

Product and Brand Management

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This book is dedicated to

Mr Sunil Kant Munjal

Chancellor, BML Munjal University

Jt. MD, Hero Motocorp and Chairman, Hero Corporate Services
for inspiring me to think beyond the thinkable

Tejasvee

My son, who loves advertising and branding as much as his father

and

All my students

With whom I co-learned branding and marketing in India and abroad

Features of



Separate Chapters on Recently Evolved Practices of Branding

Co-branding, private labels, and digital branding have been covered in detail.

Boxed Items

Over 90 interesting exhibits on real-life examples have been included in chapters to help students understand the various marketing/branding strategies used by companies.

EXHIBIT 7.2 IDBI creates a sui

As the financial segment is filled with clichés, IDBI used in its a the power of metaphors to build relevance and establish line 'No an emotional bond with its customers. The elephant, televisio associated with strength, intelligence, wisdom, memory, The se

EXHIBIT 20.1 Lightin

Audi India executed an interesting digital campaign in Audi November 2014, known as 'Audi India lights up lives'. 23 Octo Diwali is the time in India where a heavy decibel of For eve advertising replaces the push model of discounts and solar L

CASE STUDY 1

Brand Tracking and Monitoring Case Study— for Glucose Biscuit

The brand under study was launched in 1997 and is in order to one of the client's flagship brands. It is a key brand health. Thi

CASE STUDY 2

Café Coffee Day—Building an Ex

CCD brings a unique experience into the Indian market. for brand

Case Studies

A total of 44 case studies have been provided in the book to consolidate one's understanding of the concepts discussed in the chapters.

the Book

Figures and Images

Numerous marketing communications and figures are interspersed in the text to illustrate the branding approaches used by marketers.



FIGURE 20.2 3G campaign by Vodafone

Sub branding

FIGURE 16.9 Brand extension strategies

KEY TERMS

Brand bridging strategy: It uses the master brand to endorse a new brand as the company plans to move to a distant product category.

Brand bundling strategy: In this strategy, another

Family brand with a set called a family brand.
Graphical

KEY TERMS

Adaptability: The strategy by which a brand from a home country is made suitable to launch in another

includes believable

Key Terms

Key terms are provided at the end of every chapter for quick review of important topics covered in the chapter.

Chapter-end Exercises

Each chapter contains numerous concept review and critical thinking questions that can be used for classroom discussion to enhance learning.

CONCEPT REVIEW QUESTIONS

- 14.1 What is a new brand? How is it different from a new product?
- 14.2 Explain the difference between a new product launch and a new brand launch.
- 14.3 What are the various steps involved in a new brand launch?
- 14.4 Explain Ansoff's growth strategy and its relevance in the new brand launch.
- 14.5 What are the risks involved in a new brand launch? Why do brand managers

CRITICAL THINKING QUESTIONS

- 15.1 What are the market conditions that lead brands to decline? Give brand decline process.
- 15.2 How can brand repositioning help save a brand from being a generic brand?

Companion Online Resources



Visit india.oup.com/orcs/9780199460496 to access both teaching and learning solutions online.

The following resources are available to support the faculty and students using this text:

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- Instructor's Manual
- PowerPoint Slides
- Multiple-choice Questions
- Additional videos

For Students

- Flashcards

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Resources for instructors and students are developed to complement each text book and varies from book to book.

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For any further queries, please write to us at HEMarketing.in@oup.com with your mobile number.

Advance Praise for the Book

This book delivers an up-to-date and comprehensive coverage of branding and brand management: there is no other book quite like it. Those involved in the art and science of branding and brand management (academics as well as practitioners) will benefit greatly from the wisdom provided in this book. Dr Panda has made a much needed addition to the modern marketing literature.

Prof. Steve Goodwin, Professor of Marketing, Illinois State University & Editor, Journal of Consumer Satisfaction, Dissatisfaction and Complaining Behavior

A book fully filled with practical insights from one of the best marketing minds in India. This book is a definitive compilation of product and brand management theory and principles.

Sunil Sahadev, Professor, International Marketing and Services Management, Salford Business School, UK

Concepts and Cases; Classical and Contemporary; Clear and Cogent; Curricular and Clinical. Dr Panda's book is complete and comprehensive.

Keyoor Purani, Professor, Indian Institute of Management Kozhikode

This is an authoritative and a must-read book for students, practitioners, and researchers interested in understanding what it takes to develop new products and brand them successfully over time. Dr Panda provides numerous frameworks and analytical with real-life cases based on his impressive academic experience at some of the best management institutions and consulting experience with leading Indian and multinational brands.

Sunil Mithas, Professor of Information Systems, Robert H. Smith School of Business, University of Maryland, author of 'Dancing Elephants and Leaping Jaguars: How to Excel, Innovate, and Transform Your Organization the Tata Way'

Traditionally, brand management and product development have evolved as two distinct sciences, but Dr Panda has done a remarkable job to weave these themes together in this book. The innumerable cases he has used are compelling and insightful, and offer deep and integrative perspectives on product creation and building enduring brands.

Rajat Dhawan, Director, McKinsey and Company

Customer preferences and perceptions about products and brands and the factors influencing them have changed a lot over a period of time. Dr Panda in his inimitable style has presented an excellent blend of learnings from a diverse range of case studies of Indian and Asian brands over a period of time. This very informative yet engrossing book is a must read for all marketing professionals.

Vijay Sethi, CIO and Head CSR, Hero MotoCorp Ltd

Brand remains the most powerful value creator in business, while the interpretation and means to build it have evolved significantly. I am glad to see this book bring together both the Indian and global context comprehensively for students as well as practitioners on marketing today.

Rajesh Kumar, Head of Marketing, Indian sub-continent, SAP India

Branding is a complex and ever evolving field. Dr Panda's book deals with this topic comprehensively and in a simple manner.

Nehal Medh, Managing Director, GfK Custom Research Singapore

This is an extremely good work from Dr Panda and this book would be very beneficial for the students and also for practitioners. No other Indian book on the subject has had so many Indian case studies.

Sandeep Budhiraja, Country Head-India, MMR Research Worldwide

The book introduces conceptual framework that is essential to inculcate to become a successful marketer. It also contains a lot of examples from the Indian context that makes it highly contextual and relatable. I would highly recommend it to the students & entry-level professionals in marketing.

Sagar Boke, Head-Marketing, Bunge India

The book is quite exhaustive and comprehensive. It has a number of Indian case studies that would definitely help students pursuing Product & Brand Management course.

Deepali Nayar, Chief Marketing Officer, Mahindra Holidays & Resort India Limited

An enriching amalgamation of concepts that define modern era of Marketing with a rare combination of both Indian and International case studies will be useful to shape up future successful marketers.

Deepak Saluja, Executive Vice-president, Head Brand and Channel Marketing, UTI Mutual Fund

This book serves as a good read on fundamentals of product and brand management through interesting stories, narratives, strategies and valuable insights across the world. It also provides a strong foundation for those embarking upon a career in product and brand management.

Prof. Satya Bhusan Dash, Chairperson, Centre for Marketing in Emerging Economies Indian Institute of Management Lucknow, Noida campus

Dr Panda's book provides timely and valuable knowledge about product and brand management in the Indian and Asian context. With the growing importance of emerging markets, this book will be appreciated by both academics and practitioners interested in global branding issues.

Bhawani Singh Shekhawat, Independent Consultant

Preface

No other discipline in business management other than branding has been as influenced by changes in history, art, communication forms, and technology. This is because of a single factor—while other disciplines talk about managing costs, processes, and investments, products and brands are always expected to bring in revenues in the form of product value and brand equity. While products present meaningful functional value to customers, branding is all about purposive and persuasive communication. It uses various forms and methods of marketing communication to influence people and their lives. Managing products and brands have two diametric opposite objectives: maintaining consistency with the product elements and adapting the brand to the evolving market realities.

Brands are differentiators and they provide direction to the human thought process. Historically, products and brands were marketed through use of human voice and word-of-mouth communication. However, pictures drawn on cave walls make us understand the early recognition of the power of images and messages on the perception and behaviour of others. This would probably lead to a belief that products and brands have been there for centuries, but each fundamentally altering the way business could be communicated with its customers.

A product stands for a bundle of benefits that have the potential to satisfy the unmet needs of consumers. Technology plays the role of an enabler to make innovations possible and scale up the innovation to make it affordable and accessible to individuals and society. Without innovations in technology, no progress would have been possible in every civilization. It is important for managers to appreciate and understand the product evolution process so that they can build strong brands out of it. If the products fail in their functionalities (the very reason for their existence), evolution of brands will not be possible.

While most product-related designs and innovations have been topics of discussion among innovators, research and development experts, and product strategists, brands have made people curious and are no longer just a social phenomenon. It is now a subject of conversation among ordinary people, a symbol of growth and success in societies, and a mark of status for individuals. The idea of branding is as old as civilizations. It was always important to separate goats from sheep and cows—in general, about differentiating one product from the other, whatever the form. Cattle branding is one of the oldest forms of branding where people used marks and signs to separate cattle belonging to one owner from the other, of one place from the other, or of one genre from the other. A philosophical analysis reveals that man always learnt to

differentiate among themselves on the basis of beliefs, colours, Gods, and materialistic possessions through symbols and images.

Modern-day branding principles and practices have moved far from the methods of cowboy branding. Today brands are seen as associations that people hold with the product as well as non-product elements of the brand. They have come to stay as relationships that people built over the years. There are four dominant paradigms in branding. Though cowboy branding helps in identification and differentiation, it essentially revolves around the physical product. Projective paradigm goes one step forward and propagates more than just the physical object—it communicates about the corporate brand, and the culture of the organization and country from which the brand originates. However, what matters is not what is being communicated, but rather what customers believe and the impressions they hold. This is a part of an adaptive paradigm as a result of which brand image gets formed. As a brand exists and serves its masters over the years, it is able to establish a relationship with its customers too. It comes to stay as a friend, fighter, confidante, and guide. People start loving the brand leading to cult branding. In each of these propositions, brand communication looked like pre-packaged information targeted towards a passive audience.

Then Web 2.0 happened, which changed the whole paradox of branding. It brought with it a whole range of new features such as the democratization of information, interactivity, personalization, and multiple platforms to express customer views. Customers could give their opinion about everything and anything on the Internet. Passive audiences do not exist anymore; consumers today are active co-creators of brand meaning. The meaning that brands try to convey and their intended message are both undergoing a change due to easy availability of Internet technology. Customers can rate, rank, and write about brands instantly.

The brand manager's role has become more challenging as they have to engage customers in meaningful dialogue so that other customers in their circle (through various social media connections) also find the brand more relevant. Such a level of digital interactivity has given birth to a new business order. Companies like Google are into the business of thought tracing and guiding the brand marketer to place their communication at the appropriate place so that customers can see and act on them; social exchanges have given birth to businesses such as Facebook, Twitter, and other social media platforms; the network theories have created new business models such as E-bay, Amazon, and Flipkart. Such a level of interactivity has created a peer-to-peer (P2P) transaction possibly by creating aggregators such as Quickr, Snapdeal, and OLX. These businesses were unheard of, so also digital branding practices. New technology has opened new frontiers and challenges for brand managers to conquer in the future.

About the Book

Product and Brand Management addresses both product and brand management issues. It gives a comprehensive coverage of the various elements of product management along with the roles and responsibilities of a product manager. Traditional brand management elements to the modern digital branding strategies have been dealt with in detail. It also explains how

branding principles can be applied in emerging management areas. The book is divided into seven sections. It is replete with examples, perspectives, anecdotes, and practice documents for quick comprehension and easy learning. Most of the examples on innovative products and contemporary brands used in the book are from the Indian market.

Content and Structure

The first section (Chapters 1–3) explains the concepts of product management. It describes what a product stands for, and the challenges that a product manager faces in managing products. The chapters cover the role and responsibility of product managers, new product development processes, and the product life cycle concept. This section also explains the steps involved in launching a new product (from ideation to commercialization), how a product is managed across its life cycle, and the critical decisions in each stage of a product's life cycle.

The second section (Chapters 4–6) introduces the brand management discipline. The chapters cover the various paradigms, the history of branding, as also the concept of brand hierarchy. Like any management process, brands are also managed as a scientific process, and as a brand manager you need to know what steps to follow while managing a brand. How and why consumers choose brands has also been discussed at length. This chapter gives a bird's eye view from the consumer's side and describes the theoretical foundation behind brand choices and repeat purchase behaviour.

