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INTRODUCTION TO PRODUCT MANAGEMENT

Unit Structure :

1.0 OBJECTIVES

1. To Acquaint the students with concept and techniques of Product Management
2. To Sensitize the students about the role and responsibilities of Product Manager.
3. To help students understand about the functions of product manager.

1.1 INTRODUCTION

Product management is an organizational function that directs each phase of the lifespan of a product, from development to positioning and pricing, by placing the customer and the product first. Product managers represent customers' interests within the company and ensure that the voice of the market is heard to create the greatest product possible.

Product teams consistently deliver better-designed and higher-performing products because of this customer-centric emphasis. A deep understanding of clients and the capacity to develop solutions specifically for them are more important than ever in the digital industry, where firmly established items are swiftly replaced by newer and better alternatives. Product management can help with it.

It's a frequent idea that product managers oversee all day-to-day operations of a product's development. This is a project manager's responsibility, as we outline on our page comparing product management with project management. Product management is an important strategic task. giving product managers the responsibility of figuring out the "Why" of a product.

They must also convey to the rest of the firm the goals and ambitions for the products. They must make sure that everyone is contributing to a common organizational objective. Product management includes a wide range of continuous strategic duties. The specifics of the development process shouldn't be their responsibility. Innovative companies divide this role and give tactical responsibilities like workload management and scheduling to project managers. The product manager is free to concentrate on the higher-level strategy thanks to this clear split.

There is no one "best" method for managing a product. Processes will change and adapt to the organization, the stage of the product lifecycle, and the preferences of the product team members and executives.

Pricing, physical distribution, and promotion won't exist if there is no product. Because of this, the product is regarded as the most concrete and significant element of the marketing strategy. The needs and demands of the consumer must be met by the product. A business will fail if its product does not satisfy the demands and wants of its clients.

A product is a group of tangibles, immaterial, and symbolic qualities that bring advantages or satisfaction to the user or purchaser. A product combines objective and subjective characteristics, such as image or "quality," with physical characteristics like size and shape. Purchases are made by a customer in both dimensions.

1.2 DEFINITIONS

According to W. Alderson “A product is a bundle of utilities consisting of various product features and accompanying services”.

According to Philip Kotler “A product is anything tangible or intangible that can be offered to a market for attention, acquisition use or consumption that might satisfy a need or want”.

According to Cravens, Hills and Woodruff “Product is anything that is potentially valued by a target market for the benefits or satisfactions it provides, including objects, services, organizations, places people and ideas”.

A famous quote from product Management guru Martin Eriksson says product management is what happens “at the intersection between business, technology, and user experience.”

According to Marty Cagan “Product management is discovering a product that is valuable, usable, and feasible.”

1.3 PRODUCT LEVELS

Kotler's five product tiers model, often known as Kotler's Model, is a tool created by economist Philip Kotler to assist salespeople in identifying and evaluating the customer-appeal potential of a product. It distinguishes between the wishes, needs, and demands of a customer. Here is how each category of value for products in Kotler's model is defined.

a. **Want:** This is the contribution a product makes to a customer's fulfilment of a desire. A cinema theatre's offering, for instance, can satisfy a customer's desire for enjoyment.

b. **Need:** A product's value as a means of assisting a client in fulfilling a need. Products from a grocery store, for instance, can satisfy people's want for food.

c. **Demand:** The worth of a good that consumers can and desire to pursue. For instance, a fog machine can satisfy a customer's demand if they have the cash and the desire to purchase one.

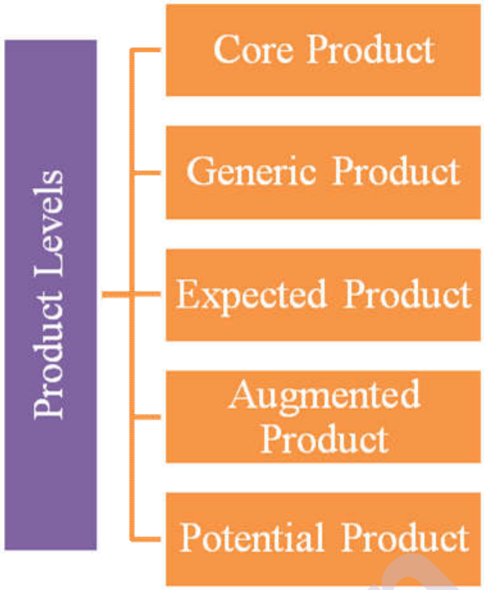
The marketer must consider five product levels as it plans its market offering. Customer value hierarchy is made up of the five levels, each of which increases customer value. The core benefit, or the essential service or benefit that the consumer is actually purchasing, is the most basic level. "Rest and sleep" is a hotel guest's purchase. Marketers need to understand how they help providers. The marketer must transform the primary benefit into a fundamental product at the second level.

At the third level, the marketer creates an expected product, which includes a list of qualities and circumstances customers often anticipate when buying this product. Hotel visitors anticipate a relatively calm environment, a clean bed, and new towels. Since most hotels are able to provide this bare minimum, guests typically choose the one that is most convenient or least priced.

The marketer creates an enhanced offering that surpasses client expectations at level four. A hotel may offer amenities like a TV with a remote control, fresh flowers, quick check-in and check-out, excellent cuisine, and room service.

The potential product is located at level 5, and it includes all future augmentations and modifications that the product or offering might experience. Here is where businesses look for novel approaches to satiate clients and set their offer apart.

The five levels of products are



1. Core Product

Core benefit or core product is the level that is the most fundamental. It is the main advantage that a product offers. Customers typically purchase a main product or its primary benefit. In other words, the customer is actually purchasing the service or benefit. For instance, rest and sleep by renting a hotel room, a delectable dinner by the hotel, entertainment by rock music, etc.

2. Basic Product

The consumer is actually purchasing this product. It is the version of the product that has those features or properties that are absolutely essential for it to work. For instance, a hotel room comes with essentials like a bed, bathroom, towels, fan, table, chair, and water. Basic goods are often referred to as generic goods. It is, in essence, the product in its purest form.

3. Expected Product

This is the group of qualities that consumers anticipate from a product. For instance, a client who purchases a pair of headphones probably anticipates them to have comfy earpieces and high-quality audio. Additionally, different clients could have various demands for the same product.

4. Augmented Product

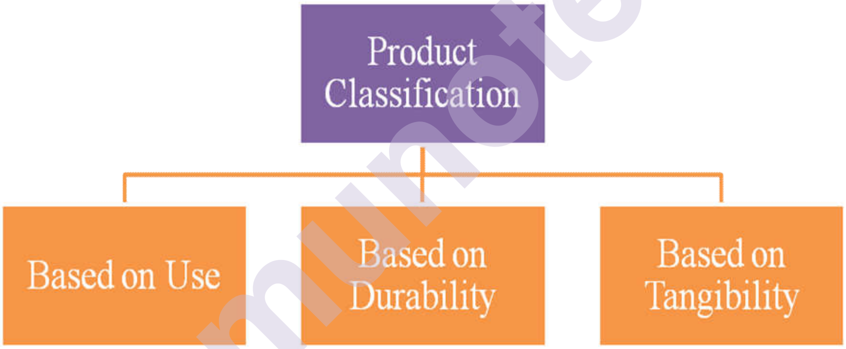
This is used to describe products that have additional features added by the manufacturer that go above and beyond the product's core functions. Companies might take this action to boost a product's competitiveness against similar goods. For instance, bringing live entertainment to a restaurant may be used to draw guests also this would help the hotel to make their customers delighted by such efforts.

5. Potential Product

This covers every modification a business might make to its product in the future. By consistently upgrading the product, these modifications hope to raise customer happiness and keep customers interested. For instance, a car wash might provide consumers with a rewards programme that entitles them to a new automobile accessory with each visit.

1.4 PRODUCT CLASSIFICATION

We are aware that a product has a variety of both tangible and intangible qualities. Now that we have this broad perspective, it is reasonable to think about products in terms of recognisable groups. This can be formalised using a classification system, which helps with the development of products and markets. Traditionally, producers and marketers have categorised things based on features including robustness, tangibility, and usage (consumer or industrial). Each sort of product has a suitable marketing-mix strategy. Products can be divided into three types based on their tangibility and durability.



The term "product" refers to the items and services that an organisation is selling. Here, marketers must understand that customers are more interested in a set of tangible and intangible traits that satisfy their needs than just a product's physical features. For instance, when a client purchases a washing machine, he is actually purchasing a tool that assists him in washing clothing rather than just a machine. It should be noted that anything that may be presented to a market for consideration, purchase, or use is considered a product. Thus, "everything that may be provided to a market to satisfy a want" is defined as a product.

1. Based on Use

The product can be classified based on the usage of the product. The following are the categories in which product can be classified.

a. Consumer Goods

Goods meant for personal consumption by the households or ultimate consumers are called consumer goods. This includes items like toiletries, groceries, clothes etc.

i. Convenience Goods

Products that the client may easily, quickly, and regularly purchase are known as convenience goods. Newspapers and soaps are examples of convenience goods, as are everyday foods like pasta or ketchup. Purchasing convenience items is typically based on habitual behaviour, where the buyer will repeatedly buy.

ii. Shopping Goods

Shopping goods are the second sort of product, and they typically involve a more extensive choosing procedure than convenience items. A consumer typically evaluates a number of characteristics, such as suitability, quality, cost, and style. Homogeneous products are ones that have a similar level of quality yet differ enough from one another in other respects (such as price, brand recognition, or style) to warrant a search. These items could be audio or television equipment, or car tyres. Homogeneous retail products are frequently sold primarily on price.

iii. Speciality Goods

A sizable segment of consumers is willing to make special purchase efforts for specialty items because they have particularly distinctive features and brand identifications. Examples include certain brands of upscale goods, high-end automobiles, gear for professional photographers, and designer clothing.

b. Industrial Goods

Industrial goods are defined as items intended for consumption, use as raw materials in the manufacture of other commodities, or the supply of a service. These consist of and are intended for non-personal and business use.

i. Raw Materials
ii. Machinery
iii. Components
iv. Operating Supplies

2. Based on Durability

The following are the categories classified on the basis of durability

a. Durable Goods

Products that are utilised for months or years at a time are considered durable goods. These products include, for instance, refrigerators, cars, washing machines, etc. Such products typically have huge profit margins and demand more personal selling efforts. The seller's reputation, as well as the presale and after-sale services, are significant factors in the decision to purchase these goods.

b. Non-durable Goods

Products that are typically consumed in one sitting or only get a few uses are considered non-durable items. These include items like soap, salt, pickles, sauce, and others. We buy these commodities more frequently since they are consumed quickly. The producer often distributes such goods through a wide range of practical retail locations. Such products typically have minimal profit margins, and extensive promotion is done to encourage people to try them out.

3. Based on Tangibility

On the basis of tangibility the goods can be classified in two ways i.e. Tangible goods and intangible goods.

a. Tangible Goods

Most things come into this category since they have a physical form that can be handled and seen, regardless of whether they are industrial or consumer items, durable or not. As a result, everything like food, automobiles, raw materials, machinery, etc. belongs to the category of tangible products.

b. Intangible Goods

Services offered to individual customers or group purchasers (industrial, commercial, institutional, government, etc.) are referred to as intangible products. Services are essentially immaterial actions that satisfy wants or needs. This category includes things like medical care, postal service, banking services, and insurance, among others.

1.5 NEED/ IMPORTANCE OF PRODUCT MANAGEMENT

Product management is a relatively new profession in the club of well-established ones, but it didn't just appear overnight. Other team members, whose major responsibility would be something else, would typically handle a product manager's responsibilities. Lean start-ups, where few founders and early-stage staff wear several hats to conserve money until they hit pay dirt, are examples of this manner of living. Because they make sure that all teams and tasks are operating as intended, product managers become more important (apart from coming up with product ideas and shortlisting features for the future and a million other things). Here are a few elements that emphasise the significance of product management.

Early customer relationship development is essential for corporate success. However, the significance multiplies with software solution providers serving other software firms. The companies that actively seek to address the problems that their consumers have are the ones that succeed, and product managers play a critical role in making that happen. They develop product roadmaps and share them with stakeholders, detailing the features they are working on, ideas that may be incorporated in the future, features that have already been implemented, and other pertinent information. In order to better understand the demands of the client, they also continuously gather user feedback and feature requests.

1. Focus on Customer

The two most crucial components of any organisation are its products and its customers. Product/customer focus, which emphasises creating high-quality products with the potential to please clients, is a defining trait of successful entrepreneurs. One component of the entrepreneurial process that many business owners find to be tremendously fulfilling is creating items that improve people's lives.

2. Results in Smooth Relationship

Company's long-term success rests on the rapport it can establish with clients. Today's consumers are continuously assessing their interactions with the companies in their lives, and a few slip-ups could result in them dumping your business. However, if you can regularly deliver warm, attentive service to your clients, you can significantly raise their lifetime value.

For items from businesses that provide excellent customer service, costumes are willing to spend 17% more, according to Forbes. Additionally, happy consumers are five times more likely to return for a second transaction and four times more inclined to recommend a business.

3. Helps to Keep up with Market Trend

Efficient product management helps the businesses to keep up with the dynamic business environment. Some trends last longer than others, even though many are fleeting. The current trends in product creation, marketing, sales, and management are influenced by a wide range of variables. Consumer demand and behaviour, however, will most often have an impact on a company's product management roadmap and persuade business leaders to either change their strategy or continue with what is effective. That being stated, it doesn't matter what sector or market you operate in; to maintain or develop a marketable product, you must keep up with the most recent trends. To do thus, one strategy is to get useful information from customer reviews of the products.

4. Prioritizes features as per the market Trends

The Management of product leads aa manager to produce such goods which will be customized as per the customers expectation and changing business scenario. Doing so is one of the great importance of product management as by overlooking the customer needs and ignoring the environmental traits and changes non can ensure success in the field of business.

5. Prevent Loss

Product management helps in minimizing the losses of companies, as the organizations via efficiently doing market research will identify the expectation of customers and produce the goods as per the market requirement by ensuring the proper quality of products.

6. Ensures Development of Product

The product ones consumed by the consumer will lead to either satisfaction or dissatisfaction of them. In both ways the feedback will come to the company which helps the company to focus on customer centric production and supply chain management. Customized products with efficient marketing strategies creates satisfied consumers which ensures effective flow of information from customer to the company which leads towards betterment or development of a product.

1.6 ROLES AND RESPONSIBILITIES OF PRODUCT MANAGER

Making sure that the product supports the organization's broader strategy and goals is a crucial part of the product manager's job. Delivering a unique product to market that fills a market need and offers a promising economic opportunity is the responsibility of the product manager. Although the Product Manager is ultimately in charge of overseeing the product from conception to end-of-life, they receive support from specialists such as designers, developers, quality assurance engineers, supply chain and operations experts, manufacturing engineers, product marketing managers, project managers, sales professionals, and others during this process.

1. Domain Expertise

In their book "Building Products for the Enterprise," authors Blair Reeves and Benjamin Gaines outlined three categories of knowledge that every project manager should seek out. These three classifications are:

a. Organizational knowledge is acquired via experience and refers to "understanding how your firm really works."

b. Product knowledge, or "knowing your product inside and out," may foster empathy and trust among you, your team, and your end consumers.

c. Industry knowledge is deemed by Reeves and Gaines to be "the most important of these three areas of knowledge because it represents a deep and thorough understanding of customer problems that remain unsolved" and is "directly associated with the ability to deliver successful products that will grow your company's revenue."

2. Leadership Skills
Excellent product managers are excellent leaders. They are good at promoting the product, and they help the team develop a strong culture and sense of camaraderie. They are also able to mentor and coach others, to lead individuals and groups, and to successfully convey vision and goals through narrative, for instance.

3. Empathy
Genuine empathy for the people who will use the product is necessary for its delivery. And developing empathy for consumers' suffering is a talent. You must learn how to communicate with your consumers in an efficient manner so that you can transform their feelings into workable solutions.

4. Research Ability
Great product managers have a thorough understanding of their markets and customers. Understanding how to sort through and comprehend all the information that is presented to you is crucial. Creating shared documentation for the team to refer to and learn from, such as business models, user personas, and competitor analyses, is a component of conducting this research.

5. Project Management Skill
It requires a lot of coordination to introduce new features and items to the market. It can feel stressful to have a never-ending list of duties, obligations, and crucial deadlines. To become more organized, improve your project management abilities.

6. Decision Making
This is one of the greater responsibilities of product manager as decisions taken by him will either lead to company for success or failure. Decision making is a cortical job, one must be a visionary to take critical decision as it directly concerns the customer and profitability of the company.

7. Product Planning and Presentation

Product Planning and Presentations are frequently given by product managers to the product team, management, and even customers. Additionally, managers can oversee running webinars, facilitating demos, or making presentations at conferences. A clear, captivating presentation that is suited to the audience is successful. Set a goal for improvement with each presentation you make.

1.7 FUNCTIONS OF PRODUCT MANAGERS

A great product manager makes sure that everyone on the team cooperates to realize the product vision. Setting the long-term goal and plan, assuring user engagement, contentment, and monetization are the main duties.

However, these may change based on the nature of the business and industry, as well as their perceptions of the project manager's duties. A few people may oversee creating product roadmaps, conceptualizing, analyzing data, overseeing the development and production process, conducting market and user research, sampling, testing, and forecasting, while others may oversee promotion, distribution, sales, and marketing duties, particularly if the product is already in use.

