Integrated Marketing Management
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Lecture - 21
Product, Product Mix, PLC

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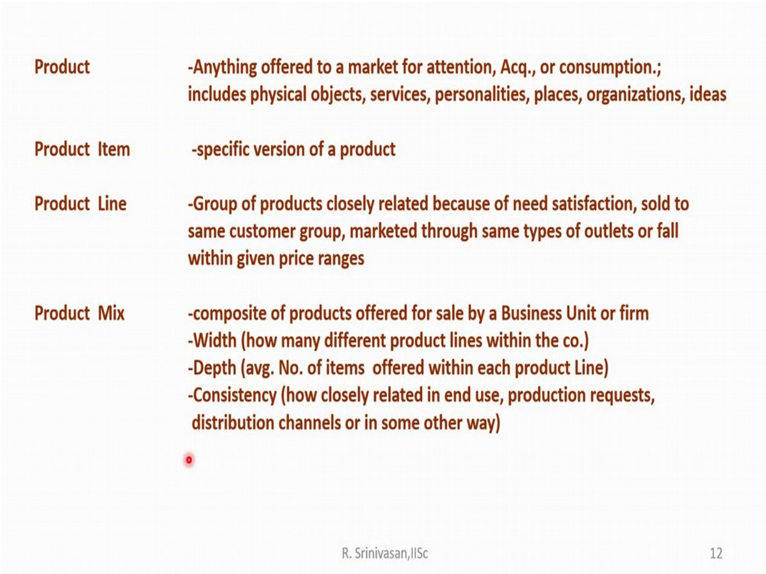

Welcome to this class, now we will look at an in depth version of this Product. What is a product? A product is anything which is; which is offered to the market for attention acquisition or consumption. So, you can offer anything to a market for attention acquisition or consumption, then it takes the name of the product. It can be physical objects, services, personalities, places, organizations, ideas all these coming this coming under the realm products kindly note.

Now, from product suppose when we move to a product item, what do we mean by that? When we say it is a product item it is a specific version of a product kindly note that, it is a specific version of a product. A product example could be take the example of a toothpaste.

Now, you are getting. So, many advertisements about this toothpaste Sensodyne, that toothpaste is a product which is offered for acquisition acquiring. You acquire that product, then in that product itself you may you will have different items in that one of the Sensodynes can be only for repair of your teeth other could be to pay further attention to your cavities or pain all those types of things they come under different product items.

So, you are getting a product you are getting a product item and then all these product items which are put together they become group of products which are closely related they become what is called a product line. So, Sensodyne if you take that same toothpaste, in the product line of Sensodyne you have three to four different product items only.

Sensodyne is a product which is offered for acquisition or acquiring in the market, there are different product items coming in that. So, all these group of products which are closely related they form what is called the product line. Group of products closely related because of need satisfaction sold to same customer group, marketed through same types of outlets or fall within given price ranges.

So, when you are looking at a product line you are looking at a group of products as I gave you this example of Sensodyne. So, you have different products coming in the under the head Sensodyne only. So, you have to be clear which one you should take. Now what is a product mix a product mix is a composite of products offered for sale by a business unit or firm. Suppose a firm like Colgate it is in the business of making toothpaste it is also in other businesses as well.

Take a firm like Hindustan lever, so many product lines coming from Hindustan lever whether it is your toothpaste or whether it is some other this thing some soap powder or soaps. So, many things are coming from the same company. Now when you are offering all these products it may be coming from a business unit only of the company or from a number of business units of the company or from the firm as a whole. So, you may get a composite of products for sale by a business unit of a company or number of business units in the company or from the firm as a whole.

So, what are the characteristics of a product mix it is characterized by width, what is width? How many product lines different product lines within the company offered firm to the market/ Second cat one is what is called the depth, that is the average number of items offered within each product line as I said Sensodyne product in that the items at least you can count three to four of them very easily, product line is the toothpaste Sensodyne. So, it is offered this whole product line is one product line you may have different product lines, say Colgate total can be one more product line some other product line.