The third section (Chapters 7–10) explains the various elements of branding—brand identity, brand communication, brand positioning, brand image, and personality. A brand manager builds a brand identity map (which he/she aspires the brand to stand for or to come to be known as) and tries to position that in the customer's mind through brand communication methods to arrive at a desired brand image and personality. Mapping brand image and the different theories and propositions on brand identity have also been discussed.

The fourth section (Chapters 11–12) brings in the argument that brands, like any other asset of an enterprise, are also assets which are built over the years due to sustained marketing investments and consistent brand communication. We learn the different techniques of brand valuation including Interbrand method. If brands are assets and a company needs to protect its health, it can check brand health periodically through tracking and monitoring methods.

Once a brand is conceptualized and launched, it needs to be managed over its life cycle. The fifth section (Chapters 13–15) explains the methods and strategies for managing brands over time. This section covers issues such as new brand launch and revitalizing an old brand so that it can get back its original health with new vigour and spirit. The branding challenges in emerging markets like India are different from the western developed markets. So the chapter on brand building in India highlights some of the challenges of emerging markets and describes how to build brands in the Indian market.

The sixth section of the book (Chapters 16–18) helps the students understand branding strategies such as brand extension, brand portfolio management, and

globalization of brands. This section describes when and how to extend the brands, the precautions to take in brand extension, and the different types of extensions to suit various market situations. Once a company has a portfolio of brands, it needs to allocate its scarce marketing resources over the brands. The company decides and designs roles for every brand in the portfolio and then allocates marketing and financial resources accordingly. A brand can be made global and sold across geographies as it evolves over a period of time. There is a perennial debate on how much of a global brand should be standardized and how much be left for the local brand manager to adapt into the host country's environment. This chapter draws the principles of global branding and lays down the strategies for globalizing a brand in different markets at different stages of brand development.

The last section of the book (Chapters 19–22) throws light on the application of branding principles and strategies in various areas such as experience branding, digital branding, employment branding, and co-branding. This section of the book highlights how all that has been learnt in the previous sections be used for the branding experience, creating digital and interactive brands, and applying branding ideas to be the best employer brand in the market. These branding applications are useful in stretching the idea and strategy of branding from a product marketing domain to services, technology, and human resource management.

Key Features

- Contains many examples and exhibits on JK Tyre, Bata, and Godrej to support the detailed discussion of various models and elements of brand management
- Provides in-depth discussion on co-branding, private labels, and digital branding
- Discusses valuation of brands from the perspective of the cost of the brand, market price, and brand performance audit
- Lists numerous application questions and project assignments to enhance and hone the marketing skills of the readers

Online Resources

To aid the faculty and students using this book, additional resources are available at india.oup.com/orcs/9780199460496

For Faculty

- PowerPoint Slides
- Instructor's Manual
- Additional Videos
- Multiple-choice Questions
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For Students

- Flashcards

Acknowledgments

I am deeply indebted to many people in life and work and I find this space apt to thank all those who have contributed in some way or the other. However by not mentioning all the names here, I am not forgetting my duty to be obliged to all of them throughout my life. First and foremost, I thank my parents for giving me the direction and courage to aspire to achieve beyond my capacities. Hailing from a small town in Odisha, I always thought big like any ‘small town boy’ and worked towards achieving these goals. This book has taken longer than usual to complete as I wanted to put in all my learning and experience into it. My thanks to my professors, Prof. Sitikantha Mishra and Prof. Swaroop Sahu, for letting me channelize my energy in the direction of branding and marketing. The book is incomplete without meaningful contribution from the following people:

Prof. Bala V. Balachandran	Professor Emeritus, Kellogg School of Business & Founding Dean, Great Lakes, Chennai
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Mr Anmol Dar	CEO, Super Brands Council of India
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Mr Santosh Sood	Brand Consultant, Rediffusion , D&Y, Lowe India
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Mr Sagar Boke	Head-Marketing, Bunge India

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I express my sincere gratitude to the editorial team at Oxford University Press India, for their patience, professionalism, and diligent work, without which this book could not have been completed.

I would be happy to receive feedback, comments, and suggestions regarding the book. You can email me at tapanpanda@gmail.com.

Tapan K. Panda

Brief Contents

Features of the Book iv

Companion Online Resources vi

Advance Praise for the Book vii

Preface ix

Detailed Contents xvii

PART 1 PRODUCT MANAGEMENT	1
Chapter 1 Introduction to Product Management	3
Chapter 2 Management of New Product Development Process	32
Chapter 3 Managing Product Life cycle	73
PART 2 BRANDS AND BRANDING	95
Chapter 4 Introduction to Brand Management	97
Chapter 5 Brand Management Process	128
Chapter 6 Brand Choice Decisions and Models	145
PART 3 ELEMENTS OF BRANDING	185
Chapter 7 Brand Identity	187
Chapter 8 Brand Communication	236
Chapter 9 Brand Positioning	289
Chapter 10 Brand Image and Personality	333
PART 4 VALUATION OF BRANDS	383
Chapter 11 Brand Valuation	385
Chapter 12 Brand Tracking and Monitoring	432
PART 5 MANAGING BRANDS OVER TIME	489
Chapter 13 Building Brands in Indian Market	491
Chapter 14 Launching a New Brand	530
Chapter 15 Revitalizing Brands	565

PART 6 BRANDING STRATEGIES 601

Chapter 16 Brand Extension Strategies	603
Chapter 17 Brand Portfolio Management	655
Chapter 18 Managing Brands Across Geographical Borders	683

PART 7 EMERGING BRAND APPLICATIONS 711

Chapter 19 Managing Brand Experience	713
Chapter 20 Digital Branding	747
Chapter 21 Employment Branding	788
Chapter 22 Co-branding	828

Index 857

About the Author 863

Oxford University Press

Detailed Contents

Dedication iii
Features of the Book iv
Companion Online Resources vi
Advance Praise for the book vii
Preface ix
Brief Contents xv

PART 1 PRODUCT MANAGEMENT **1**

1 Introduction to Product Management	3	Role of New Product Development	
Introduction	3	Process in Organizations	37
Meaning of Product	4	New Product Development Process	37
Product Management	4	<i>Concept Generation and Market</i>	
Role of Product Manager	5	<i>Structure Identification</i>	38
Product Management Approaches	7	<i>Advertising Development</i>	41
Value of Product	8	<i>Commercialization and Final Launch</i>	46
Layers of Product	9	Reasons for Failure of New Products	47
Essential Features of Products and Services	10	<i>Product Line Coverage Strategy</i>	47
<i>Product Management Decisions</i>	11	Reasons for Adding New Products	48
<i>Classification of Products</i>	11	Factors Determining Scope of Product Lines	51
<i>Product Mix Decisions</i>	15	<i>Need for Market Research for Product Addition</i>	52
<i>Organizational Goals and Product Mix</i>	16	Improve, Buy, or Drop Decisions for Products	53
<i>Constituents of Product Mix</i>	17	Consumer Diffusion Process	55
<i>Product Line Decisions</i>	18	Consumer Adoption Process	57
<i>Product Line Strategies</i>	19	Conclusion	57
<i>Product Positioning</i>	22		
<i>Product Positioning as Differentiation Strategy</i>	24	3 Managing Product Life Cycle	73
Conclusion	25	Introduction	73
2 Management of New Product Development Process	32	Levels of Productivity Life Cycle	75
Introduction	32	Shapes of Product Life Cycle	76
Reasons for Launching New Products	35	Concept of Product Life Cycle	77
		Strategic Considerations in Product Life Cycle	81

Marketing Strategies and Product Life Cycle	82	Reasons for Changes in Product Life	
Marketing Strategies at Life Cycle Stages	84	Cycle Patterns	87
Guidelines for Formulation and		Conclusion	87
Implementation of Marketing Strategy	86		

PART 2 BRANDS AND BRANDING

95

4 Introduction to Brand Management	97	<i>Brand Situation Analysis</i>	133
Introduction	97	<i>Targeting Future Positions</i>	135
Commodities, Products, and Brands	100	<i>Testing New Offers</i>	136
Meaning and Importance of Branding	102	<i>Planning and Evaluation of Brand</i>	
Brand Spectrum	104	<i>Performance</i>	138
Advantages and Disadvantages of		<i>Managing Brands Over A Period of Time</i>	139
Branding	105	Conclusion	139
Branding Decisions	106	6 Brand Choice Decisions and Models	145
<i>Brand Strategy Decision</i>	106	Introduction	145
<i>Brand Sponsorship Decision</i>	108	Evolution of Brand Choice Behaviour	146
<i>Brand Quality Decision</i>	109	Brand Choice Models	149
<i>Brand Portfolio Decision</i>	109	<i>Degree of Innovation</i>	150
<i>Brand Repositioning Decision</i>	109	<i>Evolution of E-Commerce</i>	151
<i>Brand Name Decision</i>	110	<i>Nature and Characteristics of Consumers</i>	151
Elements of Branding	111	Adoption Process	155
<i>Brand Identity</i>	111	Diffusion Process	156
<i>Brand Image</i>	112	First Purchase Diffusion Models	156
<i>Brand Position</i>	113	<i>Fourt and Woodlock Model</i>	157
<i>Brand Equity</i>	114	<i>Rogers Model</i>	160
History of Branding	114	First Purchase Adoption Model	162
Brand to Power Brand—Graduation		<i>AIDA Model</i>	163
Process	116	<i>AIETA Model</i>	164
Types of Brands	118	<i>ATR Model</i>	164
<i>Corporate Branding</i>	118	Repeat Brand Choice Models	166
<i>Service Branding</i>	119	<i>Clay Camp–Liddy Model</i>	167
<i>Destination Branding</i>	120	<i>Parfitt and Collin’s Model</i>	169
Conclusion	121	<i>Aul’s Model</i>	169
		<i>Assessor Model</i>	171
5 Brand Management Process	128	<i>Tracker Model</i>	173
Introduction	128	Brand Loyalty Models	174
Brand Management Process	130	<i>Kuehn’s Model of Brand Behaviour</i>	175
<i>Market Analysis</i>	132	Conclusion	176

<i>By Usage Occasions and Time</i>	315	Brand Image Development Process	347
<i>By Using Brand Endorsements</i>	316	Integrating Brand Identity with	
<i>By Price-value Proposition</i>	316	Brand Image	348
<i>By Use or Applications Approach</i>	317	Brand Image System	351
<i>By Product User Approach</i>	318	Brand Personality	352
<i>By Use of Cultural Symbol Approach</i>	318	<i>Benefits of Brand Personality to Consumers</i>	355
<i>By Competitor's Approach</i>	318	<i>Price and Brand Personality</i>	357
<i>By Segmental Positioning Approach</i>	318	Building Meaningful Personalities	
<i>By Using Non-Functional Values</i>	319	for Brands	358
<i>By Using Brand's Personality</i>	319	<i>Positioning Brands for Distinct Personalities</i>	358
Problems of Positioning	320	<i>Role of Advertising in Positioning</i>	
<i>Process of Determining Positioning Strategy</i>	321	Brands	360
Conclusion	325	<i>Role of Universe of Brand Choice on Brand</i>	
		Memorability	361
10 Brand Image and Personality	333	<i>Role of Feature Frequency and Summarized</i>	
Introduction	334	Abstraction in Forming Brand Personality	363
Motivation to Buy	336	<i>Role of Personal Recommendations in Forming Brand</i>	
Dimensions of Brand Appeal	337	Personality	363
Brand Image	338	<i>Role of Print Advertising in Forming Brand</i>	
<i>Factors Enhancing Brand Image</i>	339	Personality	366
Brand Identity vs Brand Image	342	<i>Role of Brand Image in Forming Brand</i>	
Role of Various Factors in Building		Personality	367
Brand Image	344	Elements of Brand Personality	369
<i>Role of Advertising</i>	345	Dimensions of Brand Personality	370
<i>Role of Brand Associations</i>	345	Conclusion	372