1. Setting the Product vision

The crucial first stage in product development is to define the product vision. It outlines the overall direction and vision for achieving objectives. This is based on suggestions and comments from the team that worked on the product's development. The product development cycle involves establishing clear objectives, defining the product's specifications, imagining the customer personas it is intended for, determining whether it addresses the user's fundamental problems and aids in the achievement of their goals, and including all the measures necessary to periodically gauge the product's success.

2. Strategy Development

The steps to achieving the vision, or the strategy, must be specified once it has been condensed. The strategy outlines the milestones and techniques to attain the product goals, which are defined by the vision. To ensure that the development team can effectively distribute the execution plan, the strategy should be clear and practical. This makes sure that each team member is aware of their responsibilities, KPIs, and the interdependencies that result in goal achievement.

3. Product Development

Technical specifications must be established before creating prototypes and mockup designs. A product manager can be involved in writing technical specifications like the PRD (Product Requirement Document) and FSD (Functional Specifications Document), defining the MVP (Minimum Viable Product) and ensuring it serves its purpose, as well as changing product requirements based on user inputs. However, these tasks are typically handled by the UX team. Finding out what user's desire and relaying this knowledge to the development team and project managers is the primary objective of the product manager. They work along with the UX experts to develop the testing scenario, monitor the results, and inform the project manager of any adjustments.

4. Execution and Training

The team starts working on the product at this stage in accordance with the priorities listed in the roadmap. The product manager uses the product roadmap to direct and regulate the execution process as they add new features to the existing product or work on developing a new one. To ensure that usability testing is successful, the product manager works with potential customers to assess user reactions and feedback and then relays this information to the development team and project managers so that changes can be made based on their input.

5. Marketing and sales

The product manager plans the product positioning, launch, distribution, operating strategies, and continuously monitors the product's growth and revenue graph after it is finished. Even though these are practical qualities, let's take a quick look at the character traits that make outstanding product managers.

6. Effective Communication

A product manager must interact with a variety of stakeholders. To ensure openness and agreement on potential reiterations, timeframe extensions, and other requirements that have not been considered, technical information must be broken down and communicated to customers and vice versa. Throughout the whole stakeholder ecosystem, timely and transparent communication can help prevent interpersonal problems and promote a healthy and productive environment.

1.8 SUMMARY

Without the cooperation of the team, little can be accomplished. As a product manager, it is your responsibility to work with the team to develop, promote, and sell the product. Honor their insights and wisdom while encouraging cooperation. Call for review meetings frequently, be present and engaged, pay attention, and seek consensus on critical choices. Recognize achievements and offer helpful criticism. Avoid bias; be receptive to ideas based on their applicability and compatibility with the product goal; and demonstrate why each idea important, regardless of where it originates.Product managers are at the heart of generating goods that customers enjoy, even if there are many other crucial characteristics that affect the breadth and success of a company. They create products that have a beneficial impact on consumer experiences, assisting in the achievement of important company and client objectives. A great product manager is a creative problem-solver who is passionate about creating solutions that are rooted in empathy, trust, and transparency. Product managers hone their talents on the job, which comes along with acquiring useful intelligence from many stakeholders and years of launching exceptional products, even though technical training and upskilling are equally crucial.

1.9 EXERCISE

Answer the following questions.

1. Define product management and explain the levels of products
2. Explain the Role of manager in detail.
3. Elucidate the concept of product management and explain in detail the functions of product manager.
4. Write a detailed note on product classification.

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2

PRODUCT MIX

Unit Structure :

2.0 OBJECTIVE

- To understand the concept of product mix
- To get information on factors affecting product mix
- To understand the BCG matrix
- To understand GE 9 cell model

2.1 INTRODUCTION

Product mix refers to all the product categories that the business offers, but only those that are currently on the market and not those that are still in the development or testing phases. "A product mix is the collection of all product categories and goods that a specific vendor makes available for purchase by customers." For instance, a company's product mix can include cosmetics, personal care products, and medications. Again, each line may have a sub line. For example, cosmetics may be divided into powder, lipstick, nail polish, rouge, etc., thus each line and sub line may have quite a few distinct goods.

While some businesses only produce one item at a time, most do it in bulk for the market. The complexity of effectively marketing each product grows when a firm expands the range of goods it sells. It's important to understand that not every product can be sold in the same way. Spices, clothing, and automobiles all demand specialized marketing approaches.

Marketing professionals classify products into several groups based on their distinctions.

The product mix of a company is a crucial component in creating an effective overall marketing strategy. For instance, it might have an impact on how a business is structured. Comparatively to a company with little depth, a lot of width, and little consistency, one with significant depth to its lines and consistency to its mix is more likely to center its marketing effort.

PRODUCT MIX MEANING

The full range of goods and/or services that a company provides is referred to as its product mix, often known as its product assortment or product portfolio. Product lines, which are connected goods that customers frequently use together or perceive as related goods or services, make up a product mix.

Let's look at a straightforward Coca-Cola product mix example. Let's say for the sake of simplicity that Coca-Cola manages two product categories: juice and soft drinks (Minute Maid). Coca-Cola, Fanta, Sprite, Diet Coke, and Coke Zero are considered soft drinks, while Guava, Orange, Mango, and Mixed Fruit are considered Minute Maid juices.

THE IDEAS OF AN OBJECT'S WIDTH, DEPTH, LENGTH, AND CONSISTENCY PRODUCT MIX:

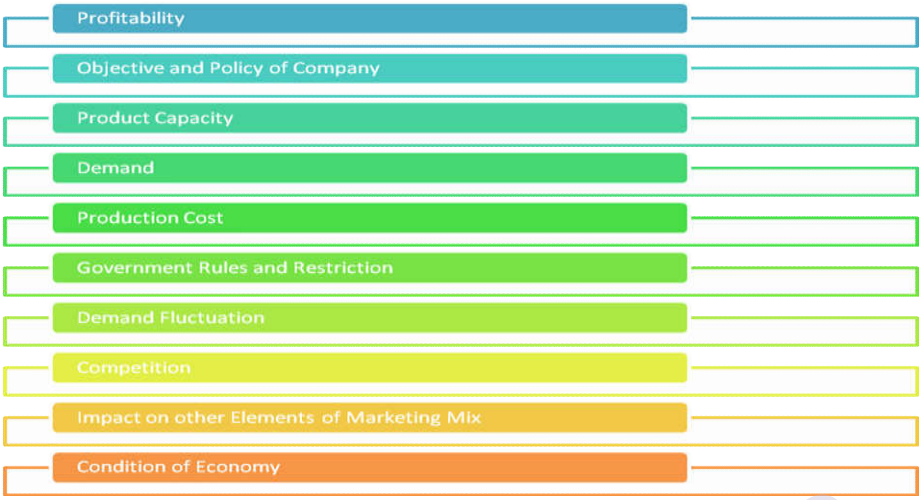
A product mix is the collection of goods that a company offers to customers. A company's product mix will then have a specified depth, width, uniformity, and length. The variety of product lines that a corporation carries make up its product mix. The number of product lines in the company is indicated by the width of the product mix. On the other hand, the number of variations that are provided for each of the company's product lines is referred to as the depth of the product mix. The variety of items offered in each product line serves as a gauge for the depth of a product mix. The length is the total number of products that make up the product mix. For instance, a particular detergent powder has a depth of six if it is available in three sizes and two formulas. If there are commonalities in terms of end use, production needs, distribution methods, and other factors, a product mix is said to be consistent.

2.2 FACTORS AFFECTING PRODUCT MIX

The product mix of a firm is important to understand as it has a profound impact on the firm's brand image. The following are the important points for the firm to expand its product mix:

a. Expanding the product mix width can provide the company with the ability to satisfy the needs or demands of the different consumers and thus, diversify risk.

b. Expanding the product mix depth can help the company to cater to the current customers in a better and fulfilling way.



1. Profitability

Every business strives to increase its profits, and in order to do this, it tries to alter its product mix in ways that will improve its profitability. To increase profitability, the corporation likes to add new product lines or product items to its already existing product lines. While this is going on, the product mix is continually modified to maximize revenues.

2. Objectives and Policy of Company

To achieve its goals, the corporation formulates its product mix. As a result, the company's aim informs the addition, deletion, or replacement of product lines or individual product items. As a result, the product mix is created and altered in accordance with business policy.

3. Production Capacity

The capacity of the plant or the company's production heavily influences the decisions made about the marketing mix. The business creates its product mix to maximize manufacturing capacity.

4. Demand

Decisions on the product mix are typically made considering demand. A marketer should investigate consumer behaviour to determine how well-liked their goods are. The company's product mix needs to adapt to changes in customer preferences, particularly those related to fashion, interests, and habits. Naturally, the corporation gives higher priority to the products that are in higher demand. In the event of declining demand, a corporation must gradually stop selling subpar products. As a result, the product mix is modified over time to satisfy changing consumer demands.

5. Production Cost

Depending on how much each item costs to produce, the product mix is either extended or narrowed. The products that can be created within the allocated budget will be preferred by the company. Sometimes, existing items' manufacturing costs increase, and the corporation decides to discontinue those products to cut production costs. Additionally, the selling price, profit margin, and production expenses are all balanced.

6. Government Rules and Restriction

Businesses typically manufacture goods that are not controlled or outlawed by the authorities. When a product or variety is deemed illegal, a corporation occasionally has to stop selling it. Like this, social and religious demonstrations are crucial in this context. The current legal system has a direct impact on the scope and make-up of the product mix.

7. Demand Fluctuation

Demand can change for several factors in addition to customer behaviour. Seasonal impacts, lack of replacements, population growth, war, drought, flood, and other calamities all have an increased impact on demand. The business must modify its product mix to match the shifting demand for some products.

8. Competition

One of the key elements influencing the product mix is it. All businesses strive to have a product mix that allows for a robust response to the competition. The product mix of the company is significantly impacted by the product mix strategy used by its immediate competitors.

9. Impact of Other Elements of Marketing Mix

The design of the product mix should also consider other aspects of the marketing mix, such as price, promotion, and distribution. To carry out marketing efforts successfully and efficiently, the corporation tries to ensure consistency among all these factors.

10. Condition of Economy

Both domestic and international economic factors are taken into consideration. Due to the liberalization and globalization processes, no company may dare to undervalue the overall state of the global economy. As a result, a business must consider how the home economy is doing in relation to the global economy. This is especially important for businesses engaged in international trade.

2.3 STRATEGIC BUSINESS UNIT

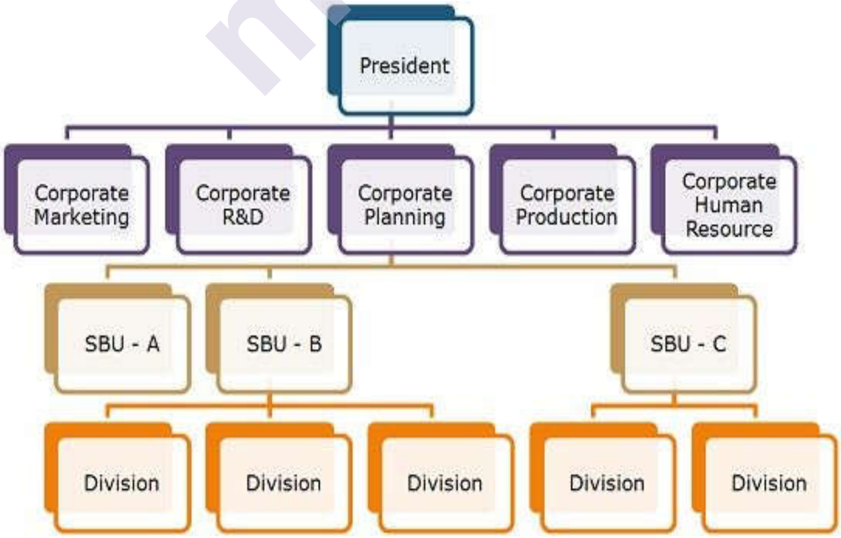
Business strategies function inside a framework that is established by corporate level strategies. Corporate level, for instance whereas a firm needs its own strategy to contribute to the successes, the government decides to stabilize, expand, or retrench. Business strategies are the actions taken by an organisation for each of its businesses separately. They are designed to help each business in the company's portfolio gain a competitive edge while also maximizing the company's use of resources, skills, and synergies.The corporation, which has multiple goods and operates in multiple geographies, establishes strategic business divisions to efficiently handle each of the items. For instance, Hindustan Unilever Ltd., a multi-product company, has embraced the idea of a strategic business unit. Each strategy focuses on specific products, such as cosmetics, beverages, laundry products, and hygiene.

A strategic business unit (SBU) is a division within an organisation that operates much like a stand-alone company, including developing its own strategic plans and marketing plan. Depending on the levels of control given to the management of the division, an SBU may adopt the corporate identity of its parent company or create its own brand identity. In large, diversified organizations and global corporations, a one-size-fits-all strategy approach would be insufficient. By breaking down the company's operations into SBUs, efficiency and market focus are increased. Because they guarantee that goods and product lines are given specialized focus, as if they were developed and promoted by an independent company, SBUs are a feasible kind of organisational sectioning.

Definition

Strategic Business Unit (SBU) refers to a division of a large corporation that is independently managed, has its own vision, goal, and objectives, and plans independently of the company's other companies. The division's vision, mission, and goals are separate from those of the parent company and essential to the enterprise's long-term success.

SBU Structure



SBU Structure

2.4 PORTFOLIO ANALYSIS

Portfolio analysis is the process of looking at the elements that make up a group of products with the aim of making choices that should increase total return. The phrase describes the procedure that enables a management to identify more effective resource allocation strategies with the intention of raising profitability. It could also be used to describe a portfolio of investments made up of securities.

A corporation that sells a variety of goods and services must perform a portfolio analysis on a regular basis. This entails examining each product independently in terms of its profitability, contribution to revenue, and room for expansion. The identification of items that are not at all lucrative or perform poorly within the group is made easier by this study.

According to predetermined standards like sales value, market share, gross profitability, contribution margin, and life cycle, the products are divided into categories. The findings can indicate products that should be removed from the market or just receive less funding. It can also mean that the business has to devote more resources and attention on a few standout goods with more promise. The study is done to boost the performance of the global portfolio because the goal is to maximize profit for shareholders. For example, 55 different styles of women's shoes are produced and sold by Shine Shoes. The general manager saw that over the previous two years, despite rising sales, profitability had been progressively declining. He requested a portfolio review from a consultant because he had no idea what had happened. The study's findings were interesting. 17% of all sales were made by the top five models. However, because to excessively high production costs, those five were completely unprofitable.

Other models were quite profitable at the same time, but their sales within the whole portfolio were very small. The Manager made the decision to increase marketing and sales efforts in the most lucrative models to increase overall profit. The results were encouraging, and the company's finances significantly improved because of the knowledge gained from the portfolio study.

2.5 BOSTON CONSULTING GROUP MATRIX

Businesses with multiple divisions or products, this strategy is especially helpful. The "business portfolio" of the organisation is made up of the divisions or goods. The company's expansion and success may be directly impacted by the portfolio's structure.

The Boston Consulting Group (BCG 1973) created a method of strategic analysis in the 1970s that contrasts a company's market share with the projected growth of its market over the following five years. The strategy is the BCG matrix.

is frequently used to examine businesses with numerous divisions or business units. However, it can also be applied to examine a single-unit firm or even specific product offerings. The BCG matrix is frequently referred to as a "portfolio analysis tool" because of its adaptability in this regard. A four-block matrix can be created by placing relative market share on the horizontal axis and market growth rate on the vertical axis.

Strategies are created based on the business units' relative positions once they have been positioned on the BCG matrix for the company. The units can be divided into four categories: "stars," "question marks," "cash cows," and "dogs" using the four quadrants of the matrix, which were created by dividing the two variables into "high" and "low" areas (see Exhibit 12.2). According to the arrangement, a company needs more cash to stay competitive and expand the faster the market is growing. Additionally, more money can be made the larger the firm's market share. The high "cash generation" divisions can pay for the high "cash consumption" divisions with the cash they earn.

Source- https://www.edrawmind.com

1. Dogs

Divisions that are struggling include dogs. They have a small market share in industries with slow growth. Typically, they don't earn a lot of revenue or take much from the parent firm, yet occasionally they will need a corporation's cash.to continue doing business. Dogs, at best, don't provide much value; at worst, they consume resources like money and management's time and attention. Therefore, the common dog tactics involve turning them around and getting them to walk toward the question mark box, divesting them, or shutting them down. A company, though, can decide to keep a dog for strategic reasons. In the previous eyeglasses example, there is a market for sports protection; even if positive movement is not evident, the company could be sensible to continue to provide items in this category without concentrating on it.

2. Question Mark

In expanding markets, question-mark divisions have a small market share. Question marks frequently need money because the market is expanding in order to stay competitive. Question marks frequently drain money from a company instead of being net cash producers. The strategic course of action in these situations is unclear, therefore the question mark. Product development, market penetration, market development, and other growth tactics may be employed if the strategist believes there is a chance to increase the division's market share and elevate the division to the star box. Divestment may be an option if the analyst does not see the possibility to enhance the division or if the business lacks the funds to invest in the unit.