So, Surf excel Matic can be one, in the excel matic itself you have a front load you have a top load powders differing for that front load for powders differing for the top load washing machines all those types of things. So, depth is the average number of items offered within each product line. Third is what is called the consistency. What is this consistency? How closely related in end use how these products are closely related? If you if you look at the examples which I gave you all these products are closely related in end use, they all come under the category of toothpaste only.

The product is toothpaste Sensodyne is a tooth paste, the product item is the different versions of that product one is rapid action can be and another is your cavity protection, third can be pain relief all those types of things. So, how closely related in end use what is the type of production.

Requests or requirements which it calls for then the distribution channels or in some other way how closely related these products are in producing to the market. That is they are toothpastes are closely related in end use. So, the production lines more or less the same, but for some small variations at some points which the companies can easily accommodate. Then the third one is whether the same distribution channels are being used or some other method with similarities.

So, a product mix is categorized by these three things; one is the width, width refers to how many product lines within the company, depth refers to average number of items offered within each product line, then consistency how closely related in end use production requirements distribution channels or in some other way.

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Having all this that is product, product item, product line then the product mix, how can you device a strategy to the marketplace? You can device that is a company can device six product mix strategies, it can say I am a full line all market specialist.

So, for example, toothpaste suppose a company is doing let us say it can say I do practically every type of toothpaste that you can think of in the marketplace, it is a full line. You want only it is not something confined only to a specialist category you get everything in this. Now, suppose it is not the case I want to confine myself as a market specialist. So, if you look at some of these fire extinguishers which are coming out which you used in many of the offices.

Now, they are market specialist their job is to produce that particular fire extinguisher only. Then what is the other strategy mixed strategy which can be adopted product mixed strategy is product lines specialist. What is this product line specialist? He produces only one single product to all markets. So, the single product type to all markets there may be some variants a very good example of this is your Royal Enfield bikes.

So, it is a single product company there may be variants. So, this Royal Enfield bike which you call bullet or some other this thing and which the youngsters are very fond of because of the sound it gives when it starts and moves on the road. So, in the changed vehicle norms or the acts, it will also attract the; attract heavy fines as well suppose the bike gives lot of noise and somebody complaints. So, the youth is in difficulty for him driving that bike was giving pleasure because of the sound it gives.

So, when he goes near in your road and he gives an accelerator for that vehicle it produce to it produces a lot of sound. So, he gives he gets a different thrill out of that, but that also now attracts fine in the marketplace. The fourth product mix strategies what is called the limited product line specialist. He produces a the product lines, but it does not produce the full product line he may produce only a few ok.

So, the group of the that those types of companies which are producing this limited product line. So, if you take some of these cements which are coming from ACC cements, it is very limited varieties of that product line you do not get a large number of varieties. So, ACC it is having it is own niche in a marketplace of cement. So, this the fifth one is what is called the specific product specialist.

So, he has a specific product and he produces that specific product only he specializes in that. A company producing fire extinguisher he produces only fire extinguishers he does not produce anything else. Similarly a company producing a particular type of electronic item may be your specialized loudspeakers, it produces that only.

So, these are the types of companies which specialize in a particular product and they put it in to the marketplace they have carved out a niche for themselves in the marketplace. Then last one is what is called a special situation specialist. What is this special situation specialist? Sometimes none of the usual types of companies can handle a situation. What is an example for this?

So, there was this war between Kuwait and Iran. So, when this war took place with the help of the United States Kuwait won the war, but what did the enemy do before retreating he put number of oil wells of Kuwait on fire. So, this oil wells of Kuwait, which is a main stay of the Kuwait economy it started raging that is fire started raging in this oil wells.

Kuwait did not know how to put out this oil fires. So, it went to US there is one company which company just recently folded up also, which specializes in putting out or dousing this oil fires. And this company through the government of US said we will put out this oil fires. The question then was what would be the cost it wanted the 5 years of GDP of Kuwait to be given to them that is a huge cost to Kuwait.

So, Kuwait started bargaining with US saying 5 years I will be without money. So, convince this company to reduce. So, it came down to four and I as newspapers put it came down even further to a little less. But in the whole bargain more than three years of GDP of Kuwait was wiped out in dousing this oil fires by this company. So, this company became very rich in the whole process.