PART 4 VALUATION OF BRANDS 383

11 Brand Valuation	385	<i>McKinsey's Model of Brand</i>	
Introduction	385	Valuation	410
Concept of Brand Equity	386	Composite Brand Valuation Models	411
Nature of Brand Equity	390	<i>Interbrand Valuation Model</i>	411
Methods of Brand Equity Valuation	393	<i>Merrill Lynch Brand Valuation Model</i>	417
Value of Brands	394	<i>Schulz and Brad Meyer Valuation</i>	
Business and Finance-oriented Models	397	Methodology at AC.Nielsen	420
<i>Brand Discounted Cash Flow Valuation</i>	398	<i>Semion's Model of Brand Valuation</i>	420
Behaviour-based Brand Valuation Models	403	<i>Brand Finance Model of Brand Valuation</i>	421
<i>Aaker's Brand Valuation Model</i>	404	Segmentation of Markets	422
<i>Brand Dynamics Model By Millward Brown</i>	404	Financial Forecasts and Effect of Economic	
<i>Keller's Model of Brand Valuation</i>	407	Indicators	422
<i>Market Facts' Model of Brand Valuation</i>	409	Calculation of Brand Value Added®	423
<i>Young and Rubicam's Model of</i>		Assessment of Brand Risk	423
Brand Valuation	409	Conclusion	425

12 Brand Tracking and Monitoring	432	Advanced Tracking Programme vs Stochastic Reaction Monitor—Philosophy	461
Introduction	432	Advanced Tracking Programme vs Stochastic Reaction Monitor—Communication Measures	463
Brand Audit vs Brand Tracking	433	Advanced Tracking Programme vs Stochastic Reaction Monitor—Disposition Measures	464
<i>Brand Audit</i>		Advanced Tracking Programme vs Stochastic Reaction Monitor—Positioning Measures	465
<i>Brand Tracking</i>		Qualitative Research Techniques	466
Tracking Evaluation Measures	435	<i>Open-ended Questions</i>	467
<i>Behavioural Measures</i>		<i>Projective Techniques</i>	468
<i>Communication Measures</i>		<i>Brand Obituary Technique</i>	470
<i>Perception Measures</i>		<i>Brand Marriage Technique</i>	470
<i>Disposition Measures</i>		Conclusion	472
Elements of Tracking	445		
Idea of Measurement and Scales	447		
Process of Conducting Tracking Studies	449		
Brand Tracking Products	457		
<i>Millward Brown's Advanced Tracking Programme</i>			
<i>NFO's Stochastic Reaction Monitor</i>			

PART 5 MANAGING BRANDS OVER TIME **489**

13 Building Brands in Indian Market	491	<i>Decide Creative Strategies for New Brands</i>	543
Introduction	491	<i>Decide New Brand Names</i>	546
Problems of Market Responsive Behaviour	495	<i>Decide Campaign Execution for Building Brand Awareness and Testing</i>	549
Managing Multinational Brands in Indian Markets	498	New Brand and Social Media	551
Paradigms of Brand Building	504	Conclusion	553
Brand Building and Advertising	507	15 Revitalizing Brands	565
Problem of Sameness	510	Introduction	565
Cultivating Brands in Customers' Minds	514	Matured Brand	566
<i>Emotional Branding</i>	517	Situations for Brand Revitalization	566
Conclusion	518	Causes of Brand Decline	569
14 Launching a New Brand	530	Elements of Brand Decline	575
Introduction	530	Ghost Brands	577
New Product vs New Brand	531	Brand Revitalization Strategy	581
Evolution of New Brands	533	<i>Expand Brand Awareness and Brand Usage</i>	584
Ansoff's Growth Share Matrix	536	<i>Improve Brand Image and Brand Uniqueness</i>	585
Launching New Brands	537	<i>Managing Existing Customers Choice Process for Mature Brands</i>	587
<i>Identify New Brand's Platforms</i>	537	<i>Managing How Consumers Use Mature Brands</i>	588
<i>Decide Roles of New Brands in Brand Portfolios</i>	540	<i>Managing Product Offerings</i>	589
<i>Decide New Brand Campaigns</i>	541	Conclusion	592

PART 6 BRANDING STRATEGIES 601

16 Brand Extension Strategies	603	Types of Portfolio Matrices	658
Introduction	604	<i>Boston Consulting Group's Growth–Share Matrix</i>	659
Brand Extension	605	<i>General Electric Matrix</i>	661
<i>Recent Brand Extensions</i>	610	<i>Shell's Directional Policy Matrix</i>	662
<i>Options for Brand Extension</i>	610	<i>Arthur D. Little Company's Matrix</i>	662
<i>Advantages of Brand Extension</i>	612	Brand Portfolio Strategy	663
<i>Risks of Brand Extension</i>	614	Strategic Orientation in Brand	
<i>Disadvantages of Brand Extension</i>	615	Portfolio Management	666
<i>Key Factors for Successful Brand Extension</i>	616	Brand Architecture	667
<i>Assessment of Scope for Brand Extension</i>	617	Brand Relationship within Brand Portfolios	668
<i>Measurement of Brand Dominance</i>	618	Brand Relationship Spectrum	671
Types of Brand Extension	621	Characteristics of Ideal Brand Portfolio	673
<i>Vertical Extension or Line Extension</i>	623	Brand Portfolio and Prioritization of	
<i>Risks of Line Extension</i>	623	Segments	674
<i>Scope of Line Extension</i>	624	Conclusion	676
<i>Factors Influencing Line Extension Strategy</i>	624	18 Managing Brands Across Geographical Borders	683
<i>Directions of Vertical Brand</i>		Introduction	683
<i>Extension or Line Extension</i>	624	Barriers to Global Branding	689
<i>Distancing Techniques</i>	628	<i>Challenges of Global Branding</i>	692
<i>Information Cues</i>	629	<i>Challenges in Global Brand Management—</i>	
<i>Horizontal Extension or Category Extension</i>	630	<i>Learning Lessons</i>	694
<i>Risks of Horizontal Extension</i>	631	Common Approaches to Global Branding	695
<i>Key to Successful Horizontal Extension</i>	632	Role of Technology in Global Branding	699
Process of Brand Extension	634	Global Brand Offer	699
<i>Brand Linkages—Brand Relationship</i>		Tangible Benefits of Global Branding	700
<i>and Interaction Matrix</i>	635	Strategic Implications of Global Branding	701
Managing Brand Extension	639	<i>Global Orientation at Corporate Level</i>	701
Conclusion	640	<i>Global Management Team</i>	703
17 Brand Portfolio Management	655	<i>DUMB Test for Global Brand Potential</i>	703
Introduction	655	<i>Technology as Enablers</i>	704
Importance of Brand Portfolio Management	656	<i>Adaptability to Local Markets</i>	704
Corporate Strategy and Product		Conclusion	704
Portfolio Concept	657		

PART 7 EMERGING BRAND APPLICATIONS 711

19 Managing Brand Experience	713	Experiential Branding	717
Introduction	713	<i>Milestones for Building Brand Experience</i>	719
Experiential Economy	714	<i>Examples of Experience Branding</i>	719
Experiential Marketing	716	Consumer Experience	723

Brand Experience	724	<i>Contextual Understanding of Employment Branding</i>	793
<i>Dimensions of Brand Experience</i>	725	Concept of Value Proposition	794
<i>Experience Formation Process</i>	726	Foundations of Employment Branding	795
<i>Four Experience Realms</i>	727	Brand Equity and Employment Branding—Linkage	795
<i>Development of Experiences</i>	729	Principal Assets in Employment Branding	796
<i>Managing Brand Experience</i>	731	<i>Employment Brand Associations</i>	800
<i>Brand Experience Management Checklist</i>	734	<i>Employment Brand Loyalty</i>	802
Brand Experience in Digital Age	734	Approaches to Employment Branding	803
Conclusion	737	Employment Branding Process	805
20 Digital Branding	747	<i>Developing Shared Vision</i>	805
Introduction	747	<i>Accelerating Process of Recruitment</i>	806
Changing Face of Marketing in Digital Era	748	<i>Training of Employees</i>	808
Emergence of Virtual Organization	749	<i>Organizational Leadership and Brand Building</i>	808
Internet, E-Commerce, and Mobile Commerce	751	<i>Deciding on Going Global</i>	809
Creating Value in Digital World	753	Employment Branding and Performance Technology	809
Forms of Digital Interactivity	754	Role of Communication in Employment Branding	811
Digital Branding	755	<i>Developing Inside-out Stories</i>	812
<i>Building Online Brands</i>	759	<i>Content of Storylines</i>	812
<i>Building Digital Brand Experiences</i>	761	<i>Creating Brand Ambassadors and Storytellers</i>	813
<i>Internet and World Wide Web</i>	762	<i>Keeping Vigil on Informal Channels</i>	814
<i>Challenges of Digital Branding</i>	762	<i>Monitoring Behaviour and Soliciting Feedback</i>	814
Web Branding	763	Conclusion	815
<i>Naming Online Brands</i>	764	22 Co-Branding	828
<i>Online Brand Management</i>	768	Introduction	828
<i>Brand Interaction on the Web and Mobile Platforms</i>	770	Levels of Co-branding	831
Brand Positioning in Digital World	770	Rationale of Co-branding	834
Critical Success Factors for Digital Branding	771	Psychology of Co-branding	835
Challenges for Managing Digital Brands	772	Objective of Co-branding	836
Digital Branding Strategies	773	Forms of Co-branding	837
<i>Brand Manager's Learning for Building Digital Brand Equity</i>	775	Co-branding and Value Proposition	841
<i>Value Promises for Digital Brands</i>	776	<i>Sources of Value</i>	841
Conclusion	779	Approaches to Co-branding	842
21 Employment Branding	788	Co-branding Process	843
Introduction	788	<i>Selecting Criteria for Compatible Fits</i>	844
Employment Branding	789	<i>Evaluating Product Market Volatility</i>	844
<i>Objectives of Employment Branding</i>	792		

XXIV ► DETAILED CONTENTS

<i>Deciding on Financing Co-branding Exercises</i>		Co-branding Strategies	851
<i>Finalizing Level of Commitments</i>	845	<i>Reaching In</i>	851
Brand Transition Process through		<i>Reaching Out</i>	851
Co-branding	846	<i>Reaching Up</i>	852
Guidelines for Co-branding	847	<i>Reaching Beyond</i>	852
		Conclusion	852
<i>Index</i>	857		
<i>About the Author</i>	863		

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Introduction to Product Management

LEARNING OBJECTIVES

After reading the chapter, the reader will be able to understand the following:

- ◆ Characteristics of products and their classifications
- ◆ Methods of differentiating the product offer
- ◆ Role of the product manager in an organization
- ◆ Various classifications of products
- ◆ Constituents of the product mix
- ◆ Various product mix decisions
- ◆ Building and managing product mix and product lines
- ◆ Meaning of product positioning

STRUCTURE OF THE CHAPTER

- | | |
|---|--|
| ◆ Meaning of a product | ➤ Constituents of product mix |
| ◆ Product management | ➤ Product line decisions |
| ◆ Role of product manager | ➤ Product line strategies |
| ◆ Product management approaches | ➤ Product positioning |
| ◆ Value of a product | ➤ Positioning and differentiation strategy |
| ◆ Layers of a product | ◆ Conclusion |
| ◆ Essential features of products and services | ◆ Key terms |
| ➤ Product management decisions | ◆ Concept review questions |
| ➤ Classification of products | ◆ Critical thinking questions |
| ➤ Product mix decisions | ◆ Projects |
| ➤ Organizational goals and product mix | ◆ Case studies |

INTRODUCTION

We come across multiple products every day in different forms, shapes, and sizes. A product is a thing or a substance produced by a natural process or by a manufacturer. The Oxford Dictionary defines a product as an artefact, good, produce, commodity, output, merchandise, and offering. While studying product management, we will use these words interchangeably. However, as regards common usage, the term 'product' refers to all offerings, including services. Services have their own distinctive features and one can

differentiate between a physical product and a service by evaluating them on the basis of tangibility, inseparability, perishability, and non-standardization. However, we will include products and services as same under the heading 'offering'. We will discuss the concept of product, its different levels, types, and other strategic issues involved in managing a product.

As consumers, we buy different kinds of products and services. We buy motorcycles, shampoos, ice creams, talcum powder, pencils, tickets for a concert, and many such items regularly. As we understand, our decision to buy an item is based not only on its tangible attributes but also on the psychological attributes such as services, brand, package, warranty, and image. The success of a marketing plan depends primarily on conceptualizing and launching a unique product that matches the needs of target customers. A good marketing plan begins with the ideation and design of a meaningful offer to customers. Consumers will evaluate the offer on the basis of criteria such as tangible features, quality, quality of accompanying services, and price to be paid to own the product. A product is a tangible offering from the marketer to the consumer. In modern marketing, as discussed, a product goes beyond a tangible offering to something that delivers value to the customer. A product is something that an organization offers to prospective consumers to satisfy their needs and wants. It is a bundle of benefits consisting of key product features and accompanying services.