3. Star

Divisions that have a significant market share in expanding markets are known as stars. These companies create a buzz. They also make a lot of money thanks to their large market share. At the same time, they need a sizable amount of cash to support their ongoing expansion in the quickly growing industry and to fend off rivals who want to steal their market share. The money that celebrities bring in typically tends to net out. They are comparable to dogs in that regard, but they still have a lot going for them. Continuing to support growth and increasing market share through market penetration and market expansion, product development, integration strategies, and even joint ventures are examples of strategic approaches.Defense strategies aimed at preserving the substantial market share are also considered. A star enters the cash cow category if it retains its dominant market share as the market life cycle matures; at this time, other competitors withdraw, and the star needs less money to support the excellent financial performance. A star, however, turns into a dog if it is unable to keep up its share.

4. Cash Cow

Cash cows command a large portion of the market in sectors that are not experiencing rapid growth.They have sizable profit margins because pricing power and market dominance frequently go hand in hand. Due to the market's slower growth and the cheap investment requirements, they also produce much more money than they spend.

Cash cow strategies involve maintaining the division's operations without making a big financial commitment, then using the money made to reinvest in turning around dogs or converting question marks into stars.

A company's portfolio can be quickly seen using the BCG matrix in relation to market share, market growth, the amount of cash contributed, and relative strength or weakness. By positioning the target firm on the matrix and then correctly positioning the competitors, the matrix may also be used to show a target company and its position in relation to its competitors. The BCG matrix is the first analytical tool we've come across that starts to offer strategy in addition to straightforward analysis.

2.6 GENERAL ELECTRIC NINE CELL MATRIX

Businesses nowadays must be more careful to make investments that will yield the best returns since they are more exposed and competitive. The corporation can assess its investment portfolio more thoroughly and methodically thanks to the GE McKinsey matrix.

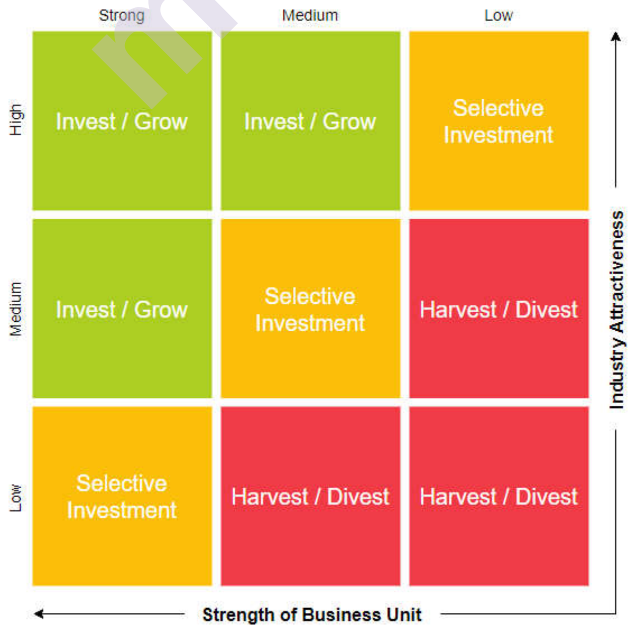
"The GE-McKinsey nine-box matrix is a strategy tool that allows the multi-enterprise corporation a systematic approach to prioritise its investments among its business divisions."

Drivers of Industry Attractiveness

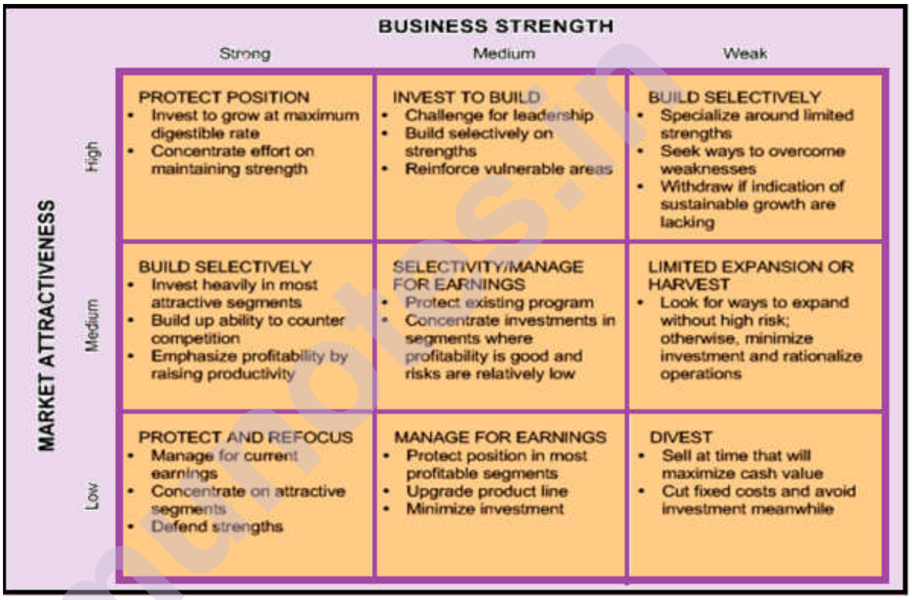
1. Market size
2. Market growth share
3. Competitive rivalry
4. Demand variability

Drivers of Competitive Strength

1. Assets and competencies
2. Market share
3. Customer loyalty
4. Cost structure
5. Cash flow



The portfolio assessment framework of the GE McKinsey matrix is pretty like the BCG matrix. To assist investment decisions, both matrices are used to analyse a company's product or business unit portfolio. The main difference between the two models is that GE McKinsey uses a nine-cell matrix whereas BCG only uses a four-cell matrix. The BCG portfolio tool was too simple for the General Electric employees, so experts created the GE McKinsey framework. According to the BCG matrix, a business unit's competitive power is equal to its relative market share, meaning that the more market shares a company has, the more equipped it is to compete in the market.The matrix offers more versatility than the BCG in terms of the elements that may be included, and it can be referred to as a multifactor portfolio model. The matrix enables a corporation to evaluate how well organisational competencies and service/product offers align. Additionally, it provides expected business/product placement in the matrix, aiding in the process of strategic planning.



Source- https://www.civilserviceindia.com/subject/Management/notes

Merits

1. It utilized 9 cells as opposed to 4 for BCG.
2. It does not come to a one-dimensional conclusion because it takes into account numerous factors.
3. Compared to the BCG matrix, it is a more advanced business portfolio architecture.
4. There are many classification schemes, such as high/medium/low and strong/average/low, which help distinguish between business portfolios more clearly.
5. This matrix assesses business strength and industry attractiveness using a variety of characteristics, allowing users to choose the ones that are most relevant to their circumstances.

Demerits

1. To ascertain the industry's attractiveness and business unit strength as precisely as feasible, GE Matrix uses a consultant or specialists.
2. The cost of doing it is high.
3. The GE-McKinsey matrix's main premise is that it can function when production and distribution can achieve economies of scale. The idea of exploiting the firm's and the SBU's competencies is useless unless the same is true.
4. This examination does not indicate the corporation's or the firm's fundamental competencies. The key skills can be applied to all SBUs and can be used to determine whether an SBU is competitively strong.
5. With the growth of businesses, it can become difficult and burdensome.
6. The position of new businessunits in developing business cannot be accurately represented.

2.7 SUMMARY

Making judgments regarding investment mix and strategy, matching investments to objectives, allocating assets for both individuals and institutions, and balancing risk and performance are all parts of portfolio management, which is both an art and a science. Portfolio management is the practice of choosing the ideal investing strategy for a certain person with the least amount of risk and greatest potential return. Additionally, it refers to managing a person's investments in bonds, stocks, cash, mutual funds, etc. to ensure that he makes the most money possible within a given time frame. Money managed by a person under the knowledgeable direction of a portfolio manager is referred to as portfolio management.To have a risk return trade off, it is done by examining the strengths, weaknesses, opportunities, and dangers in various investment possibilities.The choice of debt vs. equity, local vs. foreign, growth vs. safety, and many other choices found in the endeavor to optimize return at a certain appetite for risk are all about strengths, weaknesses, opportunities, and dangers. The combination of several equities in a portfolio is all that it is. The foundation of portfolio management is an understanding of market dynamics.

2.8 EXERCISE

Answer the Following Questions

1. Define Product Mix in detail and elaborate the concept of product mix.
2. Write a detailed note GE Nine Cell Matrix.
3. Write a detailed note on BCG Matrix.

2.9 REFERENCES

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3

PRODUCT DECISION OVER PLC

Unit Structure :

3.0 OBJECTIVES

- To understand the PLC
- To understand PLC strategies

3.1 INTRODUCTION

The central concept of the product strategy is the product life cycle (PLC). It is predicated on the idea that once a new product is introduced to the market, it begins a "life cycle." The launch and decline of the product constitute its "birth" and "death." The interim is characterized by maturation and growth. When a product's path through the market is considered, marketing strategies may be created that are appropriate for the relevant stage of the product's life cycle. In addition to the stages mentioned, the stage of saturation—a levelling off in sales following maturity but before decline—is also frequently considered.

The positioning and differentiation strategy of a corporation must evolve as the product, market, and rivals do. Four things are asserted when a product is said to have a life cycle:

a. Products have a finite shelf life.

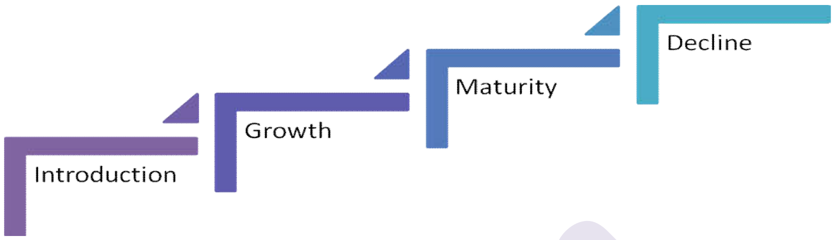
b. Product sales go through several stages, each of which presents the seller with unique difficulties, opportunities, and challenges.

c. At various points in a product's life cycle, profits increase and decrease.

d. Different marketing, financial, manufacturing, purchasing, and human resource strategies are needed for different stages of a product's life cycle.

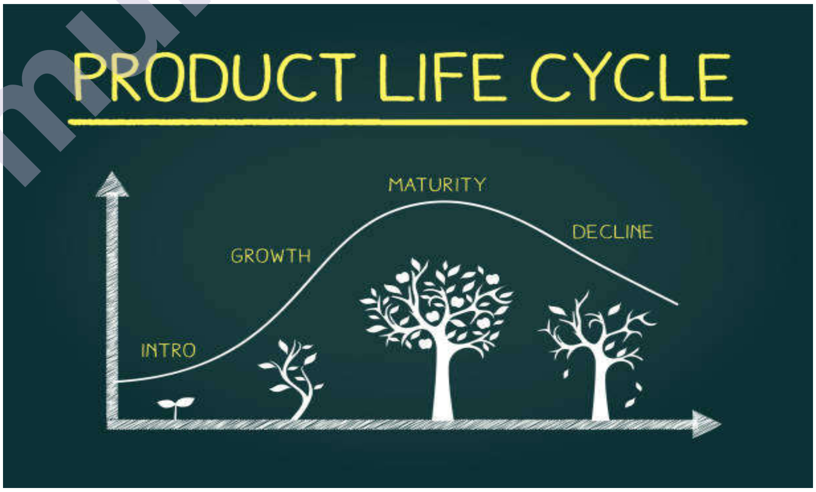
3.2 PRODUCT LIFE CYCLE

In most cases, bell-shaped product life-cycle curves are depicted. Introduction, growth, maturity, and decline are the four stages into which these curves are commonly categorized.



1. Introduction

a time when sales are slowly increasing as the product enters the market. Because of the significant costs associated with product introduction, profits are nonexistent. At this point, customers are being introduced to a novel and unheard-of product. Sales are modest, the production method is new, and economies of scale or the experience curve haven't reduced costs yet. The goal of the promotion strategy is to familiarize customers with the product. The pricing strategy is intended to attract new customers and encourage them to try the product.



Source- https://www.istockphoto.com/photos/product-life-cycle

2. Growth

Consumers begin to act during the growth stage. They purchase the item, which raises sales by becoming well-liked. Other businesses have taken note of the offering as it begins to attract more interest and money.

Sales are currently growing quickly. Customers are prepared to purchase the product since they are familiar with it. Both new consumers and returning consumers are drawn to the market. The business may need a significant influx of finance and experience to ramp up production quickly.As the company goes down the experience curve and realizes economies of scale, costs are reduced. Profit margins are typically high. Although new competitors may enter the industry, there isn't much competition because it's expanding quickly. To capitalize on the expanding sector, promotion and pricing methods are updated.

3. Maturity

The market reaches this point of saturation. Production has finally caught up with demand, and the rate of demand increase abruptly decreases. The number of first-time buyers is low. Repeat business is the norm for buyers. When competition is fierce, aggressive pricing and advertising strategies are used to either gain market share from rivals or simply hold onto it. Although size economies and experience curves are reached, aggressive pricing strategies frequently result in lower profit margins. Despite efforts by businesses to differentiate their offerings, the items end up becoming increasingly uniform.

4. Decline

At this point, sales decline as customers switch to other products. There is fierce competition between rivals. Narrow profit margins and falling sales lead profits to dry up. Businesses occasionally quit the sector. The businesses that are left try to rekindle consumer interest in the product. Sales can start to increase if they are successful. If not, either sales will stabilise or keep declining.

3.3 STRATEGIES CONCERNING THE STAGE OF PRODUCT LIFE CYCLE

The various Strategies as per the Product Life Cycle Phases are as follows

1. Introduction

Sales growth is typically slow during the introduction stage since it takes time to introduce a new product and fill dealer pipelines. The slow growth was attributed to several factors, according to Robert Buzzell, including technical difficulties, a lack of proper distribution through retail stores, and customer resistance. High-definition TV sales are being held back by other factors including product complexity and a dearth of consumers.

Profits at this point are either negative or low.

i. Due to the necessity to I educate potential customers,
ii. Encourage product trial, and
iii. Ensure distribution in retail outlets, promotional expenditures are at their highest ratio to sales.

Businesses concentrate on ready-to-buy customers, who are typically from higher-income demographics. Costs are typically high, which leads to high prices. Companies that want to launch a new product must choose when to do it. Being first can be very lucrative but also costly and risky. If the later entry makes sense, in a time where product life cycles are getting shorter, it is crucial to accelerate innovation. Companies who arrive at workable solutions first will benefit from "first-mover" advantages in the market. Being early benefits you. If the product meets their needs, early customers will remember the pioneer's brand name. Pioneer often targets the middle of the market, which attracts more customers. Along with producer advantages like economies of scale, technological superiority, patents, ownership of valuable assets, and other entry-barriers, customer inertia also plays a part. An alert pioneer can continue to be in charge indefinitely by pursuing different tactics.

The company can contribute superior quality, technology, or brand power. Knowing that it cannot enter all the potential product markets at once, the pioneer should envision which markets it might first enter. The pioneer should evaluate the earning potential of each product market separately and together before deciding on a strategy for market expansion.

The pioneer strategy calls for entering the market for the product first, moving it to a second market, surprising the competition by creating a second product for the second market, moving the second product back into the first market, and finally introducing a third product for the first market. If this strategy is successful, the initiator company will possess a sizable portion of the first two segments and provide two or three items to each of them.

2. Growth

A substantial increase in sales characterises the growth period. Because the product is well received by early adopters, more people start purchasing it. The opportunities attract new rivals, who enter the market. They increase distribution while introducing new product features. Depending on how quickly demand rises, prices either stay the same or slightly decline. To stay competitive and continue educating the consumer, businesses maintain or slightly increase their promotional spending levels. The promotion-to-sales ratio has dipped, which is a desirable development as sales increase far more quickly than promotional expenses. Profits rise during this phase as advertising expenses are dispersed over a greater volume and unit production costs reduce due to the producer learning effect faster than price declines. In order to plan new strategies, businesses must keep an eye out for the transition from an accelerating to a decelerating rate of growth.

The company employs a number of techniques at this point to maintain the quick market growth:

- It boosts product quality, introduces new functions, and adopts better styling.

- It includes new models and flanker items, which are goods of various sizes, tastes, and other characteristics that defend the primary product.
- It expands into new market niches.
- It expands its reach and enters new avenues for distribution.
- The emphasis switches from product awareness to product preference.
- To draw in the next group of price-sensitive buyers, it cuts prices.

An organisation in the growth stage must choose between a high market share and a high current profit; but, by investing in product development, marketing, and distribution, it can establish a dominant position. In the hopes of achieving even higher earnings in the following stage, it forgoes the greatest existing profit.

3. Maturity Stage

The rate of sales growth will eventually slow down, and the product will reach a somewhat mature stage. This stage typically lasts longer than the preceding stages and presents the planners with significant difficulties. Most marketing managers deal with the challenge of selling the mature product because most products are in the maturity stage of their life cycle. Growth, stability, and declining maturity are the three stages that make up the maturity stage. The sales growth rate starts to slow down in the first phase. No fresh distribution channels need to be opened. Due to market saturation, sales in the second phase level off on a per capita basis. Most possible customers have already used the product, and population growth and replacement demand will determine future sales. The third stage, known as fading maturity, is characterised by a drop in sales volume overall and a shift in consumer preferences.