So, this is these all what market is all about sometimes you make it very big this company never expected that the oil wells of Kuwait will be put on fire by this retreating enemy. It was put on fire it was an opportunity for this company to cash in on and it crashed in very heavily.

So, these are the different types of product mix strategies one could be full line all market, second is market specialist third is product line specialist single product type two all markets, fourth is limited product line specialist, fifth is specific product specialist third is special situation specialist.

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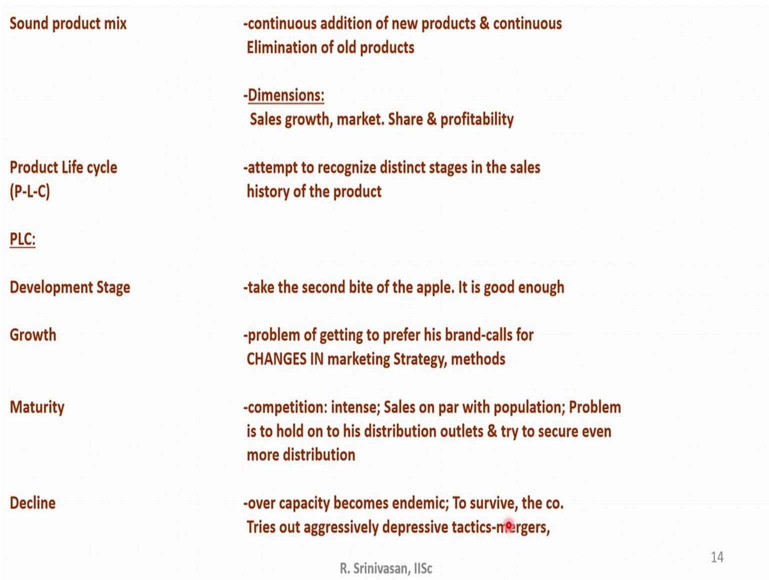

Now, how do you device given all this, how do you device a sound product mix this is one of the questions which might a exercise the mind. A sound product mix the tag line for the sound product mix is you must continuously add new products and continuously eliminate old products to be in a marketplace. Because markets are becoming competitive if you do not do it your competitor will do it.

So, before he does it is better for you to do that is sometimes it may be a better for a company to cannibalize it is own product. Example of this is the Windows 95 by Microsoft basically nothing wrong with the Windows 95, when it was doing very well Microsoft cannibalized this product. So in fact, market wondered why this product was cannibalized by Microsoft. The answer given to that by the founder of Microsoft bill gates was if I am not cannibalizing it myself somebody else will do this cannibalization of Windows 95 he will come with a this thing.

So, this is what characterizes the sound product mix that is keep on adding the new products and eliminating old products. In other words for an MSME is which is now in the centre of the eye in the Indian situation to create jobs, what is this strategy come on innovate continuously innovate. So, come out with the sound product mix. The dimensions of this sound product mix are three one is sales growth, second is market share, third is profitability.

So, taking these dimensions the sales growth market share and profitability a company should keep on changing it is product mix. So, come out with a sound product mix to keep it is place in a marketplace. So, otherwise somebody else will push it aside and more so when it is MSME.

So you should be highly watchful, but we are looking at MSME is why because they can be a very good vehicle for job creation and they can create a number of jobs. Similarly, your startups if you start ten star startups, if two or three become successful they could be a very good job creation for in the marketplace. Now, with all this product mix strategies the sound products mix and all that now let us look at what is the what do you mean by the product life cycle. What is this product life cycle? Product life cycle is an attempt to recognize distinct stages in the sales history of the product.

So, you trace the life of the product through the product life cycle which is this p which is normally abbreviated as PLC. So, you trace the life of the product through PLC. So, this PLC has got four stages one is the development of stage, where you develop the product you conceived an idea and from that idea you came out with a product and when you came out with the product you found that there is already a similar product existing in the marketplace.

Then what should you do should you go back withdraw through the shell no need there maybe number of people who are coming out with similar products fair enough. Let the first person let him be the first person to introduce it in the marketplace, you take the second bite of the apple because a market share of hundred percent. Even if you take two to three percent of that market share in a country like ours it is very good ok. Take the second bite of the apple it is good enough. Then the next stage is where the product establishes itself in the marketplace and it starts registering sales.