MEANING OF PRODUCT

A product is the object of an exchange process. Customers come to the market as a result of demand and have the ability to pay; marketers come with a tangible offering. A transaction occurs when the product ownership is transferred from the manufacturer to the customer for a price or an equivalent. When we say equivalent, we mean anything valued by the manufacturer, that is, in a barter system, both parties exchange physical goods of value to both parties. Therefore, for an exchange process to occur, someone must have a demand for the object in question and must be willing to exchange other assets or objects that possess value for the other party.

A product is the central idea behind any marketing plan. Product management decisions determine the success or failure of an organization. A product is a set of complex tangible and intangible attributes, including packaging, colour, price, marketer's image and status, retailer's prestige, and associated services which the buyer accepts as an 'offering' to satisfy his/her demand. A product can be anything including physical goods (car), services (beauty salon), experiences (holiday package), events (IPL T-20), concepts (family planning), ideas (religion), propositions (patriotism), places (Taj Mahal), nations (Malaysia), properties (entertainment park), organizations (school), and information (social media). A product is something of value offered to customers for attention, acquisition, use, and disposal with an objective of satisfying customers.

PRODUCT MANAGEMENT

Product management is a loosely defined term and encompasses many activities in the context of a business. It is the organizational structure within a business that manages

development, marketing, and sale of a product or a set of products throughout the product life cycle. It covers the broad set of activities required to get the product to the market and to support the product through product marketing programmes. Product management is an organizational life cycle function dealing with planning, forecasting, production, and marketing of products at all stages of the product life cycle. Therefore, product management involves the ideation and development of new products; launch of new products; managing the product across its life cycle; developing product marketing plans; and managing product portfolio as the company progresses over a period of time. Therefore, a product management function is a strategic function, more than just marketing a product. The role of product management is to define, develop, deploy, and maintain products and services that provide more value than the competitor, help build a sustainable competitive advantage, and offer deliverable and measurable benefit to business. A typical product management involves two critical functions—product development and product marketing.

ROLE OF PRODUCT MANAGER

The responsibility of managing a product in the organization lies with product managers. Product managers have different connotations for several organizations, depending on the variants offered by the company to the market. In a single product firm, the product manager performs the product and brand management function. In a single product line, where the company produces one product but with different variants or brand names, the company may recruit individual brand managers supervised by the product manager. In a multiple product line situations, there can be a product manager supported by product line managers and brand managers.

Let us analyse a few examples to understand the differences. If a company manufactures a single product like Ghadi detergent, a single product manager will perform the necessary product and brand management functions. For a company with a single product line like soaps, there can be individual product managers, say for example, there are different product managers for Nirma detergent and Nirma beauty soaps. In a multiple-product line firm like Godrej, product management can be arranged by individual product lines. Each product line like soaps, edible oil, refrigerators, computers, and office equipment can be managed by a product line manager. Each product line manager can be supported by brand managers taking care of individual brands.

Product managers are in charge of product line control and decide the number of products that will be included in a line. They follow different strategies at various stages of the product life cycle. A product manager analyses and capitalizes on the concept of product life cycle. A company needs to identify the business opportunity and develop, test, and launch new products. Product managers undertake research to improve communication and make improvements on supplies and sourcing. They collect market information through marketing research and marketing environment analysis for undertaking product-related decisions. With real-time market knowledge, they take care of a centralized product planning process. Product managers control costs and profits, and coordinate activities covering new product launch and deciding on market entry strategy.

Pearson and Wilson have suggested the following steps to make a product manager's job more effective:

- Clearly delineate the limits of the product manager's role and responsibility for product management.
- Build a strategy development and review process to provide an agreed framework for the product manager's operations.
- Take into account areas of potential conflict between product managers and functional specialists while defining their respective roles.
- Set up a process that helps in reporting to the top management as regards all conflict of interest situations between the product manager and the functional line manager.
- Establish a system for measuring results that are consistent with the product manager's responsibilities.

A product manager has varied responsibilities in the organization. He/She identifies profitable opportunities that meet the needs of the market, launches new products into the market, oversees products in the market, and releases unsuccessful products from the portfolio. Table 1.1 lists the roles and functions of product managers in the organization.

The product manager leads the product through its entire life cycle from conceptualization to retirement, making informed and intelligent decisions at each intersection that defines the business strategy. He/She has the internal and external perspective. As regards the internal perspective, he/she works and communicates across organizations to other departments such as design, production, customer service, finance, sales, and marketing inside the organization to create and deliver an exceptional customer experience. As regards an external perspective, the product manager is the user expert. He/She understands the user and his/her environment intimately so that the manager can produce a new product and manage it to solve the user problem better than

TABLE 1.1 Roles and functions of product managers

Product development function	Product marketing function
Identifies new product candidates	Analyses product life cycle consideration
Gathers the voice of customers	Plans product differentiation in the market
Defines product requirements	Initiates product naming and branding
Identifies the scope and defines a new product at higher level	Assists in product positioning and outbound messaging
Defines customer base and feasibility	Promotes the product externally with integrated marketing communication activities
Evangelizes new product within the company	Conducts customer feedback
Builds a road map for the product	Evaluates consumer response to product and marketing efforts
Ensures products are within the optimal price margin and up to specifications	Launches modified or new products into the market and mapping competition

TABLE 1.2 Basic functions of a product manager

Function	Task	Activity	Role
Innovation	Ideate	Capture and prioritize ideas and features	Responsible
		Explore	Market analysis (competitors, trends, supplier information, etc.)
	Focus	Market strategy	Responsible
		External customer research	Responsible
		Opportunity assessment	Contributor
Design	Immerse	Business case or investment justification	Responsible
		Immerse	User insights
	Define	Personal development	Responsible
		Market requirements or customer stories	Responsible
		Business requirements	Contributor
Implementation	Build	Product requirements	Responsible / Contributor
		Prototype development	Contributor
	Launch	Supplier engagement	Contributor
		Managing project	Contributor
		Subject-matter expertise	Responsible
Day-to-day product management	Launch	Testing	Contributor
		Internal training	Contributor
	Day-to-day product management	Product strategy	Responsible
		Product road map	Responsible
		Reporting and analysis	Responsible
		Ongoing market insight	Responsible
		Sales support	Contributor

any other competitor. The product manager's role and function is all about innovating, designing, and implementing product management strategy. Table 1.2 explains the basic functions of a product manager.

PRODUCT MANAGEMENT APPROACHES

There are several approaches to assign products to a company's available product managers. The choice of an approach depends on marketing objectives, nature of the business organization, number of products (brands) in the portfolio, and the top

management's preference on product markets. There are three basic approaches to organizing product management as follows:

Individual Product Manager

The simplest way to assign a product manager is to allot one product manager to all the products, that is, only one product manager exists in a company. This situation eliminates difficulties related to intermediate communication. Using only one product manager constitutes the simplest expression of the product management operation. It is most useful in organizations that have a consistent product mix.

Several Product Managers

As a company grows, it often adds product lines that are less consistent with the original core business. When more than one product manager exists in a company, two basic forms of organization are possible. First, the product manager reports directly to the marketing chief and oversees the activities of several people; for example, Hindustan Unilever Limited (HUL) has a system of allotting product managers for individual products or each product line will have a line manager.

Product Group Coordinator

The evolution of large-staffed product management groups has led to the creation of a new product management position—the product group coordinator. While the product group manager acts in a managerial capacity to bring about the efficient operation of the entire product group, the product group coordinator is responsible for the internal integration of the group.

VALUE OF PRODUCT

The product manager has one simple objective—delivering optimum value to customers. The simplest definition of value is the difference between benefit and cost. A customer evaluates the benefits that he/she will get from the product ownership and the cost he/she has to bear for the ownership. The product manager attempts to understand this value paradox and proposes the product at different levels to maximize customer satisfaction. Figure 1.1 explains the concept of customer value for better understanding.

A product manager considers two set of factors, namely the benefits and costs to arrive at the desired level of customer value. The benefits include product benefits, brand or company benefits, performance or functional benefits, service benefits, and emotional and self-expressive benefits. The costs include cost of acquiring and inventorying the product, cost of using the product, cost of maintaining and repairing the product, and cost of disposing of the product. To add on to this are the other costs like channel margin, production cost and marketing and administrative expenses. The net difference of these two components is called customer value. A customer evaluates this net gain in every purchase situation. The benefits associated with any product can be classified into core, tangible, and augmented benefits.

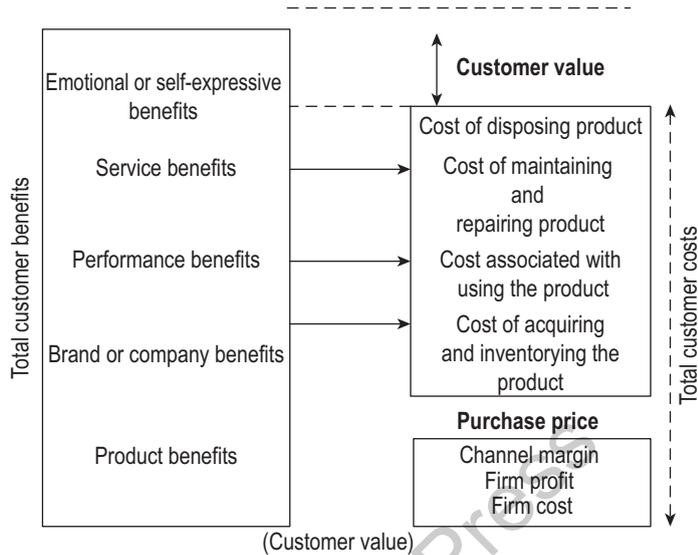


FIGURE 1.1 Concept of customer value

Core benefits These benefits explain the core meaning of the product to the consumer. These are the intangible benefits at the core of the product that the consumer expects to obtain through ownership. While making a choice about lipstick, women expect the product to offer some level of ‘hope of looking beautiful’. For example, a car offers the generic benefits of convenience in travelling. Hope, benefit, and satisfaction are the key core benefits associated with the products.

Tangible benefits These are the benefits that the consumer physically confronts while making a choice. They include the physical attributes of the product such as feature, colour, design, style, quality, size, weight, and durability. The marketer identifies the need for a lipstick and converts it to a tangible product by styling, featuring, and giving a brand name to the product.

Augmented benefits Many basic products are a combination of core and tangible benefits. Companies augment the core and tangible benefits with warranty, guarantee, and after-sales service programmes so that the customer receives an enhanced brand experience. The other augmented benefits include facilities for credit, packaging, repair, and after-sales and service facilities. They help in building a higher aspirational value for the product with an objective of creating non-attribute-based differentiation. Refer to Fig. 1.2.

LAYERS OF PRODUCT

A product has different layers like an onion and each layer contributes to various aspects of the product. Marketers should analyse the product at different levels. The identified levels are as follows:

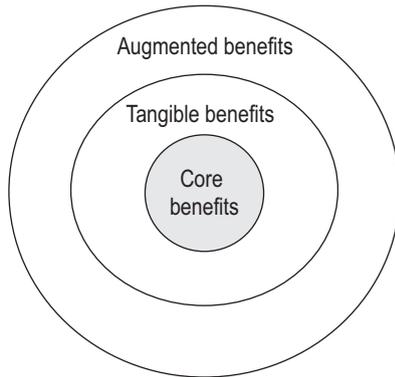


FIGURE 1.2 Product benefits

- Core layer
- Basic product layer
- Expected product layer
- Augmented product layer
- Potential product layer

The core layer of the product explains the reasons for which the customer is making the purchase. This layer explains the ‘reason why’ of buying the product.

The basic product layer is something that the consumer looks at while making a choice. They are hygienic to a product offering and include basic utilities such as physical features and other tangible elements of the product.

The expected layer is a set of attributes and conditions that buyers normally expect out of a product. While the basic product is the ‘given thing’, in the expected level, consumers use their anticipations and utility expectations for defining the product.

The augmented part of the product is a set of associated services and cues that help the product to deliver beyond the expectation level of the consumer. Product managers use strategies such as brand positioning and competitive differentiation in a commodity market for delivering the augmented level of the product. This amounts to sufficient defence for the brand but is not the necessary level of defence.