The industry becomes overcapacity due to the downturn in sales, which increases competitiveness. Competitors search frantically for niches.

They frequently mark things down. They increase marketing to consumers and advertising. To create product upgrades and line additions, they raise R&D expenses. Deals are struck to provide niche brands. Weaker competitors start to leave as a shakeout takes place. Eventually, the market is dominated by well-established rivals whose primary goal is to gait or hold onto market share.

A small number of enormous companiespossibly a leader in quality, a leader in service, and a leader in costthat serve the entire market and generate the majority of their profits from high volume and low costs dominate the sector.

Numerous market niches, such as market specialists, product specialists, and customization businesses, surround these leading enterprises.

A company in a mature market must decide whether to pursue a niching strategy and generate profits through low volume and a high margin or to fight to become one of the "big three" and achieve profits through large volume and cheap cost.

Some businesses discontinue their less profitable items in favour of newer, more profitable ones. The Japanese proved wrong the notion that certain industries, such as automobiles, motorbikes, television, watches, and cameras, were already mature by coming up with innovative ways to provide customers with fresh values. Through the use of marketing creativity, seemingly dead companies like Jell-O, Ovaltine, and Ann & Hammer baking soda have frequently seen significant sales revivals.

4. Decline Stage

Several factors, such as changes in consumer preferences, technical advancements, and increased domestic and international competition, all contribute to declining sales. All result in overproduction, increasing price reductions, and diminished profits. The deterioration could happen slowly or quickly. Sales could dry up completely or petrify at a low level. Some companies leave the market as sales and profitability fall. The businesses that are left behind might provide fewer products. They can slash their promotion expenditures and further lower prices, as well as withdraw from weaker trade channels and smaller market sectors.

Unfortunately, most businesses lack a procedure for dealing with deteriorating goods. Sentiment frequently contributes: It's a dreary job to kill or let die products, and it frequently causes the same pain as saying goodbye to long-time friends. Logic might also be important. The management believes that product sales will increase as soon as the economy improves, as soon as the marketing strategy is revised, as soon as the product is improved, or both. The management also believes that the weak product may be kept on the market because it is thought to help the company's other products sell, or that its revenue may be sufficient to cover out-of-pocket expenses even if it is not making a profit.

Carrying a weak product is incredibly expensive for the company, and not just in terms of the amount of undisclosed costs and earnings. Many expenses are unaccounted for. Weak products frequently take up an excessive amount of management's time, necessitate frequent price and inventory changes, typically involve short production runs despite costly setup times, necessitate both advertising and sales force attention that could be better used to make the healthy products more profitable, and can harm the company's reputation. The greatest expense may very well be yet to come. The vigorous hunt for alternative products is delayed when weak products are not eliminated. An uneven product mix is produced by the subpar products, which is long on yesterday's breadwinners and short on tomorrows.

Some businesses will pull out of deteriorating marketplaces before others.

The presence and height of exit barriers in the sector affect a lot. The easier it is for businesses to quit the industry, the more enticing it is for the remaining businesses to stay and win over the clients of the departing businesses. For instance, Procter & Gamble continued to operate in the struggling liquid soap industry while others left, increasing its earnings.

Kathryn Harrigan identified five decline strategies available to the corporation in a study of company strategies in failing industries:

- Increasing investment by the company (to control the market or improve its position as a competitor).
- Keeping the firm's investment level constant until the industry's uncertainties are cleared up.
- Slightly reducing the firm's investment level by eliminating underperforming customer segments while stepping up its spending in attractive areas.
- Harvesting (sometimes known as "milking") the firm's investment to fast recoup cash.
- Quickly selling the company by transferring its assets in the best way possible.

3.4 PRODUCT LIFE CYCLE STRATEGIES

The four distinct stages of the product life cycle are introduction, growth, maturity, and decline. The marketing position of the product changes with each step. To try to extend the life cycle of your products at each step, you can employ a variety of marketing techniques.

1. Product Introduction Strategies

Marketing strategies used in the introduction stages include:

- rapid skimming - launching the product at a high price and high promotional level
- slow skimming - launching the product at a high price and low promotional level
- rapid penetration - launching the product at a low price with significant promotion
- slow penetration - launching the product at a low price and minimal promotion

During the introduction stage, you should aim to:

- establish a clear brand identity
- connect with the right partners to promote your product
- set up consumer tests, or provide samples or trials to key target markets
- price the product or service as high as you believe you can sell it, and to reflect the quality level you are providing

2. Product Growth Strategies

- The primary goal of marketing tactics utilised during the growth stage is to boost earnings. The following are some typical tactics to try:
- improving product quality
- adding new product features or support services to grow your market share
- entering new markets segments
- keeping pricing as high as is reasonable to keep demand and profits high
- increasing distribution channels to cope with growing demand
- shifting marketing messages from product awareness to product preference
- skimming product prices if your profits are too low

You should have a quick increase in sales, profitability, and market share throughout the growth stage. Your strategy should aim to take full advantage of these chances.

3. Product Maturity Stage

Product will reach its mature stage when sales reach their peak. This frequently indicates that your market will be saturated, and you may need to alter your marketing strategies to extend the shelf life of your product. There are two types of typical tactics that can be helpful at this stage:

- Gaining customers from competitors, redefining target audiences, entering new markets, and converting non-users are all examples of market modification.
- Product modification would involve changing or upgrading a product's features, quality, pricing, or distinguishing it from rival items.

4. Product Decline Strategies

As the product nears its end, you'll see a decline in sales and profits. Changes in consumer preferences, technical advancements, and new products on the market can all contribute to this. You will need to choose your tactics at this point. You can do the following to save money:

- lessen the amount you spend on product promotion.
- lessen the number of distribution channels where they are sold
- Implement price reductions to entice people to purchase the product.
- Discover a new purpose for the product. Keep the product in operation and wait for rivals to leave the market before abandoning it.

3.5 SUMMARY

Introduction stage: A period of slow sales growth as the product is introduced in the market. Growth stage: A period of rapid market acceptance and substantial profit improvement. Maturity stage: A period of slowdown in sales growth because the produced has achieved acceptance by most potential buyers. Decline stage: The period when sales show a downward drift and profits erode. Style: A style is a basic and distinctive mode of expression appearing in a field of human endeavour.

1.6 EXERCISE

1. Explain the concept of product life cycle, with suitable illustrations.
2. Describe each of the main stages of the product life cycle, and strategies thereof.
3. How can we criticise the PLC concept? Support your answer with examples.

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4

NEW PRODUCT DEVELOPMENT PROCESS

Unit Structure :

4.0 OBJECTIVE

Inspiration and sweat are required to produce truly excellent new products. Companies must first come up with a great idea before working incredibly hard to make it a reality. It involves eight stages in total, including idea generation, idea screening, concept development and testing, marketing strategy development, business analysis, product development, market testing, and commercialization or product launching. New product development is not just about thinking up new ideas and making products based on them. The final four steps are the emphasis of this lecture.

4.1 INTRODUCTION

A business is prepared to develop and introduce the right new items once it has segmented the market, selected its target consumer groups, determined their needs, and established its intended market positioning.

The establishment of an efficient organisation for managing the development process is a prerequisite for successful new product development by the corporation.

Product managers, new product committees, new product departments, or new product ventures teams are all options for businesses. There are eight stages to the new product development process. The creation of new product concepts is the first step in the process. To choose the finest option, these concepts are reviewed. The product's concept is then created and put to the test. Development of a marketing strategy comes next. Business analysis, product development, market testing, and commercialization make up the final four phases. The following discussion covers all four stages.

4.2 BUSINESS ANALYSIS

Management can assess the proposal's business attractiveness after creating the product concept and marketing strategy. Sales, cost, and profit estimates must be made by management to assess if they meet business goals. The product concept can advance to the product development stage if they do; otherwise, it cannot. A thorough review of the potential profitability of a new product idea is part of the business analysis phase. Eliminating is the goal. Before significant development and market-testing costs are incurred, marginal ventures. Assessing market potential is a crucial first step. The market potential of a new product is the maximum amount of cash or units that an industry could sell with a given marketing effort. Following are some easy steps to potential estimation:

$MP = N \times P \times Q$ Where,

MP = Market Potential

N = Number of possible buyers

P = Average selling price

Q = Average number of units purchased by each buyer

Predicting the costs and earnings is the next stage. A challenging but crucial component of business analysis is foreseeing expenses, earnings, and how to create items before they are launched.

i. To determine if sales will be high enough to produce a sufficient profit, management must estimate total expected sales.

ii. Calculating expected expenses and profits. Following the preparation of the sales projection, management should calculate anticipated costs and profits.

Replacement sales and repeat sales should be included in the expected total sales. Estimated first-time, replacement, and repeat purchases are added to determine total estimated sales. A product can be a one-time buy, like an engagement ring, an infrequent purchase, like a car, or a regular purchase, like toothpaste, soap, etc. Sales of things that are only purchased once increase initially, reach a peak, and then decline when the pool of possible customers is depleted. The curve won't reach zero if new purchasers continue to flood the market. Products that aren't bought very often have replacement cycles that are determined by physical wear and tear or by obsolescence brought on by evolving trends, features, and performance. For this product category's sales forecasting, it is necessary to estimate both new customer and replacement sales separately.

Products that are frequently purchased, like consumer and industrial non-durables, have sales that are comparable. While fewer buyers remain, the number of first-time buyers initially rises before falling as the population stays constant. If some customers are satisfied with the goods, repeat sales soon follow. The product is no longer new when the sales curve eventually flattens out to represent a level of consistent recurring purchase volume.

The number of units that fail in the first, second, third, and so on years must be investigated by the management to estimate replacement sales. The low end of the distribution predicts the timing of the initial replacement sales. Some managers decide to launch a new product purely on the projection of first-time sales because replacement costs are challenging to predict before the product is in use. It is not a simple effort for a seller to predict both repeat and first-time sales for a new product that is often bought.

Companies assess the merit of a new product proposition using different financial metrics. The most straightforward is break even analysis, in which management calculates how many units of the product must be sold for the business to make a profit at the specified price and cost structure.

Management is likely to progress the project into product development if it thinks sales might quickly reach the break-even point. Risk analysis is the most challenging approach of profit estimation.

4.3 PRODUCT DEVELOPMENT

Establishing physically appealing qualities for new products and services throughout development and testing is important. The goal is to translate concepts into real goods that are cost-effectively produced by the company, safe, and beneficial to the client. Typically, customer preference tests, laboratory analyses, use tests, and pilot plant operations are all part of the development process. The product concept advances to R&D or engineering to be transformed into a tangible product if it passes the business test. It has only ever existed as a verbal description, a design, or a prototype up to this point. The investment required for this level is significantly higher than it was in the previous ones. The business will now decide if the product concept can be developed into a that is both technically and financially viable. If it can't, the project's total cost—aside from any helpful knowledge learned—will be lost.

A collection of techniques called as "quality function deployment" facilitates the task of converting target customer requirements into a functional prototype (QFD). The methodology converts the market research-generated list of desirable consumer attributes (CA) into a list of engineering attributes (EA) that engineers may use. Customers of the suggested truck, for instance, might demand a specific acceleration rate (CA).

This can be converted by an engineer into the necessary horsepower and other engineering equivalents (EA.). The methodology enables quantifying the costs and trade-offs associated with meeting client demands. The fact that QFD facilitates better communication between marketers, engineers, and manufacturing personnel is one of its significant contributions.

One or more physical copies of the product will be created by the R&D department. Finding a prototype that customers perceive to reflect the core characteristics outlined in the product concept statement, functions safely under typical use and conditions, and can be produced for the estimated manufacturing costs are its main objectives.

A successful prototype's development and production may take several days, weeks, months, or even years. Even though it takes years to construct a new commercial aeroplane, cutting-edge virtual reality technology is accelerating the process. Companies can swiftly explore approaches to address the uncertainties by designing and testing product ideas through simulation.

When the prototypes are complete, they must pass demanding consumer and functional tests.

i. Functionality Test

Alpha and Beta testing are examples of functional tests. The process of evaluating a product internally inside a company to determine how it works in various applications is known as alpha testing. The business transitions to Beta testing after further prototyping refinement. A group of clients are recruited to test the prototype and provide feedback on their opinions. Beta testing is most helpful when the target market is diverse, possible applications aren't fully understood, several decision-makers are engaged in the purchase decision, and early adopters are sought after for their opinion leadership.

ii. Consumer Testing

Consumer testing can take many different forms, including inviting customers into labs and providing them samples to use at home. Product testing at home is typical for everything from new appliances to ice cream flavors. In exchange for the homeowners' readiness to share their likes and dislikes regarding the carpeting, DuPont installed free carpeting in several homes as it developed their new synthetic carpeting. Numerous methods exist for measuring consumer preferences.

Let's say a customer is shown three products A, B, and C such as three commercials or three cameras.

- When asked to rank the three options in order of preference, a consumer may respond with A>B>C using the Rank Order approach. Although this method is straightforward, neither does it indicate how strongly the customer feels about each item nor does it indicate whether the consumer likes anything a lot. Using this strategy when there are numerous objects to be ranked is equally challenging.

- The paired comparison method involves showing pairs of products and asking the customer which one they prefer. As a result, if the consumer is provided with the pairs AB, AC, and BC and indicates that he prefers A to B, A to C, and B to C, we can infer that A>B>C. People may easily express their choice between two things, and this technique enables the consumer to concentrate on the two things, highlighting their similarities and differences.

- The monadic rating approach invites the consumer to rank their level of satisfaction with each product. Let's say a seven-point scale is employed, with 1 denoting a strong dislike, 4 denoting indifference, and 7 denoting a strong liking. The consumer would respond with the following rating: A=6, B=5, C=3. We can determine the person's preference hierarchy, i.e., A>B>C, as well as the qualitative levels of each preference and the approximate distance between them.

4.4 MARKET TESTING

The product is ready to be dressed up with a brand name and packaging and put to a market test once management is pleased with functional and psychological performance. To determine the size of the market and how competitive it is, the new product is launched in an actual environment. After experiencing, utilizing, and repurchasing the product, buyers and sellers respond.

Market testing is a strategy used to evaluate a business's marketing strategy for a new product before it enters the market. It offers the final opportunity for fine-tuning and is a real exam in a real setting. It is a method whereby a business tries to assess the commercial viability of the marketing strategy for a new or changed product or package on a small scale. Such a test serves two purposes.

- It is intended to give a credible assessment of the new product's sales and profit potential and, before committing to a full-scale introduction,
- It assists management in identifying and fixing any issues relating to the marketing plan and the product.

Not all businesses conduct market research. The time constraints and research costs on the one hand, as well as the investment cost and risk, have an impact on how much market testing is done. Products with a high risk of failure and large investment requirements must be tested on the market.

4.5 CONSUMER GOODS MARKET TESTING

The corporation wants to estimate four factors while testing consumer goods: trial, first repetition, adoption, and purchase frequency. All these variables should be found at high levels, the company hopes. In some instances, many buyers will sample the product, but few will decide to repurchase it. Additionally, it might experience strong long-term adoption but low purchasing frequency. From the least expensive to the most expensive, let's go over some of the main consumer products market testing techniques.

1. Sales Wave Research

Consumers who initially test a product for free or with free samples are offered the same product or a competitor's product again at a discount in sales-wave research. In what are known as sales waves, the product may be presented to the consumer up to three or five more times. The business tracks how many customers choose that company's goods again and their reported degree of satisfaction. Customers can be exposed to one or more advertising concepts as part of sales wave study to determine how that advertising affects repeat purchases.

Sales-wave research can be carried out without final packaging and advertising, swiftly, and with a reasonable level of security. However, because the customers that try the product are already chosen, sales-wave research does not show the trial rates that might be reached with other sales promotion incentives. Additionally, it does not convey the brand's ability to secure distribution and a favorable shelf position.

2. Laboratory/Simulated Test Marketing

An inexpensive replacement for conventional test marketing is this. For packaged consumer goods, the technique often includes respondents shopping in a controlled environment in a mock supermarket, as well as viewing advertising and other marketing materials in facilities resembling auditoriums. Each sample's respondents are typical of the target market, and they take part in the following activities.

- 300-400 respondents are exposed to a TV show featuring a number of communications about brands in the product class, including one for the brand after completing a self-administered questionnaire on their individual demographics and purchase behaviour in relation to the product class of interest.
- The simulated store, which is filled with the items featured in the advertisements as well as many other companies, is visited by the respondents. Respondents are given a set sum of money and instructed to spend it on the brand of their choice.
- After making a purchase, respondents in small groups have concentrated conversations about the reasons behind their choice.
- The responders then go back to their homes.
- To get feedback on the product purchase, including satisfaction or discontent, usage information, repurchase intentions, and comparisons to other brands utilized, respondents may be re-interviewed by phone later. Respondents are offered the option to repurchase the test brand, which is subsequently supplied to them if they request it if an extended usage test is included.

- Longer follow-up times allow for the analysis of more repurchase scenarios, which improves the reliability of the test results. The procedure makes the assumption that the test subject's behaviour was realistic because he was required to pay for both the initial and subsequent purchases.

