor as far as bed linen goes. Time came in when people started moving towards newer houses and so on. They had their own choices in terms of construction. So, they went on for putting up lots of effort in thinking and purchasing the curtains, for example.

Then in the meanwhile, technological advancement came in and several organizations started bringing in different kinds of material for producing mattresses. For example, Sleep Well and those kind of wherein you have lots of variety as far as your mattresses go.

Now, it has become a very prominent kind of a thing as well. Today, if you will realize that this section has become prominent within the home segment plus I should say it is a profit earning segment, having slightly higher prices. And on the other side, the other products within the sector are also equally being pulled up.

So, in totality today, a customer is spending more on all these products cumulatively wherein technology can be a responsible factor and can be considered as a key propeller. Although social factors and several economic factors are also there.

So, I would leave you with this thought in this segment of category discussion. I would be coming back to you with customer analysis in my next session and then competitor's analysis in the subsequent session and then for strategy-based discussion subsequently. Just keep thinking, as I always say, keep looking around. Today, just look around your room and think about whatever I have suggested. I will join you next time. Till then, good bye.