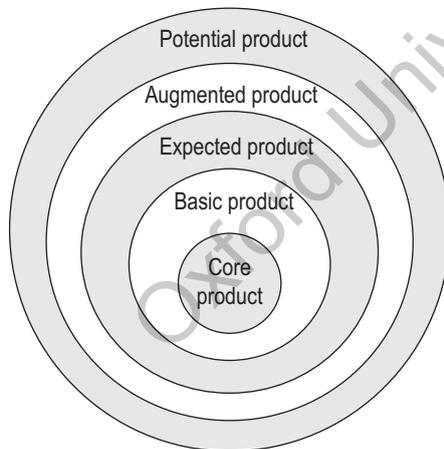


FIGURE 1.3 Layers of a product

In an emerging market like India, competition originates at the level of the expected product. The last layer is the potential layer where all possible augmentations and transformations of the product occur for the future market. The marketer is always on a constant search for new methods and processes to differentiate the offer that will satisfy the customer and create the desired differentiation in the market. Refer to Fig. 1.3.

ESSENTIAL FEATURES OF PRODUCTS AND SERVICES

There is no meaning to a product if it does not deliver some value to consumers. If the product delivers a higher value compared to competitors, it enjoys favourable positioning and a higher level of customer loyalty and brand equity. The product should bring profit to the company and satisfy the stakeholders. It should either deliver value for money or reflect the aspirations of consumers due to product ownership. The product comes with

associated attributes so that there will be additional utility due to extra value proposition through additional promises. The product (through its meaning and brand building) is a bundle of intangible benefits that deliver the implied meaning to the product.

Product Management Decisions

The product manager has more authority and responsibility than ever before. The enhancement of responsibility has increased his/her role in conducting long-range planning, achieving profit objectives, and making product life cycle management decisions. There are three critical factors to be considered while making product market decisions. The product manager should decide on the nature of the market, the level of competition, and the level of product to be offered to the market.

Markets are classified into monopoly market (with no direct competition), monopolistic market (with differentiated demand patterns), oligopoly market (with a strong cartel among few players), and perfect market (with a high level of commoditization). Markets can also be classified into concentrated markets (when the market share is with a few dominant players) and fragmented market (where the market share is distributed among many players and very few can really take a call on decisions related to price).

The next important factor is the nature of assistance needed by the product regarding production, engineering, marketing, financing, staffing, and so on. The third factor is much broader and covers strategic requirements that affect the product line, the whole business line, or the entire corporation. The product manager needs to answer the following questions while deciding on the products and services of the firm.

- What do we want out of product management?
- What do we want our product managers to do?
- When do we want our product managers to do their jobs?
- How do we want them to do the jobs assigned to them?
- What are the operational guidelines that will be established?
- What expectations do we have for the specific contribution of product managers and product management?
- What is the price that we are willing to pay?
- What are the general and specific duties and responsibilities that will be assigned to product management?
- What are the authorities that will be assigned to product managers?
- What is the number and the nature of products and brands?
- What are our product objectives?
- How will we measure the effectiveness of our product management?

Classification of Products

Products can be classified on the basis of three essential characteristics, namely durability, tangibility, and user type. While durability explains the average life of the product available

for consumption, tangibility explains the physical attributes of the product, and user type classifies products into consumer products and industrial products. Figure 1.4 shows a typical product classification.

Classification on Basis of Durability and Tangibility

Products can be classified on the basis of durability and tangibility. They can be grouped as non-durable and durable products on the basis of durability and as physical products and services on the basis of tangibility.

Non-durable goods Non-durable goods are tangible goods normally consumed for one or a few uses. They are purchased frequently and consumed very often. Smooth and intensive distribution (availability at all possible places) makes these products succeed in the market. In this product category, the marketer charges a small mark-up and advertises heavily to increase trial and build brand preference. Most fast-moving consumer goods (FMCG) products belong to this class (e.g., detergents, food items, and household goods).

Durable goods Durable goods are tangible goods that can normally be used for many years. These products need more personal selling and after-sales service; they offer higher margins and are often backed up by guarantee or warranty programmes (e.g., colour televisions, refrigerators, washing machines, and vacuum cleaners).

Services These are intangible, inseparable, variable, and perishable products. Services need a good amount of quality control, credibility of the supplier, and adaptability to variable consumption behavior (e.g., airline, insurance, and banking services).

Classification of Consumer Goods

Consumer goods can be classified on the basis of consumer's shopping habits. They are grouped as convenience goods, shopping goods, speciality goods, and unsought goods. Consumer goods are targeted at either individuals or family members.

Convenience goods These are frequently purchased goods by consumers. Consumers often buy them out of frequent consumption situations. They are purchased immediately with minimum efforts (e.g., toiletries, soaps, cigarettes, and newspapers). These goods can be further classified into the following:

Staple goods Consumers purchase on a regular basis. There is a high level of routinized response behaviour for items such as toothpastes, soaps, and chocolates that fall under this category.

Impulse goods Consumers purchase without any planning or search effort. Purchase of a magazine, chocolates, candy, and bread are examples of an impulse buying situation.

Emergency goods Consumers purchase on an urgent need. There is no previous decision to buy them but the consumer is forced to buy due to the emerging situation.

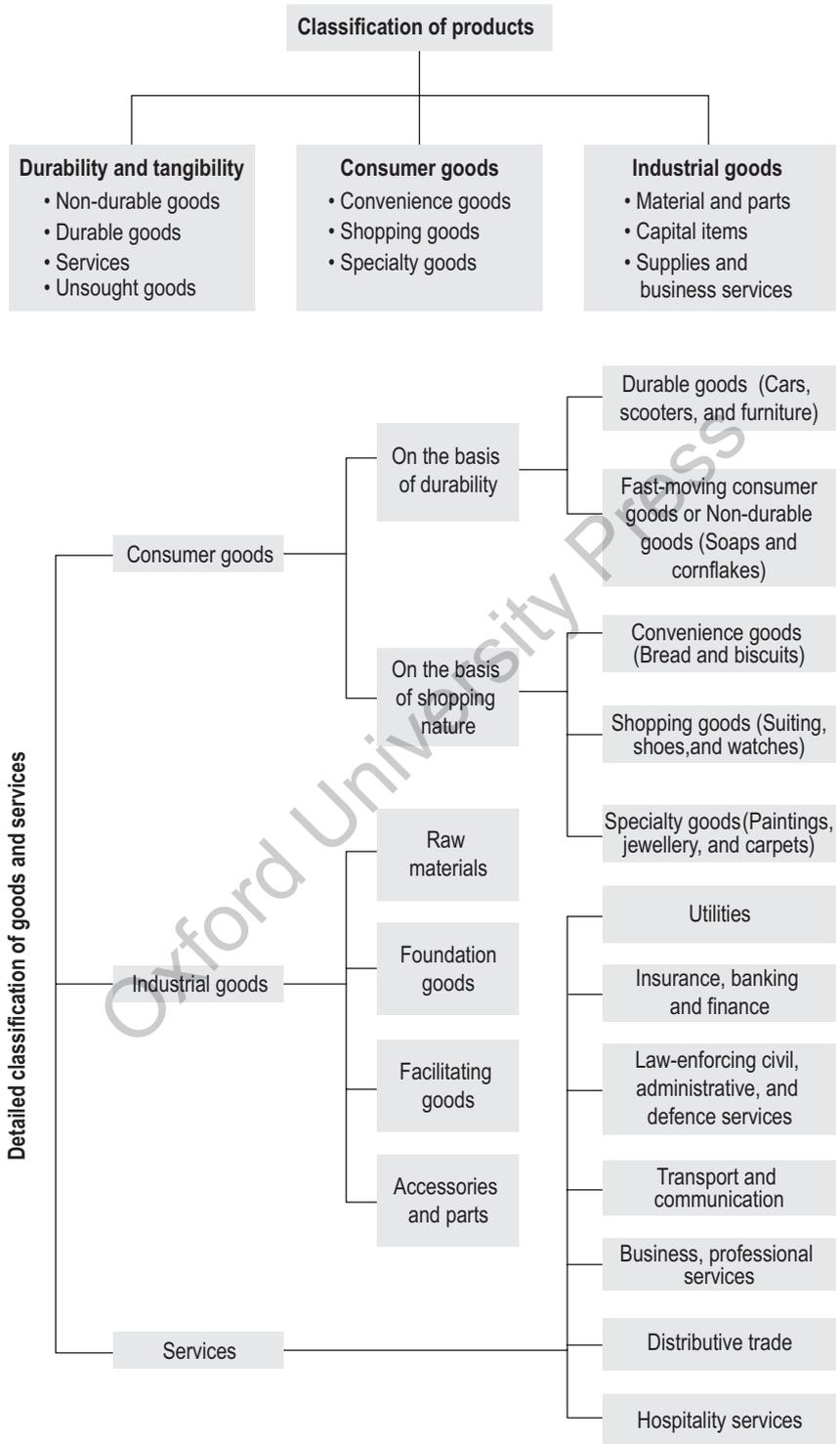


FIGURE 1.4 Product classification

This includes purchase of umbrellas, antiseptic creams like Burnol, or axes to cut down trees during the rainy season.

Shopping goods These are goods that the customer purchases by undergoing a comparative process of selection and purchases based on price, psychological fitment, suitability, style, and quality. Examples include furniture, electrical appliances, home furnishings, and clothing. Shopping goods can be classified into the following:

Homogeneous shopping goods These are similar in quantity but differ in price levels justifying a price comparison by the buyer

Heterogeneous shopping goods These products differ in product features and services and are more important than price for a decision.

Speciality goods These are goods with unique characteristics or brand identification for which buyers need to make a special purchasing effort. Examples include music systems, televisions, cars, and men's clothing. There is hardly any comparison for speciality goods as each brand is unique and different from others. The buyer is ready to spend more time and effort while making a purchase decision for such goods.

Unsought goods These are goods that the consumer does not know of or does not normally think of buying. These goods need advertising and more personal selling efforts for making a sale. Some examples are life insurance, coffins, and fire alarms.

Classification of Industrial Goods

Industrial goods are the output of one manufacturing system and act as the input for another manufacturing system. They enter into another firm's production process so that the final goods can be offered for consumption. They enter into the production process as raw materials and spare parts; some of them also enter as capital items for augmenting the finished goods and the rest as consumables and supplies. These are ably supported by services targeted towards business class customers. Figure 1.5 explains the processes involved in industrial goods.

Industrial goods can be classified into the following areas:

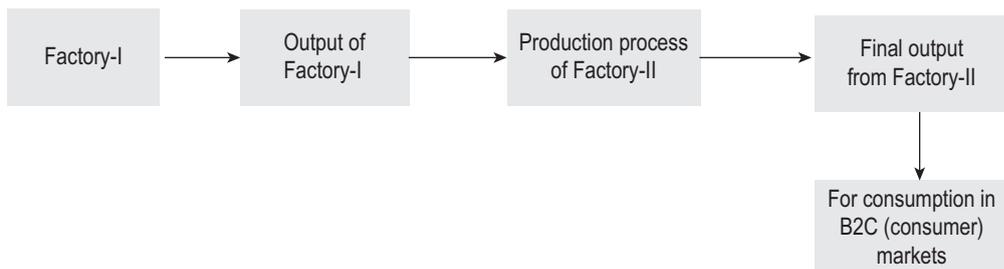


FIGURE 1.5 Processes involved in industrial goods

Materials and Parts

These include goods that go into another manufacturer's product completely. They are of two types—raw materials, and manufactured materials and component parts. Raw materials may include farm products such as rice, maize, cotton, and starch, or natural products such as fish, petroleum, gas, iron, and aluminum ore. Farm products are renewable as they involve agricultural production. Natural products are very often limited and are often available in bulk and low unit value. There are a few but large producers and marketers supplying natural products. Long-term supply contracts are a common phenomenon in such categories as the industry needs an uninterrupted supply of products for running the business process. Manufactured materials can be classified as component materials such as iron, steel, zinc, and component parts such as motors and printed integrated circuits. Component materials are further classified into fabrications from alumina to aluminum, pig iron to steel, and yarn to cloth. Components enter the final product without being changed or modified.

Capital Items

These are long-lasting goods that facilitate developing or managing the finished product. They include two groups—installations and equipment. Examples of installation include buildings, shades, offices, and shop floors, and heavy equipment such as earthmovers, trucks, drillers, servers, and mainframe computers. Installations are major purchases for the organization. Equipment include hand tools and office equipment such as personal computers and laptops. Such equipment are not permanent and need to be replenished in different periods of time.