3. Controlled Test Marketing

In this approach, a research company oversees a panel of retailers who will sell new products in exchange for a fee. The business with the new product defines how many stores and where in the world it wants to test it. In addition to controlling shelf locations, the number of facings, displays, and point-of-purchase promotions, the research firm also delivers the goods to the participating stores. Electronic scanners at the checkout can be used to gauge sales outcomes. During the test, the business can assess the effectiveness of regional advertising and promotions.Through controlled test marketing, the business can examine the effects of in-store elements and modest advertising on consumer behaviour. Later, a sample of consumers might be questioned about the product to get their opinions. The business is not required to employ its own sales team and provide trade allowances. This tactic, nevertheless, makes the product and its characteristics vulnerable to competitive inspection.

4. Full Scale Test Marketing

Putting a new consumer product into full-fledged test markets is the best approach to test it. The business picks a few representative cities, and the sales team works to sell the product while simultaneously attempting to give it favorable shelf exposure. Like its national marketing strategy, the corporation runs a comprehensive advertising and promotion campaign in these markets.

4.6 PRODUCT LAUNCHING

The introduction of new products to dealers and eventually to the final consumers is the last step in the product development process. The goal of the product launch is to convince the retailers to stock the goods and the final customer to make a first-time purchase. The corporation feels confident launching the product thanks to the positive test marketing results. The company can now begin full-scale manufacturing, but it must first choose the date, region, target market, and introduction strategy for the new product launch.

1. When (Timing)

The timing of a new product's market introduction is crucial since many products' success or failure depends on when they are first presented. Imagine that a business is almost finished with the development of a new product when it discovers that a rival is virtually finished. The business has three options.

i. **First entry:** A company that enters a market first typically has an edge over later entrants in terms of locking up important distributors and clients and establishing reputational leadership. According to conventional knowledge, launching new items initially can help you attract early adopters and build a dominant position in the market. For instance, Chrysler was the first company to sell minivans, and they continue to lead the market. However, if the product is pushed into the market before being fully tested, it may develop a negative reputation.

ii. **Parallel entry:** The business may time its entry to coincide with that of a rival. When two companies promote a new product, the market may pay greater attention, and awareness will be raised more quickly.

iii. **Late Entry:** The company may postpone its launch until after the competition has begun. The expense of educating the market will have been borne by the rival. The product of the rival might exhibit flaws that the late entrant could avoid. The market's size can be more accurately estimated by the company.

2. Where (Geographic Strategy)

The business must choose whether to introduce the new product to the national market, the international market, one locale, a region, or many areas. The size of the company is crucial in this case. Small businesses will first choose a desirable city before expanding into more cities one at a time. Large businesses will launch their product throughout a whole region before moving on to the following one. Companies that have a national distribution network, like automakers, will introduce their new models there. New items are typically created by businesses with the domestic market in mind.If the product sells successfully, the business may think about exporting to nearby nations or the global market. Due to the Internet's ability to link remote regions of the world, businesses are increasingly launching new items globally at once as opposed to only locally or even nationally.

3. To Whom (Target Market)

To the best prospect groups, the corporation must direct its early distribution and promotion. The business might concentrate on cheaply accessible early adopters, frequent users, and opinion leaders.

4. How (Introductory Market Strategy)

The business must create an implementation strategy before releasing the new product.

The business must choose the launch pricing, marketing strategy, distribution, and even the models and characteristics of the product.Because sales and goodwill might be lost if a product doesn't reach the market on time, product availability is vital throughout the launch phase.Management can employ network-planning methods like PERT/CPM and critical route scheduling to coordinate the numerous activities involved in launching a new product (CPS). The CPS recommends creating a master chart outlining the concurrent and sequential actions that must be taken to launch the product. The planners estimate how long it will take to complete the project by calculating how long each activity will take. The project will be postponed if any task on the critical path is delayed. The planner looks for solutions to shorten the critical path if the launch needs to be done sooner.

4.7 SUMMARY

The last four steps of the new product development process—business analysis, product development, market testing, and product launch—are covered in this session. The marketing test idea examines the methods utilized for marketing tests as well as the justification for them.market analysis the product launch concept provides a thorough explanation of the marketing strategy for the introduction of a new product as well as the actions required for identifying and choosing the target market.

4.8 EXERCISE

(i) How will you conduct business analysis for developing new products?

(ii) Discuss the process of converting idea or concept in physical shape.

(iii) Differentiate between test marketing and market testing and discuss the process of test marketing.

(iv) How can a company launch a new product? Explain with the help of suitable example.

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5

FINANCIAL DECISION USING POLLI AND COOK MODEL

Unit Structure :

5.0 OBJECTIVES

1. To sensitise students about financial implication of PLC
2. To identify various factors affecting Financial Decision
3. To understand the stagewise implication of PLC on Financial decision making in an organisation

5.1 INTRODUCTION

The traits and make-up of corporations have undergone significant transformation in the first years of the twenty-first century. The number of public companies has sharply decreased, and these companies are bigger and older, spend more on R&D than on capital investments, and have less fixed capital. In addition, market concentration has increased, superstar firms have been created, and there have been significant changes in how public companies use both the public and private financial markets. Understanding a company's investment and financing decisions starts with these changes.

While the stages of a product's life cycle significantly influence investment choices, financing strategies follow a similar pattern. For instance, it's likely that stock would be used to finance the design and development. It becomes more likely for the company to issue debt instruments as it advances to investing in process innovation, including investments in physical assets like plants and distribution systems, especially since the physical assets can be used as collateral. The balance shifts in favour of tax management as the project matures and produces consistent cash flows. We therefore anticipate that key indicators of funding will be the stages of a firm's lifecycle and the anticipated growth prospects available at each step.

Although the idea of a "product life cycle" has received a lot of attention over the past ten years, it has not been thoroughly investigated as a model of sales behaviour. This could be due to a tendency to not take the model's notion seriously, which would be consistent with the validity of the model as it is now understood. However, some authors have suggested that the substance of marketing programmes at various stages of the product life cycle be based on the life cycle of the product.' Some of these authors' suggestions regarding the amount of advertising weight, kind of distribution, price strategy, and other topics are predicated on the idea that the product life cycle is The vast bulk of the business' marketing initiatives are unconnected. Variations in advertising, for instance, might not have a large impact on a product's life cycle, but this should be confirmed clearly before it is used as a foundation for planning.

Introduction Vs Maturity Stage of Product Life Cycle

Businesses that are adept at managing all four stages can boost profitability and enhance profits. Those that can't might see a rise in their marketing and production expenditures, which would ultimately result in their product having a shorter shelf life.

Theodore Levitt, a marketing professor, stated in the Harvard Business Review in 1965 that the innovator carries the most risk because so many truly novel products fail in the introduction stage, which is the first stage of their life cycle. Failure only occurs when significant time and money have been spent on research, development, and production. Many businesses are discouraged from even trying something truly novel due to this problem. Instead, he claimed, they watch for success in others before duplicating it.

Many of the world's most popular items are kept as long as possible in the mature stage while getting minor upgrades and redesigns to make them unique. Examples include Apple laptops and iPhones, Ford's best-selling pickup vehicles, and Starbucks coffee. All of these products undergo small adjustments followed by marketing initiatives that are intended to maintain their perception as being exceptional and distinctive in the eyes of customers.

Businesses are under increasing pressure to alter their operations and become more efficient as a result of the toughening of the global competition. Product life cycles are getting shorter and changes are happening at an unprecedented rate. As more and more products are produced in accordance with customer requests, the number of variations in product structures will rise.

Examples of PLC

Woolworth Co.

Frank Winfield Woolworth established the general merchandise retail establishment F.W. Woolworth Co. in 1905. In 1929, Woolworth had roughly 2,250 outlet stores spread out over the United States and Great Britain. Decades later, in 1997, Woolworth closed the last of its variety stores in the United States due to increased competition from other discount retailers, shifting its attention to athletic goods.

COCA-COLA

Coca-Cola introduced the "new Coke" formula for its well-known beverage on April 23, 1985. Coca-Cola chose to introduce a new formula in the hopes of reviving consumer interest in the product because its market-share advantage had been declining during the previous 15 years. Following the change's introduction, Coca-phone Cola's line started receiving 1,500 calls daily, many of which were complaints over the modification. 100,000 people were enlisted by protest groups to endorse their campaign for the return of "vintage" Coke.

Typically, a product class can be divided based on a number of factors. Only when all of the product and package distinctions that contribute to different trends in demand are taken into consideration can a product class be satisfactorily divided into product forms. Contrary to what the overall results suggest, we discovered that when a market was sufficiently segmented, there was typically pretty good consistency between the sales behaviour of the various product types and the life cycle model.

5.2 MANAGEMENT IMPLECATIONS

Even after a protracted stretch of stable sales in a general product class, it is wrong to assume that a ceiling sales level, or saturation, has necessarily been reached. Whatever its other benefits, the product life cycle model cannot be used to support this conclusion. Only when both new product forms and new uses for existing forms cannot be found with current technology is saturation reached. Both of these factors have the potential to considerably raise consumer acceptability of a general product class, and their impacts cannot be predicted based on previous shifts in sales behaviour.

A. Decline as an Adjustment Period

A general product class's sales won't necessarily continue to drop just because there have been multiple episodes of decline following a long period of sales stability. On the other hand, our research indicates that a general product class is likely to continue declining. Though a product class's observed decline period could continue, the most likely outcome will be a downward change in the sales ceiling followed by a new era of sales stability or maturity. Therefore, a general product classdecline in popularity does not indicate that it represents a market opportunity that is about to expire.

B. Growth is Short and Maturity Prolonged

The findings do improve our understanding of how much time is spent in each stage. It was determined that maturity takes longer than growth and that maturity is too readily lost. Only little more than 26% of the observations included in the study were classified as being in the growth stage, while more than 50% were classified as being in the maturity stage. It would seem that managing older products is a significant, lasting issue.

C. Maturity Conceals Turmoil

It has been hypothesised on occasion that a product's market share stability is related to its stage of maturity. This recommendation was determined to be inappropriate in relation to the share of product forms within a broad product class. Even after protracted maturity in the broad product class, variations in acceptance levels among product forms are quite substantial. This repeatedly happened during our testing of the life cycle model. Consider plain filter cigarettes as an illustration. This product type had quick expansion to a high level of sustained demand, despite the fact that the product class has been in the mature stage for more than 40 years. A mature product class may, of course, present significant market potential to a new product form with unique product advantages. Though additional data needs to be examined, it appears that the same idea of share stability over maturation applied to trademarks with- in a product form is accurate.

D. Decline in Product Form is Real

Strong consequences for market planning follow from the validity of the life cycle model or productsales in comparison to product-class sales. The beginning of a decline period in a certain form must be treated seriously because it is likely to be irreversible, according to a reliable life cycle model for product forms. The performance of the life cycle model is robust enough to warrant usage in that category and future testing in other categories, even at the brand level of aggregation, where only cigarette sales were examined.

Factors Affecting Financial Decision

Determining how much money will be raised from which long-term source, such as shareholder capital or borrowed funds, is the focus of the financial decision. Debentures, long-term loans, and public deposits are examples of borrowed money, whereas share capital, reserves, surplus, and retained earnings are examples of shareholders' money.

There are two ways to talk about the variables that affect financial choices. There are two types of factors: internal and external. The type of business, size, organisational structure, and asset structure are only a few examples of internal influences. External influences include things like the state of the economy, tax laws, government regulations, capital structures, and financial markets.

There are three important financial decisions

a. **Choosing an Investing-** The financial choice about the investing of a company's funds in various assets is known as the investment decision. One can decide whether to invest for the long term or the short term. A capital budgeting choice is a decision about a significant number of long-term investments that cannot be undone except at a significant expense. Short-term investment decisions that impact a company's daily operations are known as working capital decisions. It addresses choices involving the amounts of cash, inventories, and receivables.

b. **Decision on Financing-** The sum of money to be raised from various long-term funding sources, such as equity shares, preference shares, debentures, bank loans, and so forth, is included in a financial decision. A financing choice is what is being made here. In other words, it concerns the "capital structure" of the business.

c. **Dividend Decision-** Determine how much of a company's profit should be distributed to shareholders as a dividend and how much should be kept back for unforeseen circumstances when making the dividend choice (retained earnings). A dividend is a portion of the earnings that is paid out to shareholders. With the overarching objective of boosting shareholder value in mind, dividend policy decisions should be made.

Factors which affect these decisions are

1. **Cost**

All decisions on funding are based on how to allocate resources and reduce expenses. The price of borrowing money from different sources varies. Generally speaking, a responsible financial manager would go with the cheapest option. The best solution should be picked based on pricing.

2. **Risk**

Different sources carry varying levels of risk. The finance manager favours securities with a low risk factor after weighing the cost and risk. When compared to stock funds, borrowing money comes with a higher risk. Risk assessment is one of the most crucial aspects of funding selections.

3. **Floatation Cost**

As the cost of flotation increases, the source loses attraction. It alludes to expenses related to the issuance of securities, including broker commissions, underwriters' fees, prospectus costs, and so forth. A source's attraction to management decreases with increasing flotation cost.

4. **Cash Flow Position of Business**

Debt financing may be more attractive than equity financing due to a higher cash flow situation. Companies with consistent cash flow can readily afford borrowed fund securities, but when cash flow is scarce, they must rely solely on owner's fund securities. A positive or negative cash flow position encourages or discourages investors to invest in the company.

5. **Level of Fixed Operating Cost**

High fixed operational costs are a positive indicator for a business (e.g., building rent, Insurance premium, Salaries, etc.). It must select fixed financing costs that are less expensive. Therefore, lower interest-rate debt financing is preferred. In a similar vein, higher debt financing may be chosen if the fixed operational costs are lower.

6. **Control Considerations**

Increased equity concerns could reduce management's sway over the business. Contrarily, debt financing has no such effects. As a result, businesses that are worried about a takeover offer could favour debt over equity. If existing shareholders desire to maintain complete control of the business, they choose borrowing money securities to raise more funds.

7. **Tax Rate**

Because interest is a deductible expense, the tax rate affects the cost of debt. A higher tax rate lowers the cost of debt and makes it more tempting than equity because interest is a tax-deductible expense. As the tax rate rises, debt financing becomes more desirable.

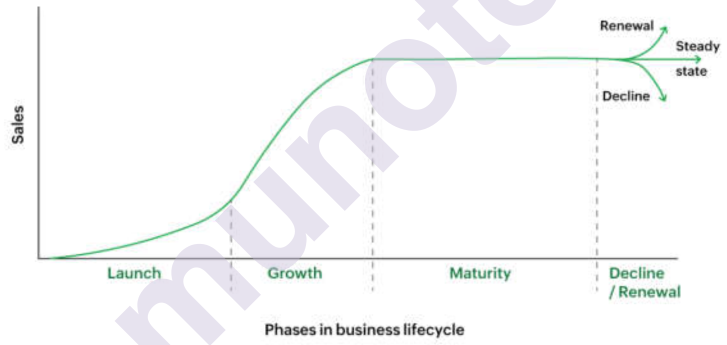
8. Condition of The Market

Financing choices are significantly influenced by the situation of the market. The most frequent problem for businesses is equity during a boom, but during a recession, they will need to rely on loans. The funding procedure depends on these choices.

5.3 MANAGING FINANCES AT DIFFERENT STAGES OF PRODUCT LIFE CYCLE

Launch, growth, maturity, and decline or renewal are the four stages of any business' life cycle. Too many times, businesses miss possibilities for efficient management because they are unable to recognise the precise stage that their company is in. For instance, it is incorrect to assume that a steady rise in revenue means your company is in a growth period.

You may better prepare for the opportunities and challenges in each phase of the business life cycle by having a thorough understanding of each one. Depending on the sort of business, each stage's characteristics may differ, however if there is one aspect that influences all stages of business, it is cash flow.



1. Launch

The business life cycle begins at this stage. Establishing your business concept with your audience is the aim of this phase in order to generate a profit. If you look at the graph for this stage, you'll see that sales typically start out slowly before gradually increasing. Businesses frequently focus on marketing their concepts to a certain audience in order to increase income.

2. Growth

The growth phase has a slightly steeper slope than the earlier phase. This stage of a firm is characterised by a sharp rise in sales that, as your company becomes more well-liked by a larger consumer base, increases earnings. You must concentrate on creating and developing your brand

and make investments in initiatives that raise your brand value if you want to compete in this period.

3. Maturity

If your company has progressed to this point, you have a loyal following of clients, but the competition is still fierce. Because of this, the graph's slope, which shows your consistent turnover, is a flat line. Because you sell roughly the same goods at the same price every year, your sales revenue will be quite consistent. Businesses in this phase concentrate on holding their ground in relation to the economy, rivals, and the shifting needs of the customers. To compete with other businesses, you must concentrate on productivity and improvement while keeping an eye on the wider picture.

4. Decline or Renewal

Businesses may struggle in this phase, also known as the post-maturity phase, to handle the fresh difficulties provided by rivals. Businesses can now choose from a number of paths based on how their leadership reacts. If there is no room for continued business and no effective attempt at regeneration, they may eventually decline. Otherwise, they may stay in their current state.

Source-https://www.zoho.com/books/articles/heres-how-you-can-manage-cash-flow-at-different-stages-of-business-growth.html

5.4 SUMMARY

The management of products throughout their lives is known as product life cycle management. Here are a few of the several business concept principles. American economist Theodore Levitt originally introduced the phrase "product life cycle" in 1965. He used the management concept to demonstrate to product managers and brand leaders how to effectively apply it to their company operations in one of his publications. Levitt covered the definition of the product life cycle as well as how the idea might be applied to obtain a competitive edge in his article. The American-German scholar also discussed how, when used properly, the idea may help businesses.