So, when in other words it grows in sales, during this growth stage what is the character characteristic. The problem of getting to prefer his brand that is you must make the consumer prefer for your brand, it calls for changes in marketing strategy and methods. So, how do you make him come to your brand?

So, if you really look at it take the example of different types of food mixes which are of which are in the marketplace, you go by different names you have an MTR food mix with respect to bisibele bath or so many things like your rava idli or masala idli all those. So, there is very it is very stiff competition to this mixes from MTR from others it is coming from Maiyas it is coming from other competitors also.

Now, which is the stay for the company the brand of MTR is the stay for the company. So, whoever has used that MTR mix is likely to come back that is likely to be a second user of the product or a third user or a multiple times user of the same product for the same company. So, this is what really calls for changes making your brand to be preferred in a marketplace. The third stage is what is called maturity.

So, you have introduced a mix in the marketplace first there was one competitor or two competitors, then when it when the market picks up for these things you find that there are number of competitors this is what is happening in the same food mixes market which your seen. There are number of competitors producing the same type of mix.

So, a rava idli mix coming from different companies. Now, when the competition becomes intense in the as in the maturity stage, what happens sales is on par with the population. So, you expected certain population to be preferring your brand that is that has come about. The problem of the company is to hold on to his distribution outlets and try to secure even more; this is where the channels role become very important. So, you must ensure that your brand of food mixes are available all the time you cannot just say this is not available.

So, when a consumer wanted rava idli mix, your shelves that is the shelves in big bazaar should always be bring with stock for in reliance fresh of this rava idli mix. Suppose, it is not there it then this whole this market will get diverted to other players. So, MTR is not available why not we go to this Maiyas or some other mix ok. There is the last stage of this PLC is decline. What is this decline? Comp the market has become what do you call stuffed with the large number of players, they are all fighting for a very small market share. In other words the capacity becomes too much over capacity over capacity becomes endemic.

Then what should the company do to survive the company many times tries out aggressively depressive tactics. So, whether it is mergers or acquisitions or buy out of on it is competitors all these things are tried out. An example of this is Tatas taking over consolidated coffee wanted to be in the coffee business. So, found that to come with a coffee brand of it is own tough, then consolidated coffee from Coorg had made a mark. So, Tatas state with the brand name of Tatas if he take consolidated coffee it can come a Tata coffee into the market place and it will find it is own feet in the marketplace which has what has happened now.

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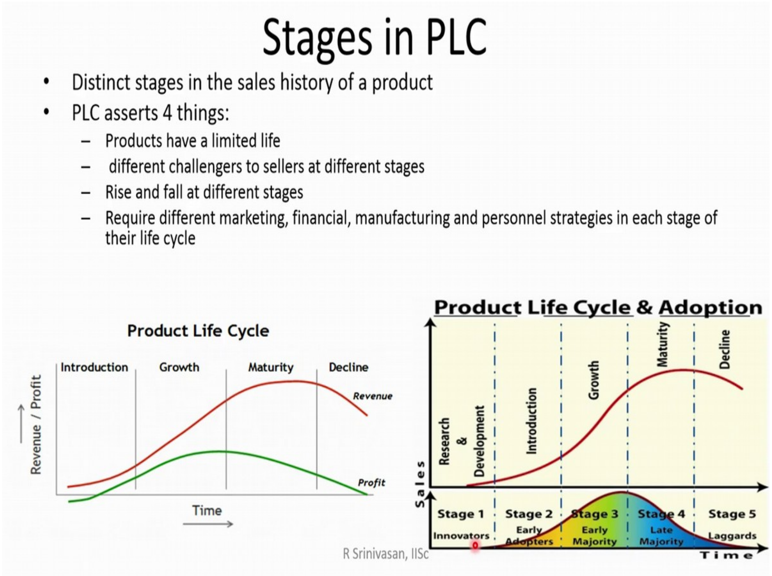

All these stages in the PLC that is a 4 different distinct stages in the history of the product, they assert 4 things, what is that? Products have a limited life, then different challenges to sellers at different stages. You have challengers coming in the first stage that is when you introduced to the product when it is growing when it has matured as well as when it is in decline also. So, somebody some of your competitors may wanted to get out of the marketplace immediately.