Supplies and Business Services

These are short-term goods and services that facilitate managing or developing the finished product supplies. They can be of two kinds, namely maintenance and repair and operating supplies. Maintenance supplies include painting and nailing. Operating supplies include writing papers, consumables for computers, lubricants, and coal. Business services can be classified into maintenance service such as copier repair, window and glass cleaning, and business advisory services that include consultancy, advertising, and legal services.

Product Mix Decisions

Most companies, whether large or small, handle a multitude of products and varieties, irrespective of whether they are into manufacturing or retailing. In due course of time, companies may expand new lines or contract old lines after the existing product is sold out or develop new uses for the existing products. Such activities involve managerial strategies and policy making with respect to the company's line of products and services.

A product mix is known as product assortment; it is the set of all products and items that a particular seller offers for sale. It consists of various product lines. For example, Godrej has multiple product lines, namely soaps, office equipment, edible oil, computers,

and other products through different manufacturing processes that are targeted towards different markets. If a company has multiple products, the product manager has to decide at three different levels of product aggregation, that is, product item, product line, and product mix.

Product item It is a specific version of the product that has a separate designation in the seller's list. For example, Renault's Duster is a product item.

Product lines A group of products are closely related because they satisfy a class of need or are used together; sold to the same customer group, marketed through the same types of outlets, fall within the given price ranges, and are considered a unit because of marketing, technical, or end-use considerations. In other words, a broad group of products meant for essentially similar uses which possess reasonably similar physical characteristics constitute a product line. For examples, SLR cameras or wearing apparel is a product line. Examples of non-food product lines include the Barbie line that comprises baby clothes, nursery equipment, vaporizers, and toiletries.

Product mix These are products offered for sale by a firm or a business unit. In other words, product mix is the complete list of all products offered for sale by a company. For example, Canon SLR cameras, photographic supplies, papers, printers, and fibres constitute product mix. Tata's hair oil, cosmetics, locomotives, textiles, and iron and steel goods is another example of product mix.

Organizational Goals and Product Mix

There are various organizational goals for offering a product mix. The key objective of offering a product mix is to fulfil the supply of goods and services to end customers. The three critical organizational goals are sales growth, sales stability, and profits.

Sales growth can be achieved either by increasing its share in existing markets or by finding new markets. There are four ways in which product mix can be adjusted to achieve organizational goals, as follows:

Market penetration Here, market share is increased by expanding the sales of present products in the existing user segment.

Market development Here, markets are expanded by creating new uses of present products.

Product development Market share is increased by developing new products to satisfy the existing needs of customers.

Diversification The market is expanded by developing new products to satisfy new needs of consumers.

Stability in sales is required as stable sales allow for more efficient planning in all phases of production and distribution. It is also desirable to maintain a proper balance in total

sales and product mix so that a product losing market can be counteracted by launching another product that can pick up the lost market share. Sales stability can be established by entering into a new market.

Profits are determined by the marketing success of different members of a product mix. Some items are usually more profitable than others. Low-profit items may be performing a valuable part in helping to sell the company's more profitable products. They may also prove to be an insurance against an unforeseen failure of a profitable product. Theoretically speaking, though one should keep highly profitable products in the product mix, one needs to understand the cross linking between product profitability within a product mix.

Constituents of Product Mix

A product system is a group of diverse but related items that function in a compatible manner. A product mix constitutes the set of all products and services offered to the market. The constituents of a typical product mix include dimensions of width, depth, length, and consistency.

By 'width of the product mix', we mean the number of different product lines found within the company. In other words, the number of product lines carried out by the company measures its breadth. For example, Bajaj Electrical produces bulbs, fluorescent lights, mixtures, grinders, toasters, scooters, pressure cookers, and a host of other electrical appliances. This list of the number of product lines is called its width. Refer to Fig. 1.6.

The 'depth of the product mix' refers to the average number of items offered by a company within each product line. In other words, depth is measured by an assortment of sizes, colours, models, prices, and quality offered within each product line. For example, HUL produces 10 variants of shampoos in a shampoo line. Therefore, the depth is 10 for the company in the shampoo line.

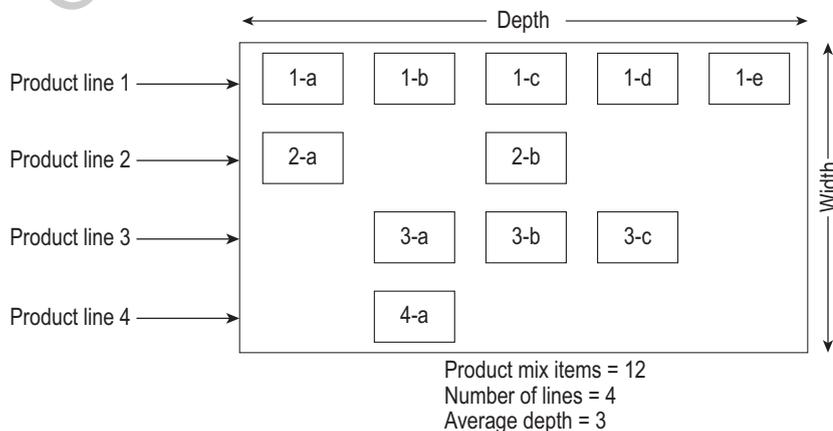


FIGURE 1.6 Constituents of product mix

The length refers to the total number of items produced by the company in all of its product lines. This is the sum total of the number of items in each of the product lines.

The consistency of the product mix refers to how closely the various product lines are related in terms of consumer behaviour, production requirements, and channels of distribution. For example, General Electric Company's product mix has an overall consistency in that most products involve electricity in one way or the other.

The dimensions of width, depth, and consistency have strong marketing implications. When a company increases the width of its product mix, it shows that the company is planning to capitalize on its good reputation and skills in current markets by increasing its presence in other product categories. As the company increases the depth of its product mix, it plans to entice the patronage of buyers of widely differing tastes and needs. When the company increases the consistency of its product mix, it hopes to acquire an unparalleled reputation in a particular area of endeavour. When the company increases its length in different product lines, it plans to enter deeper into each of the product market segment that it serves.

It is important for a marketing manager to understand the different dimensions of a product mix and the ways in which they are related to each other. Changing the *product items* involves the issues regarding modifying, adding, or dropping product items. Changing the *width of the product mix* involves altering the policy at the product-line level and whether to deepen or shorten an existing product line. Changing the product mix involves issues related to product-markets that one should enter or leave, and ways to handle communications for various product lines or items.

Product Line Decisions

Product line decisions are crucial as they involve major investments or disinvestments for a firm. Managers have to allocate advertising and communication expenses and have to invest in manufacturing and other facilities. Taking decisions on changes in a product line depends on several factors such as preferences of consumers, tactics of competitors, cost structures of firms, and demand spillover from one product to another.

Changes in Market Demand

Changes in market demand may arise due to variations in the composition of the population served. If there is an increase in the number of births, businesses prefer introducing new lines of baby products such as baby food, baby shoes, perambulators, and toys with other lines. An increase in the purchasing power of consumers also leads to improvement in product quality as also the dropping of certain low-price and low quality goods from the existing product.

Changes in consumer behaviour in terms of motivation, attitudes, preferences, and buying habits encourage marketing executives to expand or contract their product mix. To satisfy varying needs, the product manager may add many new lines. For example, departmental stores do so by adding general merchandise, light-reading material, health and beauty aids, ready-to-wear apparels, household requisites, indoor games, and sports

materials. Sometimes, changes in the product mix are also made to suit the requirements of middlemen who may like to have varied line of products due to increased competition, cost, and intensity in promotion.

Competitive Action and Reaction

A firm may differentiate its product line to meet price competition and save it from unduly low profits. Decisions on product lines are taken in relation to the nature of competition and the level of power that the competitor holds in the market. Many firms retain a longer product line so that some brands play the role of a flanker. Flankers are developed to preempt future competition and when a competitor emerges in the picture, the company can invest in making the brand a major one for the firm.

Marketing Influences

Product managers may add new product lines for two reasons—to increase sales by exploiting a new market or by expanding the present ones, and second, to use the firm's capacity more efficiently by a better use of its resources of salespersons, warehouses, or branch offices.

Product Influences

A firm may change its product mix to use its manufacturing capacity more effectively, thereby reducing its net production cost. New lines may be added when another firm discontinues its production. To use the by-products or waste products in a better way, product managers add new lines. The availability of alternative products and new innovations also influence product line decisions.

Financial Influences

A firm may add or drop out a product line according to the availability of financial resources. The product mix may be expanded to increase a firm's sales volume; a product line may be dropped to meet depression in the market. The financial status of a firm, including the availability of capital with the firm coupled with market penetration strategy, will decide the product line.

Product Line Strategies

A company has several product strategies at its disposal. Product managers take decisions related to product width, depth, and consistency in the product mix. Most of these strategies involve a change in the product mix. Some of the important product line strategies are summarized here.

- Product mix expansion
- Product mix contraction
- Product mix alteration
- Development of new uses for existing products

- Trading-up and trading-down
- Product differentiation and market segmentation

Expansion of Product Mix

Product managers expand the product line when consumers traditionally enjoy a wide variety of brands; consumers are accustomed to switching from one to another, if the competitors lack a comparable product, and if competitors have already expanded into the market by themselves. However, the main limitation in expansion is the availability of sufficient finance, management time, and equipment to cater to the market.

Increasing the number of lines and/or depth within a line can help in expansion of the present product mix. Such new lines may be related or unrelated to the present products. For example, a large super market with provisions may add drugs, cosmetics, and housewares (width) while at the same time, increase their assortments of dry fruits, baby foods, and detergents (depth).

Contracting or Dropping Products

This is more difficult because significant money has already been invested; therefore, as long as possible, products are allowed to linger on until they touch shut down cost. The product manager may consolidate several other products in the line so that fewer styles, sizes, or added benefits are offered to the customers. Alternatively, the product manager can simplify each product's position within a line. If the product fails after pruning, the company may stop production altogether.

Alteration of Existing Products

Sometimes, experience may show that improving an existing product may be more profitable and less risky than developing and launching a new product. Alterations may be made either in the design, size, colour, texture, flavour, packaging, in the use of raw materials, in the advertising appeal, or on overall quality. This strategy can be followed regardless of the width and depth of the product mix.

Development of New Uses for Existing Products

A company may find new uses for an existing product. This is possible when the company changes the form of the product and takes the brand from the bathing segment to cleaning clothes, floors, utensils, and even glass products. For example, Dettol launched handwash, dishwasher, and other cleaning agents with the same brand name.

Trading Up and Trading Down

This involves expansion of product lines and promotional strategies. It explains situations where the product manager would like to stretch the brand upward or downward on the value proposition. A lower value proposition leads to trading down and a higher proposition deals with the trading up model.

Trading up It refers to adding a higher priced, prestige product to the existing lines with an intention of increasing sales of an existing low-priced product. Surf was traded

up with launch of Surf Excelmatic. Under trading up, the seller continues to depend on the older, low-priced product for a major portion of the sales. Ultimately, the seller may shift the promotional emphasis to the new product so that a larger share of sales may go to the new products.

Trading down It refers to adding of low-priced items to its line of prestige products, with an expectation that people who cannot buy the original product may buy the new ones. These carry some of the status elements of high-priced goods. An instance is that of LG Electronics which attempted to broaden its market for colour televisions by introducing a frilled-down version called ‘Sampoorna’ for rural markets in India. Many colour television manufacturers launched lower priced versions to cater to the bottom rung of the market. Wills cigarette also traded down by bringing out low-priced Wills-Flake cigarette packs in the Indian market.

Frequent trading up and down is often found to be harmful because the consumer may be confused about the new product and sales in the new line may also get adversely affected as such trading is done at the expense of the existing products. This situation may be avoided by differentiating brands, channels of distribution, promotional programmes, and product design.

Product Differentiation and Market Segmentation

Product differentiation and market segmentation are the most popular strategies for a product manager. Firms engaged in non-price competition in markets often employ these strategies in imperfect markets. Markets are divided as either perfect or imperfect. Examples of imperfect markets include monopoly, monopolistic, and oligopoly markets. In a perfect market every product is a substitute of another product. It is sometimes referred to as a commodity market (perfect market). Since these strategies require large financial involvement in promotional efforts, they are popularly known as product planning and promotion strategies. Some of the popular strategies are explained here.