How have companies like Pepsi Co., Apple, and Coca-Cola stayed popular for so long? It's because they successfully incorporated the product life cycle concept into their approach for developing and analysing business ideas. It is simpler to comprehend the meaning of the product life cycle if you follow the development of these brands and learn how they handled crises by using this management principle.

How long does a product last, then? It charts the period of time from the product's introduction until its removal from the market. It is a management tool mostly used by marketing managers and brand managers to examine the behaviour of a product from conception to conclusion.

Managing a product's life cycle from conception to finish is referred to as product life cycle management (PLM). PLM covers everything, from design to price. Software is used to carry out the process, making it simple for PLM managers to monitor progress and adjustments.

Along with monitoring and assessing a product, PLM is essential for the conception and creation of new goods that provide a competitive edge. It's interesting how many companies implement a product management life cycle to stay competitive and incorporate new features into their current products to boost customer loyalty.

5.5 EXERCISE

Answer The Following Question

1. Explain the Factors Affecting Financial decisions in an Organisation
2. Write a detailed note on stage wise implication of Product Life Cycle on financial decisions

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6

INTRODUCTION TO BRAND MANAGEMENT

Unit Structure :

6.0 OBJECTIVES

1. To Acquaint the students with concept and importance of Brand management
2. To Sensitize the students about the Brand architecture
3. To help students understand house of brands, Branded house and corporate brands

6.1 INTRODUCTION

Understanding the definition of "brand" in its entirety is the first step in managing a brand. It entails coming up with a promise, making that promise, and keeping it. It entails defining, positioning, and communicating the brand. Creating and maintaining a brand is all that brand management is. Customers become loyal to your company because of your brand. Your items stand out from those of the competition thanks to a strong brand. It enhances the reputation of your company.

The idea of a brand is very new in its current form. The ultimate goal of any marketing endeavor is to create a brand. According to the American Marketing Association, a brand is any name, phrase, sign, symbol, design, or combination of these things that is used to identify the products or services of one seller or group of sellers and set them apart from those of rivals. This definition has three elements. It begins by concentrating on the brand's "What." It also emphasises what the brand "does." Any combination of a name, symbol, logo, or trade mark might be considered a brand.

6.2 DEFINITIONS

"A successful brand is an identifiable product, service, person or place, augmented in such a way that the buyer or user perceives relevant unique added values which match their needs most closely. Further more -its success results from being able to sustain these added values in the face of competition."

"A name, term, sign, symbol or design, or a combination of these, that is• intended to identify the goods and services of one business or group of businesses and to differentiate them from those of competitors"

"A mixture of tangible and intangible attributes symbolized in a trademark,• which, if properly managed, creates influence and generates value" – (Interbrand - a leading branding consultancy)

A product, but one that adds other dimensions that differentiate it in some• way from other products designed to satisfy the same need.

6.3 BRANDING

Making a brand is the act of branding. Establishing brand standards, creating your name (your verbal identity), designing your corporate identity or product identity (your visual identity), creating your brand messaging (verbal and written tone), and positioning your business or product in the market (carving out your own niche) are all steps in the process (how you keep your brand consistent and strong). One of the most crucial elements of corporate strategy nowadays is branding. It's also one of the most misinterpreted, too. Sometimes people think branding is just another form of advertising.

In short branding is

Branding is a strategic perspective, not a limited range of actions.

Not simply for images, branding is essential to generating customer value.

A crucial strategy for establishing and preserving competitive advantage is branding.

Brands are societal cultures that are told in commonplace ways.

Effective brand strategy must take into account the four main facets of brand value.

The marketing mix needs to be "designed" to include brand strategy.

To put it another way, it's the marketing technique of coming up with a name, symbol, or design that defines and sets a product apart from similar things.

A brand is a name, symbol, design or a combination thereof.

McDonald's: is a name
Golden Arches: is a symbol or sign which is trade marked (it is the exclusive property of McDonald Corporation)
Combination: A unique art work that combine all elements of brand

Any outlet that displays this sign achieves two objectives immediately in the prospects mind:

1. The prospect is easily able to identify that this outlet is McDonald Corporation. Hence he knows what to expect from this outlet.
2. The brand differentiates. The prospect upon seeing the above sign is able to differentiate this outlet from the others which also sell similar kind of products or services (it is not Wimpy's).

Source:https://ebooks.lpude.in/management/mba/term_4/DMGT508_PRODUCT_AND_BRAND_MANAGEMENT.pdf

Brand Management

A brand communicates who and what your business is. This includes your company's name, logo, messaging, merchandise, design, and any other element that distinguishes your business from competitors and identifies your products and services. You are creating a promise with your brand, communicating this promise, and then upholding it.

The art and science of building and maintaining a brand is called brand management. This entails defining the brand, positioning the brand, and continuously communicating the brand value. Branding fosters customer loyalty to your company. A strong brand sets your company apart from the competition and gives you an advantage over them, enabling you to boost sales and expand your company.

Dealing with a brand's tangible and intangible qualities is a part of brand management. Regarding product brands, this covers the actual product, packaging, cost, accessibility, etc. Customers' experiences are tangibles for service brands. Emotional ties and expectations with regards to goods and services are examples of intangibles. Building your brand also entails choosing the ideal marketing strategies to establish and support your identity. If done properly, you may even develop a brand that can stand out from the competition and inspire customer loyalty.

6.4 SCOPE OF BRANDING

1. **Physical goods:** Traditionally, trademarks have been associated with physical goods, which include many of the most well-known and esteemed consumer items, including Mercedes-Benz, Nescafé, Sony, Parle-G, etc.

2. **Services:** Although well-known service brands like American Express, British Airways, HDFC Bank, LIC, Airtel, Dominos, Big Bazaar, etc. have been around for a while, service branding is crucial because it enables consumers to tell one service apart from another.

3. **Retailers and Distributors:** Brands serve a number of crucial services for retailers and other channel participants that distribute items. As people come to expect specific brands and items, brands can increase consumer attention, spending, and loyalty in a store. Retailers have the option of launching their own brands under their existing identities, brand-new names, or a combination of the two.Eg: Amazon, 99 stores etc.

4. **Online Services and Goods:** Some of the most powerful companies in recent years were created online. Three prominent examples include Google, Facebook, and Twitter. Online marketers are now aware of the limitations of developing brands. Successful online brands are strategically positioned and have developed original methods for meeting consumers' unmet demands.

5. **Individuals and Organizations:** The naming component of branding is, at the very least, typically simple when the product category is people or organisations. Some companies, like TATA, Google, and Philips, have established themselves as household names. These brands frequently have distinct identities that people can recognise and either like or despise. Even public people like politicians, actors, and athletes are brands in their own right and have an impact on consumers' purchasing decisions.

6. **Sports, the arts, and entertainment:** In recent years, sports marketing has advanced significantly. A creative fusion of advertising, promotions, sponsorship, direct mail, digital, and other kinds of communication is how many sports teams advertise themselves. FIFA, the Mumbai Indians, the VIVO IPL, etc. The arts and entertainment sector, which produces our favourite television shows, music, and novels, places a specific emphasis on branding. By fusing all these elements into a formula that appeals to customers, several film series, such Spider Man, James Bond, Harry Potter, and others, have built themselves into great brands.

7. Geographical locations, such as a country, city, region, or individual, can likewise be branded. The tourism sector has expanded in recent years. The promotion of Ayurveda by Kutch Ran Mahotsav, Dubai's Shopping Festival, Kerala's "God's Own Country," and other events have raised awareness and improved brand perception.

8. **Ideas and Causes:** Many ideas and causes, especially those supported by nonprofit organisations, have been branded. They might even be symbolised by a phrase or a symbol, like the AIDS ribbon, Swatch Bharath, etc.

6.5 CHALLENGES OF BRANDING

1. **Smart Consumers:** Both consumers and businesses are becoming more accustomed to and aware about marketing. A thriving media landscape has led to a rise in the amount of focus placed on corporate marketing strategies and goals. Many think it's more challenging now than it was in the past to influence consumers through conventional communications. Some marketers think that consumers' expectations for brands, products, and services have evolved. For instance, Saatchi and Saatchi's Kevin Roberts contends that businesses must go beyond brands to establish "trust marks"—a name or symbol that emotionally connects a business with the needs and goals of its clients.

2. **Brand Proliferation:** The proliferation of new brands and goods brought on by the surge in line extensions and brand extensions is another significant trend in the branding landscape. As a result, a brand name can now be associated with a variety of goods that vary in their degree of likeness. A number of line extensions have been added to Procter & Gamble's original Crest toothpaste, including Crest Mint, Crest for kids, Crest Baking Soda, and Crest Multi care Advanced Cleaning.

3. **Media Fragmentation:** The fragmentation of traditional advertising media and the advent of interactive and non-traditional media, promotion, and other communication alternatives are significant changes in the marketing environment.

4. **Increasing Competition:** The level of competition has increased as a result of variables on both the supply and demand sides. On the demand side, the consumption of a number of goods and services has gotten fat and reached the maturity stage, if not the decline stage, of the product life cycle. As a result, brand sales growth can only be attained by depriving rival brands of some of their market share.

5. **Rising Costs:** The price to launch a new product has increased along with the level of competition. It becomes challenging to match the amount of money and support that businesses were able to get in prior years.

6. **Greater Accountability:** Earnings reports that are solid and consistent are valued by stock analysts as a sign of a company's long-term financial health. Because of this, marketing managers could be forced to make choices that have both short- and long-term benefits.

7. Additionally, many of these managers have gone through a lot of job changes and promotions, so they might not stay in their current roles for very long. These various organisational pressures could promote hasty fixes, which might have negative long-term effects.

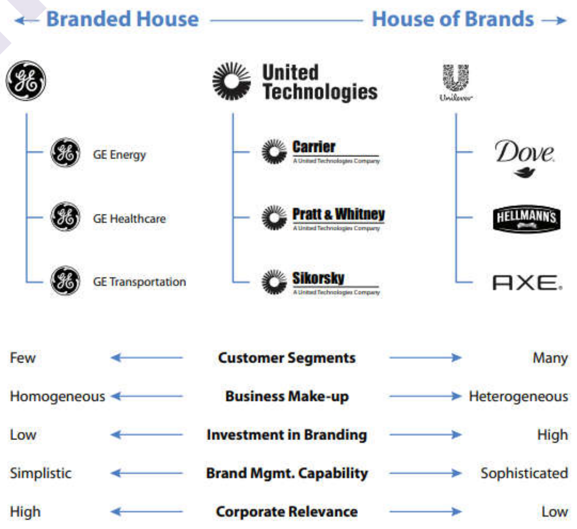
6.6 BRAND ARCHITECTURE

Building a strong brand entails brand architecture, which generally outlines how a brand appeals to consumers and provides cues as to what the brand is purposefully comprised of. The organisation of brands inside an organization's identity is known as brand architecture. The gist is that a brand's architecture is a system for setting up the many divisions of a larger brand. It refers to how a company's portfolio of brands link to or set themselves out from one another. The architecture should outline the organisational hierarchies, including how the "parent" or corporate brand interacts with the sub-brands, how they complement or compete with one another, and how the sub-brands reflect or advance the corporate brand to which they are related. It can assist a marketer in understanding how to maintain various aspects of a brand distinct when necessary and how to enable them to collaborate and support one another.Thereare two basic approaches to building a brand: the Branded House and the House of Brands. They nearly seem familiar, but they are very different.

6.7 BRANDED HOUSE V/S HOUSE OF BRANDS

David Aaker introduced the concepts of "branded house" and "house of brands" in his book Brand Leadership. To describe how offers in a portfolio relate to their corporate parent brand, Aaker created a brand relationship spectrum. Marketers who are looking for the best method to organise their brand portfolios still use this today.

Aaker's study provides multiple instances of businesses with portfolios at either end of the brand architecture spectrum and at points in between, going into great detail and depth about it. He also suggests the benefits and drawbacks of each position. Five factors are relevant to all businesses, regardless of size or industry, even though the factors that organisations take into account when choosing where to live on that spectrum vary.



Source: Fullsurge.com

6.8 BRANDED HOUSE

Unquestionably, the most typical type of brand architecture is a Branded House. The company is the brand in this style of brand architecture. Although they are not technically labelled, market sectors and services are the focus of that principal brand. These subsidiary brands fall under the main brand's marketing and management. Examples of well-known top brands that use this strategy are Google, Apple, and FedEx. For instance, there are sub-brands under the Apple umbrella, such as Mac, iPhone, and Apple Music.

Even smaller businesses can implement the Branded House brand strategy with success. It is important to note that while the sub-brands are known, they do not dominate or detract from the primary brand.

A one-firm brand strategy is another name for the Branded House method in the professional services industry. The company has a single brand, which includes a logo, narrative, and market positioning. However, depending on the goods and services they are providing, the sub-brands' service offers that share these brand components also contain their own distinctive message points.

Benefits of Branded House

- It is more effective because each offering is covered by a single brand code and marketing approach.
- Confusion and competition are readily avoided by keeping every offer under the same brand.
- Because you don't have to handle many brands, which might be expensive, it is more affordable.
- Customers are more likely to accept new products from the same brand.
- It enables the sub-brands to increase their brand value much more quickly.

Limitations of Branded house

- If the main brand is unsuccessful or performs poorly, it may hinder the success of the sub-brands.
- Maintaining a single brand identity across all sub-brands while preserving the individuality of the main brand may be somewhat difficult.
- The brand's reputation is in jeopardy. The other sub-brands may be impacted if one sub-brand experiences backlash.
- Through mergers and acquisitions, adding new brands can be challenging as well.

House of Brand Approach

The House of Brands is another well-liked brand architecture strategy. It operates in complete opposition to the Branded House strategy. A House of Brands is made up of several distinct brands, each with its own audience and marketing strategy, as opposed to a Branded House, which keeps its focus on just one, well-known, and consistent brand. These brands typically have their own distinctive visual identities, communication styles, tones, and logos. Many House of Brand enterprises are holding corporations or consumer goods that buy brands, particularly big, established worldwide brands.

The House of Brands differs from the Branded House in another way because it represents the singular aim of each and every brand rather than growing stronger by making references to other brands.

Unilever, P&G, and General Motors [GM] are a few outstanding instances of House of Brands. Although this strategy frequently yields positive results for consumer brands, it might not be the best choice for a typical business.

Benefits of House of Brands

- Additionally, this tactic offers a number of advantages, such as:
- Avoiding the one-size-fits-all approach and creating techniques that are perfect for a certain target will help.
- It enables improved resource allocation since managers may better distribute budgets if they are aware of each brand's positioning.
- It provides more flexibility in terms of communication, brand positioning, and target market.
- It reduces risks since if one brand has a PR catastrophe, it won't have an impact on the other brands.
- Brands that fall under the House of Brands can separate themselves from the "baggage" or brand toxicity that comes with the main brand.

Limitations of House of Brands

- It goes without saying that managing a brand may be challenging. Maintaining a large number of them can be considerably more challenging. The following are some drawbacks of the House of Brands strategy:
- The cost of managing differentiated brands is high.
- It can be highly overwhelming to develop and implement multiple marketing tactics.
- Customers may become perplexed about the genuine identity of the main organisation.
- The reputation of the subsidiary brands cannot be boosted by the main brand.

6.9 CORPORATE BRAND

Corporate branding is the process of presenting a company's image or identity to customers. Typically, a company's brand reflects its values, brand voice, and messaging. Building corporate brands is a common strategy used by marketing experts to show how they want the company to be seen. Microsoft, Nestlé, and L'Oréal are three examples of business and consumer brands. As long as the corporate and consumer brands share the same set of values and don't attempt to send conflicting signals, this type of branding can function very well. Corporate branding enables clients to connect with a company and recognise a variety of product offerings throughout time. Because consumers have a predetermined idea of the product's benefits, effective branding reduces the need for significant marketing initiatives for every new product.

Corporate branding refers to the practise of using the firm name as its brand in all stakeholder communications and across all media channels. The intangible mentality and spirit that underpin the company are what give it its unique identity in the market and in the minds of its customers. It is a far wider idea than promoting the company's products and services.

Advantages of Corporate branding

- Due to the company's strong corporate identity and brand name, consumers are well aware of it, giving it a competitive edge when selling its goods and services in the market.
- Due to the strong corporate legacy generated with the previous or existing line of the products and services given by the company, it enables the launch of new items and is well received in the market.
- As the corporate entity has already established a reputation for itself through corporate branding activities, it enables the company penetrate and enter new markets and regions on a domestic and international basis.
- As a result of the emotional connection with current and potential customers, a sense of brand loyalty develops in their minds.
- With strong corporate branding in place, consumers are more likely to trust the company's product and service offerings, which facilitates marketing and promotional efforts.
- With consumers recognising the firm's logo, mascots, colour schemes, tagline, and other brand aspects and having top-of-mind recall of all brand expressions, there is a heightened awareness of the company and its offers.

6.10 EXERCISE

Questions

1) State difference between House of Brands and Branded house

2) Write a note on Corporate Brands.