So, these are all things which are very common in a marketplace. So, if you see in a city like Bangalore so many new shops get opened after one week or the weeks the shops are not there. So, if you have not frequented that road for two weeks, you may find that the shop used to visit two weeks before is not there and when you ask the neighbor he says that shop has got closed. So, this is also one of the features of this competition. So, all of a sudden you may find that the competition has become so intense you may say I will wind up shop.

So, rise and fall at different stages. So, in order to survive in this marketplace you requires the help of strategic marketing. So, an intense competition and the firm’s life becomes strunk in order to elongate the firms life you require strategic marketing and exposure to strategic marketing, marketing strategies becomes highly critical. Require different marketing financial manufacturing and personal stay strategies in each stage of their product in each stage of their life cycle.

So, this is what the managers or the firm should be doing, all this which I mentioned is presented to you in two graphs. One is the graph of revenues stroke profit against time, if you see the profit is represented by the green line, the revenues is presented by the red line. What is that which we can see during the introduction stage you are not likely to make profits for sometime.

It starts making profits only from this line from this time onwards, there is a certain of f sometimes a substantial amount of time gets going or is spent in making the market become aware of the product. Then you start registering profits and your profits growths, you kindly see that the profit does not peak in the maturity it speaks before the maturity only.

So, and then it starts coming down towards in the decline stage the profit almost becomes 0. When it becomes zero there is no point in holding on to that product or product line. Similarly you look at the revenue line if you look at the revenue line, the contrast between the profit one and the revenue line revenue maximizes during the maturity stage and then starts declining ok. So, whenever you are asked to draw a diagram of profit life cycle, you should give both the profits and the revenue curves. You should not just give the revenue curve then it does not it does not complete the picture.

So, you should give the profit curve and you should also give the revenue curve. So, if you broadly look at this whole revenue curve it is in the form of an inverted s. Now, all this is represented in one more diagram by the right side. So, this is called product life cycle and adoption, where in the first stage you have got R and D, the second stage you introduce the product, the third stage look at the growth of the product, fourth stage is a maturity, fifth is the decline.

So, this stage one where you do this R and D, these are the people who are the innovators;' they are the people who are the innovators. The second stage is where you make the market aware and people start using your product they are called early adopters of your product. The third stage where if the product starts growing you find that your sales are registering growth moving up constantly, that stage three is what is called the early majority. Then this stage four where it is maturing what do you find in the stage four you find that a large majority is using this product.

So, you look at this when sometimes early majority comes in some people wait for this early majority to take roots they become late majority in the whole scenario. Then this stage five is when the product is inclining declining some users might still like to try your product these are called laggards ok. So, a company should not wait till this stage five to cannibalize the product. So, when it should be able to do it before only and say this product is cannibalized. You find that happening with reference to electronic products very fast.

So, you took a particular model and when you went when you go there one or two years later that model itself is not there. So, what is the; what is a consequence of that you may find spares not available. So, you had a diner or radio ok, it was very good, but now that radio where after. So, many years gives problems let us say you won't get a spare for this diner or radio and it used to be very sleek giving wonderful reception people used to love it but.

Now, no similarly the previous radio of coming from Remko which was taken over radio and electrical manufacturing company taken over by BHEL on the Mysore road in Bangalore. It used to come out it is with it is wonderful brand of radios which were very good they were a wall radios. The wall radios became transistor radios the transistor radios became very sleek and the market used to appreciate that different brand names.

So, Remko went off came (Refer Time: 36:04) diner all the all those things are becoming extinct in the marketplace. So, you do not wait for the market to write your of you are right of, your product before the market rights of the rights of your product. So, this is what characterizes this.

So, this is this figure is called product life cycle and adoption, the product life cycle has two curves to be represented one is a profit another is the revenue. And in the product life cycle and adoption you look at five stages, the first stage where R and D has come in and you introduced to the product we stop here we continue in the next class.

Thank you.