Product differentiation Product differentiation involves ‘developing and promoting awareness of differences between the advertiser’s product and the competitor’s product’. Product differentiation strategy enables a company to come out of price competition so that it may start non-price-based competition. It is possible to differentiate a product based on quality, design, brand, or packaging. This strategy works in relatively homogenous markets and standardized product markets. Product categories such as soaps, cigarettes, and gasoline are examples of products that employ this strategy.

Market segmentation Under the market segmentation strategy, the seller knows that the total market is made up of many smaller homogeneous units well-differentiated on the basis of the consumer’s wants and motivation. Different types of products can be developed to cater to varied demand patterns. Product managers can tailor-make products to suit each segment. This strategy attempts to penetrate a limited market in

depth, whereas product differentiation seeks to achieve breadth in a generalized market. Product differentiation seeks to secure a layer of the cake and market segmentation strives to secure one or more wedge shaped pieces from the cake.

Product Positioning

Product positioning refers to a brand's objective and functional attributes in relation to competing brands. It is a characteristic of the physical product and its functional features. Brand positioning refers to a brand's non-functional and emotional attributes with respect to competing brands.

Product positioning is the process of selecting, out of a number of unique selling propositions, the one that will give maximum sales to the product manager. Product positioning is central and critical and is to be considered at the level of mission statement. At the strategic level, product positioning represents the essence of a business. Refer to Fig. 1.7.

Perceptual Mapping

When a marketer intends to display his/her interest in the perception of target consumers, there is a need to measure customer perception. Perceptual mapping is the method of measuring consumer perception about the product with respect to competing products by using graphical method. Perceptual mapping is usually represented by two-dimensional scales so that the marketing manager can readily see where his/her own product is positioned in the minds of prospects and in relation to other products. Perceptual mapping technique identifies the dimensions on the basis of which the consumers differentiate products and the configurations of the product in relation to competing products on these dimensions. Let us take an example of positioning of Top Ramen, Maggi, and Yankee's noodles on dimensions of convenience and quality. Refer to Fig. 1.8.

Let us take another example of television brands, namely Sony, LG, Samsung, and Videocon and try to represent them on brand image and superior technology. Refer to Fig. 1.9.

A product manager can use the steps mentioned in Fig. 1.10 to develop a perceptual map.

Product Benefits

Product benefits facilitate consumers in their decision-making and reduce uncertainty in their minds. Consumers encapsulate the product's identity, origin, specificity, and

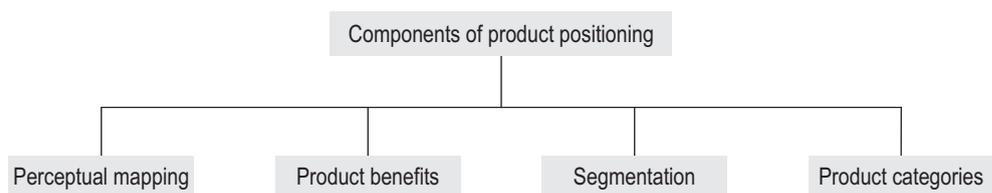


FIGURE 1.7 Components of product positioning

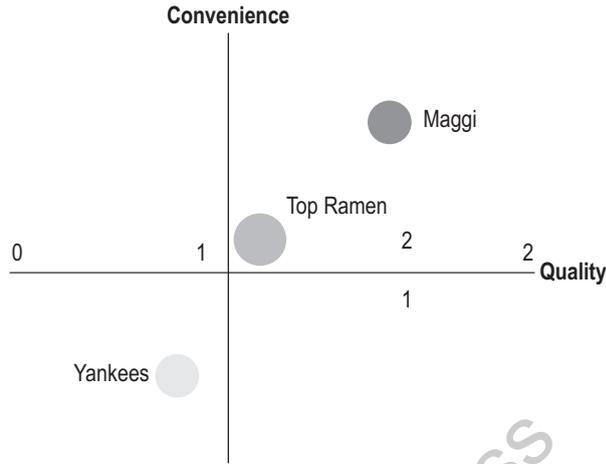


FIGURE 1.8 Perceptual map of noodles brands based on convenience and quality

guarantee and how it is different from others. Product benefits can be communicated by developing a branding strategy. This is because the brand owner is able to earn an easy recognition and positive image in comparison to non-branded or other brand owners. Product benefits are converted into brand benefits through marketing communication and gain the following strategic relevance in marketing.

- A brand aims to segment the market.
- It helps in developing a favourable image.
- It offers value for money.

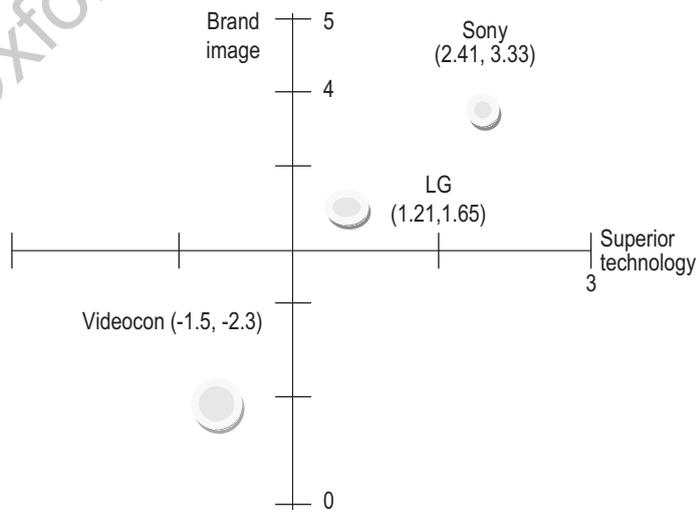


FIGURE 1.9 Perceptual mapping of television brands based on brand image and technology

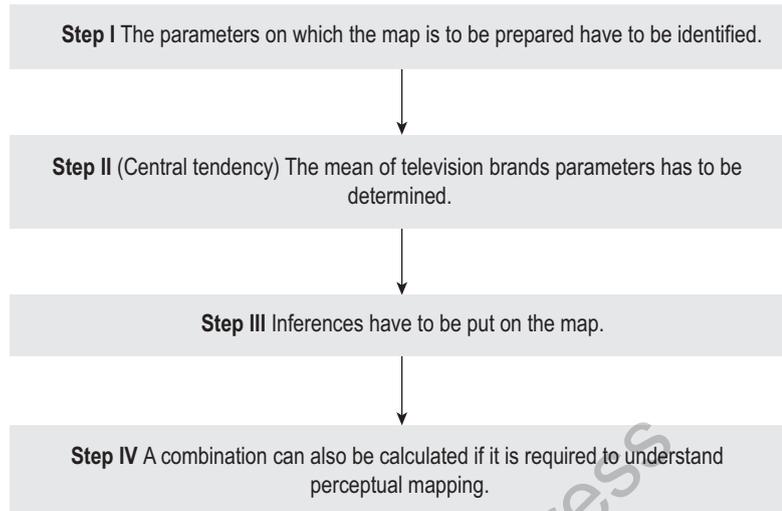


FIGURE 1.10 Steps to develop a perceptual map

- It helps in product innovations.
- It is a living memory as it leaves lasting impressions in the minds of consumers.

We can conclude that product benefits constitute the heart of product management. Such benefits can be achieved through continuous and innovative thoughts.

Segmentation

An understanding of the relevant dimensions of a market is very important in product management. In market segmentation, consumers are grouped in terms of various characteristics; firms attempt to match the needs of different consumer groups to the product attributes and benefits, and develop compatible marketing inputs such as price, promotion, and distribution.

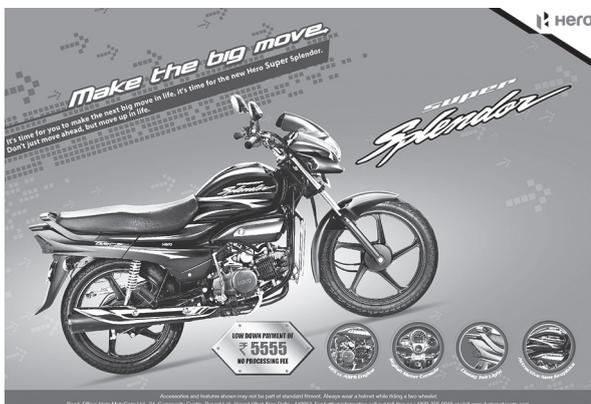


FIGURE 1.11 Hero Splendor

Product Categories

The nature of a product is found to have considerable impact on the method of product positioning. The method of positioning a product will vary among consumer and industrial goods.

Product Positioning as Differentiation Strategy

A firm that decides to operate in a heterogeneous market recognizes that it normally cannot serve all customers in that

TABLE 1.3 Product differentiation strategies used by some premium brands

Product attribute	Examples
Product design	Braun shaver, Harpic
Product style	Titan watches, Woodland shoes
Product range	Revlon cosmetics, Bata shoes
Service quality	Dell Computers, Eureka Forbes Vacuum Cleaners
Packaging	Tata Tea, Colgate toothpaste
Product features	Sony television, Hero Splendor
Performance quality	Whisper sanitary napkins, Ujala, Eveready

market with equal attention since customers are numerous, dispersed, and different in their buying requirements and patterns. Hence, there is a need for product differentiation to cater to different market segments. Differentiation could be based on product, service qualities, or on perceived benefits as communicated to the customer through marketing communication. Refer to Fig. 1.11. Table 1.3 highlights the product differentiation strategies used by some premium brands.

Product and service design is one of the most important ways to differentiate and position a company's offering in different target markets. The steps for improving product quality should be initiated by the top management of the organization. This will bring further commitment from employees. When Xerox underwent a total quality management programme, Paul Allire, the company's CEO, led the initiative from the front. It is important to create a perception of quality and deliver it by product innovation. This will help in building customer satisfaction. This process should be integrated to the overall product strategy of the organization.

CONCLUSION

Product management is an integral part of any marketing programme. The success of a marketing plan depends primarily on conceptualizing and launching a unique product that matches the needs of customers. A product is something that an organization offers to prospective consumers to satisfy their needs. It is a bundle of benefits consisting of key product features and accompanying benefits and services. Product managers face various challenges in the marketplace. Some of these are external to the managerial decision-making of an organization. Factors such as changes in technology, consumer tastes, intensity of rivalry in the industry, and life cycle of an existing product are important issues affecting product management decisions.

Product management involves ideation and development of new products; launch of new products; managing the product across its life cycle; developing product marketing

plans, and managing product portfolio as the company progresses over a period of time. A product manager has different responsibilities in the organization. His/Her role can be classified into product development and product marketing. He/She is responsible for identifying profitable opportunities that cater to the consumer's needs, launching new products in the market, overseeing products in the market, and removing unsuccessful products from the portfolio. The product manager holds a strategic position in modern marketing. He/She takes key decisions related to the product and its positioning in the marketplace. The product manager collects market information; embeds them into the product design process; and augments the core product with desired service levels so that the customer finds the product to be unique and different from the competing offers.

A product delivers value to customers. Customer value is the net benefit over the cost involved in acquiring the product. A customer evaluates the benefits that he/she expects from the product ownership and the cost of ownership of the product. Each product offers different levels of benefits; these are defined as core, tangible, and augmented benefits. Similarly, products constitute different layers such as core, basic, expected, augmented, and potential levels. The product manager needs to decide at what level he/she should offer the product in the market so as to differentiate and position the product as a unique offer in the market.

Product mix is defined as an assortment of all related and unrelated products in a company's offer. Product mix has four important elements, namely width, depth, length, and consistency. Product line decisions are related to the length and depth of each product line and how individual products will be marketed to different market segments. Once product line decisions are taken, the product manager develops suitable product line strategies to suit the market.

A product manager decides the positioning strategy for the products based on tangible product attributes. While a brand is positioned on the basis of non-functional and emotional elements, product positioning is used to differentiate the product from others on some objective, measurable, and physical attributes. One can differentiate a product at its physical feature and service levels. A product will deliver the maximum value when a product manager combines physical attributes and services together and offer the same to customers.

KEY TERMS

Capital goods: These are long-lasting goods that facilitate developing and managing the finished goods.

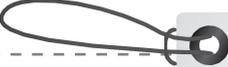
Convenience products: These products satisfy the needs of the customer; however, the customer will not be ready to spend much time or effort in shopping for such products.

Durable goods: Durable goods are tangible goods that can normally be used for many years.

Emergency products: These products are purchased immediately as the need arises.

Homogeneous shopping products: These are products that the customer spots and wants at the lowest price.