6.11 REFERENCES

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7

BRAND PRISM BY KAPFERER MODEL, BRAND ANATOMY

Unit Structure :

7.0 OBJECTIVES

1. To Acquaint the students with concept and elements of Brand Prism identity model
2. To Sensitize the students about the Brand anatomy
3. To help students understand benefits of strong brand anatomy

7.1 INTRODUCTION

A strategic method for generating and separating your company's image, goods, and services from those of your rivals is called brand development. As part of development, your brand must be in line with your company's goals, communicate with your target audience, and be updated or strengthened as needed.

As your firm expands, brand development continues, with goals serving as more or less benchmarks and denoting novel concepts and goods. Therefore, as culture develops and you reach out to new audiences, your strategy may vary over time. In the section below, we'll look at how to create a brand development strategy that tells your narrative and wins over customers.

Brand development and brand identity

Developing a brand identity is a multi facted approach. Each component of a brand identity needs to support the broader message and corporate objectives as part of a multidisciplinary strategic effort. It can consist of a company's name, logo, and design, as well as the way and tone in which its text is written, how its products seem and are put together, and of course, how active it is on social media.

7.2 BRAND IDENTITY

The visual components of a brand, such as its colour, design, and logo, help people recognise and differentiate it in their minds. Consistent branding, messaging, and sales are the results of consistent marketing.

According to the Aaker Model, brand identity is made up of 12 dimensions centred on 4 perspectives: (Product scope, product attributes, quality/value, uses, users, and country of origin)

Brand-as-organization (organisational qualities, local versus global) (organizational attributes, local versus global)

Brand-as-person (brand personality, brand-customer connections) (brand personality, brand-customer relationships)

brand as a symbol(Visual metaphors, brand history,)

Additionally, according to Aaker, a brand's identity consists of both a core and an extended identity.

The brand's core identity—its fundamental, timeless essence—is most likely to endure when it expands into new markets and merchandise.

The extended identity consists of different brand identification components arranged into categories that are logical and significant.

Companies can use the Kapferer Brand Identity Prism as a guide to create a strong and enduring brand identity.

Every brand needs an identity that reflects the essential values of the brand. In daily life, many brands that are purchased have a clear identity. One company may be known for selling a particular product for the lowest price among all other companies, but for another company, a higher price may signify better value for the consumer. In the field of marketing, the Kapferer Brand Identity Prism model is a widely used one. Six facets of a brand identity are represented by the prism: appearance, personality, culture, self-image, reflection, and relationship.

The brand manager can view the brand from several angles thanks to the model's connection to brand management.

7.3 THE TWO-DIMENSIONAL KAPFERER BRAND IDENTITY PRISM

Six components, broken up into two dimensions, make up the Kapferer Brand Identity Prism. First, the prism's top and bottom display the sender's and receiver's respective images. Internalization on the right and externalization on the left make up the second dimension.

Image Receiver vs. Image Sender

A brand must be able to be compared to an item or a person (physique, personality). The brand must also be able to be described in terms of the user (reflection, self-image).

Externalisation vs. Internalisation

A brand's expression is influenced by a number of societal factors. Externalization refers to this and has to do with the body, the connection, and the reflection.

Aspects of the brand are also entwined with the brand itself. Identity, culture, and personality are all affected by internalization.

7.4 SUCCESSFUL BRAND IDENTITY: SIX ELEMENTS

According to Kapferer, a brand identity can only come to life when all requirements are satisfied, and the brand effectively engages its target audience. However, a powerful brand identity can only be developed when all components work together to form a concrete, understandable, and compelling identity.

1. Physique

The primary attributes of a good or service that a brand sells make up its brand identity. Design components, fundamental functions, colours, and other features are examples of general characteristics.These traits guarantee that a buyer can quickly distinguish one brand from another. When a customer is pleased with one product, they are also more likely to purchase another that exhibits the same core brand attributes.

Apple is an illustration of a company that succeeds at this. Sleek, contemporary, and minimalistic designs are a trademark of Apple, and they are present in every one of the company's product lines.

Sports car makers also make an effort to use physical attributes to showcase their fast automobiles to customers.

2. Personality

The personality or character of a brand is the second component of a brand image, according to the theory underlying the Kapferer Brand Identity Prism model.

These are a brand's attributes in the eyes of the customer. The brand uses a number of marketing strategies to establish its personality. If a brand commonly employs humour in the marketing materials for example, customers link that with a light personality.

Consider the brand to be a living thing to properly consider this. What kind of animal is it? How is it acting? What character does it have?

Additionally, brands might communicate personality attributes by using a particular house or writing style, attitude, or colour. As in M from McDonald's.

3. Culture

According to L. Kapferer, a brand's culture is its foundational set of principles.

The culture of a brand may be influenced by its country of origin, but it may also have no connection at all. Ferrari is an illustration of a company whose products reflect the culture of the nation of origin.

Toyota applied culture in a unique way. They developed a variety of ground-breaking ideas with the Toyota approach, such as distributing work loads evenly to save waste.

4. Relationship

According to the Kapferer Brand Identity Prism hypothesis, relationships are a brand identity's fourth component. Part of branding is the creation of a relationship between a brand and a consumer. Customers return more frequently when they feel as though their involvement is more significant than just making purchases.

Only when a brand sincerely makes an attempt to do so can it develop this kind of meaningful relationship. Although it takes time to develop genuine relationships, doing so is a key step in creating an enduring and well-respected company identity.

For every brand, relationships with customers are different. It is likely that the brand is engaged on social media and serves as a friend who is always there for a business with a youthful, active target market.

A very professional business that specialises in building distinctive and custom vehicles mostly communicates with its target market through personal interactions.

5. Reflection

Reflection is the sixth component of the Kapferer Brand Identity Prism model.

The brand must, in accordance with the principle, capture the character and identity of the target market. Reflection is the set of stereotypical beliefs or traits that are frequently alluded to or emphasised in advertising and other marketing strategies among a brand's target population.

It makes sense to develop a brand image that reflects those demographic traits when the target population is made up of retirees.

When customers believe they fit with a brand's culture, they are more likely to feel a connection with it and its products. This does not exclude those who do not share the brand's cultural traits from becoming clients, either. One illustration of this is soft drinks. Many soft drink producers present themselves as being energetic, upbeat, and adventurous. In actuality, their target market is made up of individuals of different ages and temperaments.

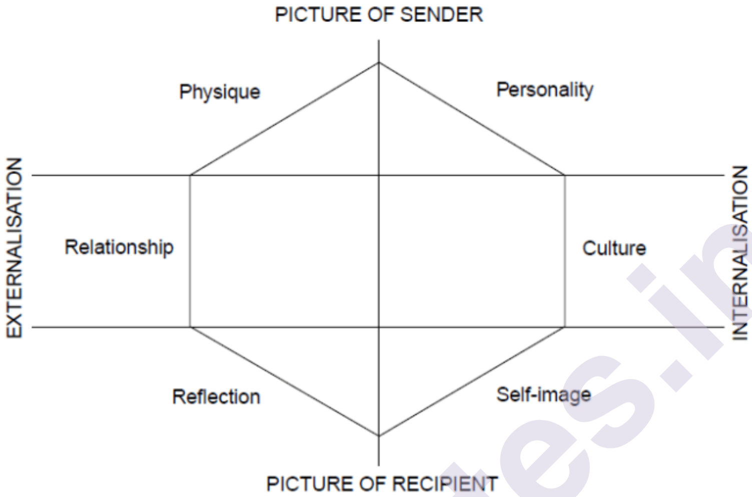
6. Self-Image

Self-image is the sixth component of the Kapferer Brand Identity Prism.

Brand Prism by Kapferer Model, Brand Anatomy

Self-image refers to how customers of a certain brand perceive themselves and how that brand relates to them. By incorporating this self-image into their own identities, brands can leverage this to their advantage. In this manner, the brand serves as a mirror for the customer.

A buyer expects a brand or product to produce a certain emotion. In the realm of luxury cars, this idea is frequently observed. The purchaser improves his self-esteem by purchasing the exclusive vehicle and receiving the elite treatment.



Source: Kapferer Brand Identity Prism

7.5 BRAND ANATOMY

An essential management tool is the clear expression of what your brand stands for and how this translates for your customers. It influences a variety of business decisions, from the colour of your logo to the materials used to make your items. The foundation of a brand is a collection of beliefs and values that have a direct impact on how you act, how you present yourself, and your objectives in life. This is comparable to the foundation of a personality.

The three "legs" of a brand are as follows:

Brand Positioning

The business's purpose and methods are described in the brand positioning statement. There are three of them:

Brand vision is the overarching strategic objective that affects both the client and the company. Amazon, for instance, states that its goal is to be the world's most customer-focused business and to create a location where people can go to find and discover whatever they could want to buy online.

Market positioning describes the brand's position in the market and the target market it serves, such as the economy, luxury, mass, niche, family, adolescent, and professional segments. An illustration would be Amazon, which is described as "a mass market, multi category brand offering a large choice of products that are constantly reasonably priced for its marketplace and sold in volume."

The brand's functional and narrative propositions make up its brand proposition.

For example, Amazon: "The world's biggest online marketplace selling millions of products to millions of people; 24/7 access, superior search and browse technologies, user reviews and many more sources of in-depth product information, Amazon.com offers a superior purchase experience."

These components are combined in the brand positioning statement to create a sentence that succinctly describes your brand.

2. **Brand Values**

The direction, behaviours, messages, and ultimately the customer's relationship with your brand are all influenced by your brand's values. There are two ways to describe values:

Brand values are the principles upon which a company is built. For instance, Amazon is straightforward, affordable, convenient, and helpful.

The consumer's interpretation of a brand's values.

For instance, Amazon makes my life simpler because it's simple for me to find what I want and it's affordable for me.

“We think that by enabling our customers to quickly locate exactly what they need at a price they can pay, Amazon will be liked and trusted and an essential part of everyone's everyday life, written as a phrase and using Amazon as the example”

Brand voice: Establishing your brand's tone of voice can assist you make sure that all of your copywriting always reflects your core beliefs. As an illustration, the copywriting style for a company with "community" as a fundamental value may be very warm and welcoming as well as in the first person. For a company whose main value is exclusivity, the tone may be more formal and in the third person.

Brand character: This is a general description of how the brand behaves and what makes it distinctive to consumers. It is a way to outline your overarching strategy for everything you do as well as a statement of the brand's values.

Example of Amazon

Amazon is (personality) a direct, direct-to-the-point, no-nonsense bundle of energy. It has a wealth of expertise and provides solutions quickly. It is dependable, helpful, and personal while maintaining a consistent efficient, courteous, and professional demeanour.

3. Brand Personality

The tone and voice your brand uses to speak with your audience directly is what is meant by the term "personality"; it is precisely what it sounds like. It's you speaking. Is it obnoxious or subdued, serious or irreverent? Whatever it is, it must be consistent in order to complement the supporting images well. Together, the voice and tone enhance the graphic components and create a strong brand impression.

When you employ these two components consistently alongside your brand, you will establish awareness, familiarity, and ultimately loyalty with your clients.

How to create strong brand Anatomy?

It is a distinct person with its own personality, ideas, and ideals. In the same way that you represent who you are to those around you by your words, body language, and facial emotions, it is your brand's obligation to convey these "deep workings" to its audience.

The Head

The face of your brand is your logo.The logo serves as your brand's doorway. It is the first thing visitors notice about your business. People will judge your brand based on that initial encounter and determine whether or not they want to learn more and ultimately start using it, much as you may form your first impression of someone new based on their appearance and decide whether or not to get to know them more.

The Body

Your other visual brand elements make up your body if your logo is your face. A brand consists of supplementary visual components that combine with your logo to visually represent your company's characteristics. The accompanying images' colour, shape, and possibly a sense of movement add richness to the visual identity. Similar to how people express themselves through body language, mannerisms, and gestures, these supporting aspects portray the essence of your firm.

Benefits of Strong Brand Anatomy

1) Corporate Core Values

Even before going into all the fun and exciting visual aspects of a brand, it needs a strong foundation. While it's true that graphics are important, building a solid foundation first assures that your brand will be able to withstand the ups and downs of today's innovative marketing trends.

A solid foundation is made up of three components, including fundamental values and beliefs, customer perceptions of your brand, and brand keywords.

a. The foundation of your brand depends on knowing the basic values and beliefs of your company. These assist in building identification and complement your brand's vision.

b. A strong foundation requires taking into account how your clients are made to feel everytime they interact with your brand. Setting the foundation for employing visual elements to achieve your desired feeling when people interact with your brand is deciding how you want them to feel.

c. Another factor in creating a solid base is choosing the appropriate keywords to describe your brand. When developing and constructing the tone you wish to utilise, you can use keywords that are connected to your basic principles. Make a list of these words.

2) Making your brand stand out

Your brand's fundamental values hold the key to differentiating and differentiating you in today's competitive market when products and services are only marginally differentiated. You might believe that your brand is unique enough compared with your competitors, but without your brand’s core values there is nothing to help you illustrate that.

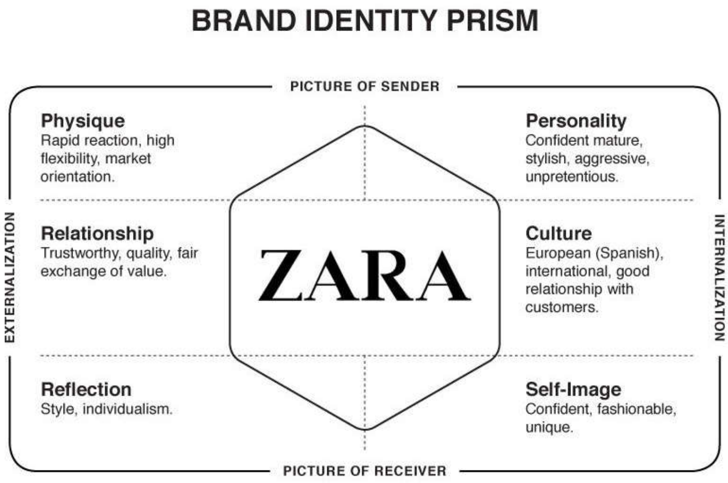
Your brand remains consistent by paying attention to crucial aspects like the text on your website, the posts you make on social media, and your visual marketing. These can help your brand become more well-known, which would make your customers more likely to anticipate the kind of voice or tone your brand represents.

3) Strengthen internal market

It's critical to realise that your staff also represent your brand. You should create training materials to ensure that you understand your brand's key values, beliefs, and personality in order to enable your staff become internal brand champions for your company.

You can also encourage your staff to participate in online brand advocacy by posting, sharing, and sparking discussions that adhere to your organization's policies. Motivate your staff to assist them.

Implications:



Source: **Luxury Marketing by MaartinVaas**

7.6 EXERCISE

Questions

1. Write a note on Kapferers Model of Brand identity prism

2. What is Brand Anatomy, Explain with examples

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8

BRANDING DECISIONS- LINE EXTENSIONS, CATEGORY EXTENSION

Unit Structure :

8.0 OBJECTIVES

- To Acquaint the students with concept and elements of Branding decisions
- To help students understand Line Extension
- To help students understand Category Extension

8.1 INTRODUCTION

The factors must be considered by the company when considering and making branding decisions, including target consumer, target markets, their cultural influences on the market, and the impact of brand on business strategy. For example, a product that is culturally alien will find it difficult to get accepted in the market, as in the case of the "Ms" brand of cigarettes targeted at Indian women failing in the market. In addition, the company must take target consumers' beliefs, attitudes, and cultural characteristics into account.

The decisions a company must make about its brand include whether to use its own name, the name of a marketing organisation or distributors, or a combination of the two.

The company should make decisions regarding the following as well:

Using a family name as a brand extension for new products, much like Onida did for other products like washing machines and music players, etc.

Independent Brand Name: This strategy is used by the majority of consumer goods companies, including P&G, for their personal care and toiletry items.

8.2 BRAND POSITIONING

Brand positioning refers to how you want customers to view your company in relation to your rivals. You can place your brand based on the following three criteria:

- **Attributes**

When it comes to brand positioning, this can be thought of as the lowest level. It usually refers to a brand's outside appearance, such as the colours utilised, the general layout, and anything akin. If you were marketing a car, for instance, the main considerations would be whether you were selling an SUV or a sedan, as well as the colours that would be offered.

Evidently, given how simple it is to alter and imitate physical characteristics, this is not exactly something that would significantly differentiate the brand from its rivals. This is why they must be integrated with other factors that determine positioning.

- **Benefits**

A component of brand positioning would also be the assortment of advantages that the target market would experience. Using our earlier example, this would include information about the car's speed limits, safety features, and other specifications of a similar nature.

- **Values and Beliefs**

The issue truly is to build a strong emotional bond between the brand and the market because features and benefits can be replicated by rivals. At this point, a brand's set of values and principles would be relevant.

Coca-Cola is a fantastic illustration of this. Their yearly Christmas campaigns have established themselves as a cultural phenomenon and are beloved by families everywhere. This demonstrates that they cherish tradition, which increases brand popularity over the Christmas season.

Brand Name selection

Making the right choice throughout this extremely difficult procedure could make or break your success. The brand's name needs to be distinctive, memorable, and snappy.

Brands that prioritise grabbing attention have become more common in recent years; Yahoo! and Google are prime examples. But this pattern has undergone a significant alteration. Many brands these days go for names with actual definitions. For instance, Quora is the plural form of "quorum," which refers to the bare minimum of participants necessary for a group to take any action or conduct business.

