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B.Com Honours

Semester I

Calicut University

Essentials of Marketing

Course Code: COM1MN107 • Module 2 Notes

1. Product Classification, Marketing Mix, and NPD

The core of any marketing strategy is the value proposition delivered through the product. A product represents anything that can be offered to a market for attention, acquisition, use, or consumption that might satisfy a want or need. This module covers the classification of products, the 4Ps framework, the new product development (NPD) process, product life cycle (PLC) management, branding equity, and pricing strategies.

The Concept of Marketing Mix (The 4Ps)

The marketing mix represents the set of tactical marketing tools that the firm blends to produce the response it wants in the target market:

- **Product:** The goods/services offered, including quality, design, features, brand name, packaging, and warranties.
- **Price:** The amount of money customers pay, adjusted via list prices, discounts, allowances, and payment periods.
- **Place:** Channels, logistics, and retail coverage that make the product available to target consumers.
- **Promotion:** Activities that communicate product merits and persuade target customers to buy (advertising, personal selling).

Classification of Products

Consumer Products

Bought by final consumers for personal consumption:

- **Convenience:** Bought frequently, immediately, with minimal comparison (e.g., soap, newspapers).
- **Shopping:** Checked on quality, price, style (e.g., furniture, clothing).
- **Specialty:** Unique characteristics, brand identification (e.g., luxury watches, designer suits).
- **Unsought:** Consumer does not know about or normally think of buying (e.g., life insurance, encyclopedias).

Industrial Products & Services

- **Industrial Products:** Bought for further processing or use in conducting a business (e.g., raw materials, capital items like factories, office supplies).
- **Services:** Intangible, inseparable, variable, and perishable offerings (e.g., banking, consulting).

New Product Development (NPD) Process

To replace obsolete items, firms must develop new products through a structured 8-stage sequence:

1. **Idea Generation:** Systematic search for new product ideas using internal (R&D, employees) and external (customers, competitors) sources.
2. **Idea Screening:** Filtering ideas to spot good ones and drop poor ones as early as possible to avoid development waste.
3. **Concept Development & Testing:** Translating ideas into detailed product concepts and testing them with target consumer groups.
4. **Marketing Strategy Development:** Designing an initial marketing strategy for introducing the product (target market, pricing, budget).
5. **Business Analysis:** Evaluating sales, costs, and profit projections to check if they satisfy company objectives.
6. **Product Development:** R&D or engineering develops the physical product prototype, verifying technical feasibility.
7. **Test Marketing:** Introducing the product and marketing program into realistic market settings (limited scale).

8. **Commercialization:** Introducing the new product fully into the national or global market (involves high launch costs).

2. Product Life Cycle (PLC) Management

The Product Life Cycle (PLC) represents the course of a product's sales and profits over its lifetime, consisting of four distinct stages:

PLC Stage	Sales & Profit Characteristics	Marketing Focus & Strategy
Introduction	Slow sales growth; zero or negative profits due to heavy launch promotion costs.	Create product awareness and trial. High pricing (skimming) or low pricing (penetration). Selective distribution.
Growth	Rapid sales climb; rising profits as promotional costs are spread over larger volume.	Maximize market share. Improve quality, add features/models. Enter new distribution channels.
Maturity	Sales peak and growth rate slows down; peak profits start to decline due to intense competition.	Defend market share. Modify the market (find new segments), modify the product (re-design), or modify the marketing mix.
Decline	Sales and profits drop sharply due to technological advances or consumer shift.	Reduce expenditure and milk the brand (harvesting), or liquidate/sell off the product line (divesting).

3. Branding, Positioning, and Pricing Strategies

A key element of product strategy is branding. A brand is a name, term, sign, symbol, or design that identifies the maker of a product and differentiates it from competitors. ****Brand Equity**** represents the differential effect that knowing the brand name has on customer response (brand loyalty, awareness, perceived quality). Brand positioning involves creating a distinct image of the

brand in the target customer's mind. ****Warranties and Guarantees**** provide formal protection, reducing buyer risk.

Pricing Objectives and Determination Factors

Pricing is the only mix element that generates revenue; all others represent costs. Pricing decisions are determined by:

- **Pricing Objectives:** Corporate survival, short-term profit maximization, market share leadership, or product quality leadership.
- **Internal Factors:** Production costs, organizational constraints, and overall marketing mix coordination.
- **External Factors:** Nature of market demand, competitor pricing strategies, and macroeconomic factors (inflation, government regulations).

Core Pricing Methods

Cost-Based Pricing

Adding a standard markup to the cost of the product (cost-plus pricing) or calculating break-even pricing. Ignores market demand and competitor prices.

Value-Based Pricing

Setting prices based on buyers' perceptions of product value rather than on the seller's cost (e.g., luxury brands, high-tech features).

Competition-Based

Setting prices based on competitor strategies, costs, and market prices (e.g., matching market leader prices).

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