Impulse products: These products are bought quickly and are unplanned purchases as a result of a strongly felt need.



Key Terms (contd)

Industrial products: These products are used in producing other products and often go into another product's production process.

Non-durable goods: These are goods consumed in one or few instances.

Product: A product is a bundle of benefits offered to consumers.

Product assortment: A set of all product lines and individual products that a firm has in its portfolio is known as product assortment.

Product depth: It explains the number of products that a product line encompasses in each of its product lines.

Product line: It is a set of individual products that are closely related to each other.

Product width: It explains the different product lines offered by a company.

Shopping products: The consumer compares the features and buying criteria of these products with other alternatives while making a branding decision.

Speciality products: These are goods with unique characteristics and brand image that the consumer purchases with less deliberations and evaluation.

Supplies: These are short-term goods and services that facilitate the development and management of finished goods.

Unsought products: These are the products that consumers do not wish to buy but have to buy such as life insurance and fire safety equipments.

CONCEPT REVIEW QUESTIONS

- 1.1 What is a product? Explain the product concept.
- 1.2 Explain product benefit. How is it different from product value? Explain the different types of product benefits.
- 1.3 Explain the different layers of a product with suitable examples. How are these layers relevant in the context of product decisions?
- 1.4 Explain the role and functions of a product manager.
- 1.5 Differentiate between product development and product marketing.
- 1.6 Why are objectives and strategies considered fundamental for the success of a product strategy?
- 1.7 Critically examine the factors that influence the product mix decisions.
- 1.8 What is product differentiation? Distinguish between product differentiation and market segmentation.
- 1.9 Distinguish between consumer products and industrial products. Explain the classification of industrial products.
- 1.10 What are the constituents of a product mix? Explain the following terms: (a) product width, (b) product depth, (c) product length, and (d) product consistency.

CRITICAL THINKING QUESTIONS

- 1.1 To survive in the market, in the long run, companies need to discover the winning formula in their product design. Identify five brands and explain how they have developed a unique product feature for surviving in the long run in the market.
- 1.2 Are product line expansion and diversification synonymous? Why should a company go for diversification? Give five examples where diversification has helped companies gain more success in business.

- 1.3 Identify five products and discuss the core, tangible, and augmented product levels of these products.
- 1.4 What are the product features that should be valued for marketing products in the Indian market? Give your rationale behind the same.
- 1.5 What do you mean by product modification, product elimination, and product line modification? Explain these options with suitable examples.
- 1.6 How should a product manager differentiate between product positioning and brand positioning? Explain with suitable examples.
- 1.7 Explain the layers of following products:

(a) Toothpaste	(b) Candy	(c) Motorcycle
(d) Bus	(e) Pressure cooker	
- 1.8 Identify the kind of industrial product into which the following equipment are classified:

(a) Driller	(b) Lathe machine	(c) Earth mover
(d) Molded furniture	(e) Industrial adhesives	
- 1.9 Industrial products have derived demand. Explain the statement with suitable examples.
- 1.10 Explain the brand positioning strategy adopted by the following products:

(a) Vodafone	(b) Old Spice	
(c) Nivea Cream for men	(d) Baba Ramdev	
- 1.11 Today's market is driven more by brand positioning than product positioning. Do you agree with the statement? What are the reasons for your agreement?
- 1.12 How does differentiation strategy work in the case of the following product categories in India?

(a) Shampoos	(b) Home furnishings	(c) Corporate hospitals
(d) General insurance	(e) Futures and options	

PROJECTS

- 1.1 Identify five products that are no more available in the market and examine the reasons for their death.
- 1.2 Select 10 people from the following age categories and identify their favourite brands in selected product categories. Examine the reasons for differences in their choices.
Age category (a) 15–20 (b) 35–45 (c) 65–75
- 1.3 Select a sample of 50 customers of the following age groups and find out how they evaluate different layers of products in selecting a television channel:
 - (a) Category I Below 20, schoolgoing, and convent educated.
 - (b) Category II Above 20 and below 35, college pass, and working executives.
 - (c) Category III Above 35 but below 45, college pass, and working executives.
 Report if there is any discrepancy in the perception of people with respect to layers of the product.
- 1.4 Identify the product lines of the following companies and analyse how each one of them is contributing towards the overall product strategy of the firm:

(a) Hero Motocorp	(b) Samsung Electronics	(c) ITC Limited
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- 1.5 Analyse how Indian domestic marketers have changed their product line decisions after the opening up of the Indian economy in the following categories:

(a) Bajaj Auto Limited	(b) ICICI Bank	(c) Maruti Automobiles
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- 1.6 Conduct secondary data analysis to determine how changing levels of competition has contributed towards repositioning of brands in the Indian market in different product categories.

CASE STUDY 1

Renderlogy—Start-up to Scale up

Renderlogy is a Hyderabad-based interior designing technology start-up firm. The CEO of the company believes that the Internet is bringing about significant changes to traditional business models. As a business model, Renderlogy offers online décor solutions to customers at mid and affordable price levels. The company is positioned as the world's first online and automated, interior design company providing end-to-end solutions to customers.

The interior design and home decor market in India is estimated to be around ₹125,000 crores. This market is likely to grow due to the increased affluence in the Indian society and increased awareness on aesthetics in home solutions. Consumers in this segment spend more time and effort in making product choices. Unlike the purchasing of books or groceries, customers prefer to experience the purchase for interior design solutions. The market is dominated by architects who focus on more profitable customers leaving mid-space clients to carpenters and the unrecognized sector.

Renderlogy has a distinct value proposition in this market segment through the application of innovative technology. It focuses on the B2B market with real estate and large builders as the target segment. However, the opportunity to grow in a B2C space is immense. The company plans to make a free-for-registration portal that will enable the end user to click, drag, and drop to customize and virtually see how his/her planned house would look like. The company plans to expand its business

to Bengaluru, Chennai, Mumbai, Raipur, and Jaipur. It also plans to develop a mobile application for Android and iOS platforms to reach a larger customer base.

Affordable housing is a \$100 billion opportunity in India. The CEO believes that Renderlogy is a unique player in the space of home décor and interior design. It uses technology, virtual reality, and real-time market intelligence of products to cater to its customers. However, it is a start-up and needs a strong product proposition to grow and achieve economies of scale. The company aims at developing a product and a brand plan for the future so that it can present the same to private equity players who will put their money in for scaling the business.

Discussion Questions

- 1.1 Analyse the technology platform, the scope for virtual reality, and the degree of interactivity levels at Renderlogy's portal.
- 1.2 Analyse the affordable housing market opportunity by conducting a secondary online research and suggest a geographic expansion plan for Renderlogy for next three to five years.
- 1.3 Develop a marketing plan for Renderlogy to succeed in the Indian market with a distinctive value proposition.
- 1.4 What product market principles will you use for developing Renderlogy's business model?

Source: www.renderlogy.com, last accessed on 7 June 2015

CASE STUDY 2

Research in Motion's Lost Storm

Research in Motion (RIM)'s Blackberry was always a technology leader in its business. It has always placed itself ahead of its competitors until Apple decided to

launch iPhones. RIM's core business customers always valued secure and efficient communication systems. The four pillars of Blackberry's success have been

Case Study 2 (contd)

good battery life, miserly use of the carrier's spectrum, security, and the ability to type. These four factors gave competitive advantage to the brand in the market. The CEO of RIM wondered what happened to Blackberry as a product and how it can be brought back to the market as a force to reckon with.

Apple launched the iPhone in 2007 at San Francisco as a small glass device that can download music, videos, and maps from the Internet. Cingular Wireless announced a multi-layer contract with Apple to sell iPhones. The parent AT&T made an agreement to sell iPhones on its network. Apple put a full web browser on the phone which RIM's carrier, Verizon, did not permit them to bring in as a feature to its product.

The co-CEO, did not give much attention to the Apple launch as he thought it was not a threat to RIM's core business. The Apple iPhone was not secure; it had rapid battery drain and a not-so-great digital keyboard. Such problems with the product made him believe that the iPhone will not work in the market. He believed the phone is designed for people who cared about YouTube and other Internet features. He could not visualize the Internet and mobile technology knocking at the door.

However, iPhone became a success in the market. Rivals such as RIM, Motorola, and Nokia could not rationalize the success. The phone's battery lasts for less than eight hours; it operated on an older, slower second generation network, and downloading of music and video strained AT&T's network. The competitor changed the competitive landscape by moving the product from functional orientation to a product that was aesthetically beautiful.

Verizon understood that if Apple joined with AT&T, it will be a big challenge to its business in the smartphone segment. The AT&T deal to exclusively sell iPhones is a powerful threat to its business. More than one million iPhones were sold in the first quarter of 2007 and the brand developed itself to a cult with a rapidly growing following. Verizon met RIM, the world's largest producer of smart phones at that time to develop a

counter strategy. RIM suggested its 'bold phone with a traditional keyboard and new touch screen display as an answer to the iPhone, which was rejected by Verizon as touchscreen became the trend in the market.

Launch of Storm

RIM's product 'Storm' was launched as a solution to this competitive threat. Storm, as a product, was at prototype level in early 2008. It had a glass and a movable screen. The user could activate the phone's digital keyboard by pressing the screen down, replicating the click, and enabling tactile pleasure that made Blackberry's physical keyboard very popular. Verizon liked the idea and had a \$100 million marketing budget to promote Storm in around a thousand retail outlets. The company gave a daunting timeline for the launch—spring of 2008. This nine-month deadline could not be met by RIM and only in November 2008, the company started shipping Storm for the year-end season, despite the fact that they were shipping a flawed product.

The browser of Storm was slow, the clickable screen did not respond well, and the device often froze and reset. Verizon started selling with heavy subsidies and RIM launched software updates to eliminate Storm's many bugs. They could sell one million devices in the first two months; but the product failed. Almost every device of the one million or so devices sold needed replacement. Many replacements were also returned to the store. Verizon started threatening and demanded return of money which was spent in fixing Storm's product problems. They demanded \$5 million to cover their losses.

However, the CEO offered Verizon an alternative solution with a free repair and upgrade programme and complementary Blackberrys. The same would cost RIM around \$100 million which would hardly affect the company's topline. Verizon had signed a 'take or pay' deal and was stuck with the units it had committed to buy. This had very negative consequences with veiled threats from Verizon to evaluate the supplier relationship.

Storm is the first failure for RIM in the market. It had always got praise and adulation for its devices.

Case Study 2 (contd)

However, the CEO did not regard Storm as a failure. He was of the view that it is their first foray in cracking a new technology. The product had a good camera, video streaming capabilities, good speaker, and replaceable battery. It was the first 3G device for Verizon and he also liked the clickable screen. He did not realize that consumers did not show any liking to the clickable screen. He thought Storm to be a great product, ignoring the market trends.

RIM decided to create Storm-2 with a clickable screen and continued the same till 2010 until Verizon lost interest with the product. The CEO was also wondering how people liked the iPhone while searching for chargers to manage quicker draining of the battery. However, he realized that Apple was setting the agenda for the wireless industry and RIM became a follower in the market. The CEO is of the view that the carrier (AT&T in this case) changed the rule of the game and forced all other carriers to change the rules. It allowed new rules—that conservation of energy in battery does not matter, cost did not matter, or security did not matter. It is experience that matters.

Apple also created its app store based on its experience of computers and iPods. The company has an army of external developers who built consumer apps for all products. Blackberry brought its own app store in the Spring of 2009 but Apple customers had downloaded one billion apps by that time.

RIM has always been product-focused, building features and tools that augment the wireless technology platform used in devices. RIM realized that there is new competitive dynamics evolving in the market. ML coined the challenge that RIM is facing a 'strategic confusion'. RIM's business has been disrupted on several counts.

Discussion Questions

- 1.1 Should RIM defend its QWERTY keyboard or become a touchscreen smartphone maker?
- 1.2 Should RIM challenge Apple at the high end of the market or focus on the lower end of the market with devices such as Curve and Gemini models? How does that impact the overall perception of RIM as a technology leader?
- 1.3 Should RIM focus on the US market or on emerging markets where iPhone is perceived to be expensive?
- 1.4 Should the company stick to its proprietary software technology or embrace open platforms?
- 1.5 What should be the game plan for the apps market? Should RIM stick to its constructive alignment or leave the sale of apps to the carrier?
- 1.6 What should Blackberry do to survive and grow in the market? Suggest a product strategy for the firm for the US and emerging markets.

Source: www.blackberry.com, last accessed on 23 May 2015

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