8.3 TYPES OF BRAND NAMES

- **Individual brand name**

Many businesses abide by this guideline. Here, each of the company's products is given a unique brand name.

For instance, Hindustan Unilever has created a brand for each product, such as the Lux, Dove, and Pears bath soap line, as well as additional brands for infant products and hair care.

- **Umbrella/Blanket Family**

In this kind of branding, a wide range of product categories use the company name.

For instance, Tata has adopted umbrella branding for a variety of products, including tea, coffee, automobiles, steel, and others.

- **Separate family names for every product**

Companies that produce a variety of goods may choose a different family name.

Aditya Birla Group, for instance, used this tactic as given below:

1. Hindalco for an aluminum product.
2. Ultratech for cement.
3. Grasim for suiting.
4. The idea for cellular service.
5. Birla for educational institutes.

- **Company name combined with an individual product name**

This sub-branding technique uses the parent brand and adds product names to it.

Sony TV, Sony Camera, Sony Mobile, and Sony DVD, for instance.

- **Brand Sponsorship**

You would have to consider selecting from four possibilities when it comes to brand sponsorship. Would you prefer it to be a co-brand, a licenced brand, a private brand, or a manufacturer's brand?

- Manufacturer's Brand

Choosing a manufacturer's brand would require you to advertise your own products. For instance, Sony would continue to market the goods they produce as Sony TVs or Sony cameras. Now, if they begin producing goods to be distributed to resellers who won't be employing the Sony brand, then these resellers would be Private Brand.

Because customers have become less brand-conscious and more pragmatic in recent years, private brands have grown in size. Obviously, anything with a well-known brand name would cost more than private brands

- **Licensed Brand**

Companies using names or symbols that were not necessarily invented by a single producer are known as licenced brands. Disney, Star Wars, and Hello Kitty are excellent examples of licenced brands. There are hundreds of producers who use these brands to make things.

- **Cobranding**

Co-branding entails combining two brands to create one product. Nestle's coffee makers would be a perfect illustration of this. Nespresso was undoubtedly not produced by Nestle. As an alternative, they employed firms like Siemens and DeLonghi to develop these machines.

4. **Brand Development**

Four different sectors are included in brand development:

- **Line Extension**

A product might be regarded as a line extension if it is simply an addition to an existing offering. This implies that you are spared from having to come up with a unique brand name for the new product. Cherry Coke is a prime illustration.

Although this might be a viable solution, it is strongly advised against using it if you currently have a sizable number of products under one brand. In addition to the potential for confusion, there is a chance that the original branding will lose its true meaning.

8.4 BRAND EXTENSION

Brand extension is the use of an established brand name to new product categories. It's possible that the brand's entry into this new category has nothing to do with the current product categories. A well-known, successful brand can help a company introduce products into other categories more easily. For instance, the brand's primary offering is footwear. It now now applies to eyewear, golf equipment, soccer balls and basketballs. A well-known brand that serves as the model for a brand extension is referred to as the "parent brand". Customers in the new business are more likely to support a brand if it embodies these values and aspirations and if their beliefs and objectives coincide with or are similar to those of the main business.When you talk about brand expansion, what you mean is creating a completely new product range while still using the same brand. With their Special K brand, which includes an extensive selection of cereals, biscuits, and other such products, Kellogg's did this.

The benefit of doing it this way is that you can classify the products appropriately, eliminating any confusion that a straightforward line extension would cause. There is a chance that the original brand will suffer if the new product line is unsuccessful or receives negative press.

Multiple brands

Large businesses use the multibrand strategy, which entails marketing multiple brands under each category while maintaining independent product lines. Procter & Gamble, for instance, offers five distinct shampoo brands only in the USA. This enables businesses to provide distinct brands to various market segments.

New Brand

Evidently, this market would include any new brands. If their new product does not fit into the brands they already have, older manufacturers and enterprises may also employ this strategy. This can also be employed when the already-existing brands lack the strength or allure that their owners had hoped they would.

Line Extension and Category Extension

The product category is the primary distinction between brand expansions and product line extensions. It is seen as a brand extension if the product category is new to the brand. However, if the category is the same as previous products for the brand, it is only an expansion of the current line.

When a company applies an existing brand name to a new product category, this is known as a category extension.

Category extension " Applies an existing brand name to a product category that is new to the firm" (Farquhar 1989

When a business adds new products in the same product category under the same brand name, such as new flavours, forms, colours, added components, or packaging sizes, this is known as a line extension. As contrast to brand extension, which is the creation of a new product in a completely unrelated product category. Line extension happens when a business expands the scope of its product line. The business can expand its product line in either a down-market or up-market direction, or in both directions.

Product line extensions are a procedure used by businesses with a well-known brand to change the characteristics of a product or products to appeal to a more specialised market group.

Extended Product Line

An existing product line is expanded when a line extension is used. For instance, a soft drink producer might add a "Diet" or "Cherry" variety to its cola range, while a toy producer might add new action figure accessories or characters. To put it simply, line extensions provide variation to an existing product in order to attract a wider range of customers and entice existing ones with fresh offerings.

Extended Product Category

Brand extension is the spread of the brand into other markets or regions. For instance, brand extension might occur if a soft drink producer introduced a line of juices or bottled water products under its corporate name. The brand, or company, is an established name, and so the name alone can serve to drive customers to try new products completely unrelated to the older product lines.

Benefits of Brand Extension

A line extension can revitalise a product line, putting it back into the spotlight by luring in new clients and generating increased earnings. By enabling businesses to enter new markets and provide a wider variety of products, brand extensions can boost earnings. Because the new lines or brands benefit from being a part of an existing name, line extensions and brand extensions both enable businesses to promote new products with lower promotional expenses.

The benefits of brand extension include:

- It facilitates consumer adoption of new products.
- It improves brand perception.
- The clients' perception of risk decreases.
- There is a higher chance of receiving distribution and a trial. Consumer curiosity and willingness to test new products with an established brand name are increased.
- Spending on advertising becomes more effective. Costs for selling, promoting, and advertising are decreased. Because the advertising for the main brand and its extensions reinforces one another, there are economies of scale.
- it enables Savings on building a new brand.
- It helps in greater presence and shelf space,

- It penetrates more potential customers
- It facilatates marketing effectiveness
- It results in higher production effectiveness
- It helps in lowering advertising expenses

Since line extensions are tiny experiments within markets where the company is already profitable, they are safer bets for brands. A small bit of variety in the product lineup rarely detracts from the original. However, because the risk is low, the profit is usually likewise modest. For newer firms or well-established brands that have not significantly modified their product offerings over the course of their many years in existence, this can be a smart place to start.

On the other hand, category extension completely departs from the primary business. However, it can be quite profitable if the new line is completely in line with the brand and what buyers want. If you have a very strong brand, you should use this tactic.A brand may try to add a new product Category because they have built up enough brand recognition and loyalty to be able to venture out to other product categories that their customers have asked for.

Implications

Source: https://www.mbaskool.com/business-concepts/marketing-and-strategy-terms/8453-category-extension.html

8.5 EXERCISE

Questions:

1) What is Branding decision? Explain Brand Extension with examples

2) Distinguish between Line Extension and Category Extension

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9

BRAND EQUITY – CONCEPT AND MEASURE

Unit Structure :

9.0 OBJECTIVES

- To Acquaint the students with concept and elements of Brand Equity
- To help students understand advantages of Brand Equity
- To sensitize students about how to measure brand Equity.

9.1 CONCEPT OF BRAND EQUITY

When compared to a generic alternative, a corporation can command a higher price for a product with a well-known brand. This is known as brand equity. Making items unique, instantly recognisable, superior in quality, and dependable helps businesses build brand equity for their goods. Campaigns for mass marketing can aid in building brand equity.

Customers would happily pay a premium price for a company's products when it has strong brand equity, even though they could buy the same thing for less from a rival. Customers essentially pay a higher price to work with a company they trust and respect.

The price differential flows to the margin of the company with brand equity because it does not cost it more than its rivals to produce and promote the product. Due to the company's strong brand recognition, each sale results in a higher profit.

9.2 COMPONENTS OF BRAND EQUITY

Brand loyalty, brand awareness, brand associations, and perceived quality are the four dimensions of brand equity, and each one adds value to a company in different ways. A brand can use a brand equity roadmap to manage the potential worth of its brand equity once it has determined its value.

a. Brand Loyalty

Loyalty implies patrons who would keep purchasing the product. It stands for a potential source of income. It also suggests a lower rate of customer attrition or defection. Therefore, businesses with a higher percentage of repeat clients would experience cheaper marketing expenses (lower advertising expenses) and more income (from increased purchases, price premiums).

While other brand equity assets like awareness, affiliations, and perceived quality may not be related to usage experience, brand loyalty is typically a result of product consumption experience. However, loyalty is also influenced by these factors. All brand equity dimensions seem to be connected to one another causally. One may result in the other (for instance, associations with symbols or perceived quality may influence consciousness).When a brand takes on a personal meaning for a consumer, they become loyal to it. When customers consider it to be a part of themselves, it happens. They are attached to the brand. It turns into a means of expression. Strong identification may be based on the object's functionality or the imagery or symbolism it represents.

b. Brand Awareness

The second component of brand equity is brand recognition. Brand recall and brand recognition are included. Brand recall is the capacity to remember the brand when a product category is considered, whereas brand recognition is the capacity to confirm prior exposure (Yes, I've seen that earlier). A brand must have this level of awareness in order to influence the decision-making process. Brand recognition, brand recall, and top-of-mind recall are the three different levels of brand awareness that can exist. The awareness pyramid's base level is brand recognition. The brand is deemed to have been recognised when a person can confirm prior exposure. It is evaluated using assisted recall metrics.Particularly when decisions are made in-store or at the time of purchase, brand awareness is crucial in minimal participation buying circumstances. Recognition entails some familiarity, which can occasionally be sufficient in making a judgement. When provided a clue regarding a particular product class, a person's unaided recall of a brand demonstrates an even higher level of awareness. (For instance, "mention tyre brands"). It suggests a more solid brand position in consumers' minds. The top-of-the-mind recall, or the brand that immediately comes to mind, represents an even higher level of awareness.

c. Brand Associations

The brand association network includes everything a brand is associated with. For instance, a brand may be associated with certain emotions, personalities, symbols, lifestyles, users, etc. Strong associations are common. The brand may be associated with certain strong connotations and weak ones. Brand image is how potential customers view a brand in light of these associations. Brand perception might not always correspond to reality. Brand affiliation can add value in a number of ways from the equity perspective. Brands are purchased for the associations they have. Additionally, customers show loyalty for the same factors.

Associations create a chunk of information that encapsulates the essence of the brand. It is generally simple to process, store, and retrieve information in chunks.

d. Perceived Quality

The quality could be perceived or objective. The term "objective quality" refers to a product or service's genuine superiority. However, perceived quality refers to the belief that a good or service is superior to what it is meant to do. Customer perception of quality is important. People place varying values on various things. It entails making decisions based on what the customers value.

It's important to distinguish between quality and satisfaction. Even with subpar quality, a buyer could still be happy. Expectations determine satisfaction. Perceived quality, in general, refers to how a buyer generally feels about a certain brand. The performance or delivery of the product is typically predicated on some underlying quality characteristics (product qualities or advantages).A buyer bases their buying decision on perceived quality. Second, perceived quality enables a brand to establish its position or point of difference. Based on where they fall on the quality spectrum, brands are differentiated. Premium brands can be distinguished from one another based on perceived quality. Brands with a greater reputation for quality may afford to charge more money. The premium may also be used in brand-building initiatives like research and development, raising awareness, and bolstering associations. Value perceptions are enhanced by offering a premium brand at affordable costs. Increased brand loyalty, a larger customer base, and improved marketing efficacy and efficiency would all result from this. Trade partners are more ready to carry brands with better perceived quality since they are more popular with them.

Advantages of Brand Equity

Despite the fact that brand equity is mostly intangible, its benefits are everything but. Your organisation can get very tangible and quantifiable benefits from having a strong brand identity. They include:

enlarged margins Because people are prepared to pay more for your name than for jewellery that arrives in a tiny blue box or electronics with an apple on top, you may charge more for your product or service if your brand equity is strong. Are such products' qualities noticeably better than those of their rivals' products? Perhaps, perhaps not. But that's how people seem to see it. And when clients are prepared to spend more for a brand they believe in or value, that boosts your profit margins.

a. Customer adherence :

Customers are not only willing to pay more for a product with a strong brand equity, but they are also eager to show continued loyalty to a brand by making repeat purchases from it over the course of several years. In fact, some businesses have achieved such high levels of brand loyalty that their customers are even prepared to continue with them in the event of a setback, such as a product malfunction or a poor customer experience.

b. Expansion possibilities:

A company's long-term growth may be facilitated by strong brand equity. You can more easily add new products to your range and consumers will be more eager to try your new product if you take advantage of the value of your brand. You can extend into new areas and regions, where consumers will be familiar with your brand.

c. Negotiating Power:

Gaining a competitive edge in negotiations with suppliers, manufacturers, and distributors can be made possible by strong brand equity. Suppliers will want to partner with you if they realise that customers are passionately looking for and purchasing your products. And that naturally puts you in a favourable negotiating position where you might reduce your cost of goods sold.

d. Competitive Advantage:

When clients are eager to spend more money on your goods or services, thats where competitive advantage is gauged based on strong brand equity.

9.3 MEASURING BRAND EQUITY

When the financial worth of a brand is measured, the CFO typically becomes a fervent booster of the brand and the business starts to regard brands as assets that need to be developed, built, and leveraged. David Aaker discusses many methods of brand asset valuation in his book, Managing Brand Equity. Public and commercial companies can measure the values of their brands with the use of Interbrand's approach. The Coca-Cola brand was estimated to be worth $48 billion in 1997 by the now-defunct newspaper Financial World, which published an annual ranking of the best brands based on their financial valuations.

Knowing how to raise both the "A" and the "R" in the brand's "ROA" through brand equity measurement can allow you to sustain, grow, and leverage brand equity.

The value that a brand brings to an organization's goods and services, both positively and negatively, is known as brand equity. Brand equity can ultimately take many different forms. The price premium (to consumers or the trade), the enduring loyalty the brand inspires, and the increase in market share are three of the most crucial ways .

Measures can be in the following ways:

1) Brand Awareness

Consumers must first be aware of the competition in the product categories where your brand competes. They must also be familiar with your brand. Your brand should ideally be the first one that people think of when considering particular product categories and advantages for consumers.

2) Accessibility

Consumers must be able to purchase your brand where they shop. If your brand is widely accessible, people will be far more likely to demand it. When a brand is widely accessible, even a slight brand preference might lead to insistence. In today's society, the value of convenience cannot be overstated.

3) Value

Does your company offer good value for the money spent? Do customers think the pricing was worthwhile? Whether it is pricey or cheap, high-end or low-end, it must at least provide a good value.

4) Significant Difference

The most crucial thing a brand can offer is this. Today's relevant distinctiveness is a cutting-edge predictor of future profitability and market share. Does your brand offer distinctive, believable benefits that are relevant to consumers?

5) Emotional Connection

The consumer must first be aware of your brand. Then your brand must appeal to them. The customer must lastly have emotional ties to your brand and trust it. Achieving this emotional connection can be done in a variety of creative ways, from advertising to the effectiveness of in-person interactions with customers to consumer membership clubs and company-sponsored events.

Keep the following in mind while measuring brand equity:

- Measures for awareness, preference, accessibility, value, relevance, distinctiveness, vibrancy, emotional connection, loyalty, and insistence should be included.
- Include behavioural and attitude measures (especially for loyalty).
- Adjust the study to your industry and product categories (especially benefit structure)
- Include benchmarks used by rivals

These are some of the more revealing metrics:

- Position in the consideration set
- Emotional connection to the brand
- Perceived brand vitality
- Perceived points of difference (open ended question)
- Specialized delivery for key benefit

Brand Equity Measures as per Aaker

Seven various brand equity components, all of which are connected to customer brand equity, are recommended by Aaker (2004). These linked components must constantly be modified to meet the particular product category being targeted. How well customers know the brand, how aware they are of it, as well as the brand's reputation and differentiation, are factors to be taken into account in order to determine the brand's strengths and weaknesses. How well-liked is it, and how does it stand out from the competition? Do buyers believe the brand to be relevant? Does the brand have energy? Are the customers brand loyal, and if so, what factors contribute to this loyalty?

The brand's potential for expansion must also be taken into account. Which associations may the brand potentially use to expand into other product categories? (Aaker 2004) This is a framework that Aaker has been gradually building; if we compare the brand equity components he gave in 1991 with the aspects discussed above in 2004, one difference relates to the variable "extendibility." In 1991, "extendibility" was a characteristic that was only a small component of the larger idea of brand associations; in 2004, it is one of the crucial factors to take into account when calculating the equity of a brand. This might indicate that brand expansions are becoming more significant.

1991	2004
Brand Loyalty	Brand Awareness
Brand Awareness	Brand Reputation
Perceived Quality	Brand Differentiation
Brand Associations	Brand Energy
Other Proprietary Brand Assets	Brand Relevancy
	Brand Loyalty
	Brand Extendibility

Brand Equity Measures as per Aaker (1991 and 2004)

9.4 EXERCISE

Questions:

1) What is Brand Equity? Explain its components

2) Describe how to measure brand equity.

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