

UNIT 2: PRODUCT DECISION IN INTERNATIONAL MARKETING

➤ **Product Mix:**

Product Mix, another name as Product Assortment, refers to several products that a company offers to its customers. For example, a company might sell multiple lines of products, with the product lines being fairly similar, such as toothpaste, toothbrush, or mouthwash, and also other such toiletries. All these are under the same brand umbrella. Whereas, a company may have varied and distinct other product lines that may be in good contrast to each other, such as medicines and clothing apparel.

➤ **Marketing Mix :**

A marketing mix includes various areas of focus as a comprehensive part of the market plan. The marketing mix is best defined as a common classification that begins with the four Ps:

- Product
- Price
- Placement
- Promotion

Definition of Marketing Mix

Marketing is the set of actions, or tactics, which a company uses to promote its brand or its product image in the market. The 4Ps which are Price, Product, Place, and promotion make a typical product mix for the business to achieve a standing on the market. Nowadays, the marketing mix includes several other Ps like Packaging, Positioning, People, and even Politics being vital among other elements.

Four P's of Marketing

Now we will head to discuss the four Ps.

1. Price:

This refers to the value which is put for a product. It depends on the costs of production, the segment that is targeted, the ability of the market to pay, the supply-demand, and a host of other directions as well as indirect factors. Pricing can also be used as a demarcation, to differentiate the products and enhance the image of a product. A businessman uses varied pricing strategies to sell their business overall.

2. Product:

This refers to the item that is being sold. This product must deliver a level of performance that is expected by the target customers, else even the best work on the other elements of the marketing mix will go in vain.

3. Place:

This refers to the point of sale. In an industry, catching the eye and mind of the consumer and persuading them to buy is the main aim of a good distribution or 'place' strategy. Retailers for this pay a premium for the right location. The mantra that every successful business chant is 'location, location, location'.

4. Promotion:

Promotion means all the activities which are undertaken to make the product or service known to the user and known to the trade. This includes advertising, word of mouth, press reports, incentives, commissions, and awards to the trade. This even includes consumer schemes, direct marketing, contests, and prizes.

Dimensions of a Product Mix

1. Width

Width or breadth, that refers to the number of product lines which is offered by a company to its customers.

2. Length

The length refers to the total number of products in a firm's product mix strategy.

3. Depth

Depth refers to the number of variations that exist in a product line.

4. Consistency

This refers to how closely the products in a product line are related to each other.

Example of a Product Mix

A popular and classic example of Product Mix is the brand Coca-Cola. For simplicity, let us assume that Coca-Cola oversees only two product lines that are soft drinks and juice (Minute Maid). The Products that are classified as soft drinks are Coca-Cola, Fanta, Sprite, Diet Coke, Coke Zero, and the products that are classified as Minute Maid juice are Guava, Orange, Mango, and Mixed Fruit.

The product mix or the consistency of Coca-Cola would be high, as all the products within the product line fall under this beverage. In addition, these production and distribution channels remain similar for each of these products.

Importance of a Product Mix

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

- Expanding the product mix width can provide the company with the ability to satisfy the needs or demands of the different consumers and thus, diversify risk.
- Expanding the product mix depth can help the company to cater to the current customers in a better and fulfilling way.

Factors affecting Product Mix

The product mix can be expanded, contracted, or modified depending on the following factors:

1. Profitability-

Every company has an aim of maximizing its profits and for this, they try to make certain changes in the product mix such that it has a positive impact on the company's profitability. The company prefers introducing more product lines or product items to its existing product lines to improve profitability. In the meantime, the product mix is constantly adjusted to realize more profits.

2. Objectives and Policy of Company:

The company formaulates its product mix to attain the objectives it has set. Therefore, the addition, subtraction, or replacement of the product lines or the product items are based on the company's target. Hence, the product mix is prepared and modified according to a company's policy.

3. Production Capacity-

The decisions regarding the marketing mix, depend on the capacity of the plant or production of the company to a large extent. The company designs its product mix in a way that hails optimum production capacity.

4. Demand-

Mostly the Product mix decisions are taken concerning demand. A Marketer should study consumer behavior to find the popularity of their products. The Change in the preferences of the consumers' especially for fashion, interests, habits, etc., must be reflected in the product mix of the company. The company, naturally, prioritizes the products which have more demand. In case of falling demand, a company must drop poor products gradually. Thus, the product mix is adjusted to meet consumer needs and wants over time.

5. Production Costs-

The product mix is widened or narrowed depending upon the production costs of the respective items. The company will prefer those products, which can be produced within the budgeted limit. At times, the manufacturing costs for existing products rise, then the company decides to drop such products to reduce their production costs. It also tries to balance selling price, profit margin, and production costs.

6. Government Rules and Restriction-

Companies generally produce products that are not restricted or banned by the governments. At times, a company has to stop certain products or varieties when they are declared illegal. In the same way, social and religious protests also play a vital role in this regard. The size and composition of the product mix is directly affected by the contemporary legal framework.

7. Demand Fluctuation-

Apart from the behavior of the consumer, demand also fluctuates due to other reasons as well. Demand is affected more due to seasonal effects, non-availability of substitutes, increase in population, war, situations of drought, flood, or any other reason. To meet the changing demand for certain products, the company has to adjust its product mix.

8. Competition-

It is one of the major factors affecting the product mix. All the companies try to formulate their product mix in a way that the competitions can be strongly responded to. The product mix strategy adopted by the close competitors has a direct significant impact on the company's product mix.

9. Impact of Other Elements of Marketing Mix-

Other elements of the marketing mix such as price, promotion, and distribution are also equally important in designing the product mix. The company tries to maintain

consistency among these all elements to carry out marketing activities effectively and efficiently.

10. Overall Business Condition or Condition of Economy-

Economic conditions domestically as well as globally are also considered. Due to the process of liberalization and globalization, no business can dare to underestimate the macro picture of the world economy. Therefore, a company must keep in mind the condition of the domestic economy concerning the world economy and is more relevant for a company that is involved in international trade.

➤ **International Marketing - Product Lifecycle**

The international product lifecycle (IPL) is an abstract model briefing how a company evolves over time and across national borders. This theory shows the development of a company's marketing program on both domestic and foreign platforms. International product lifecycle includes economic principles and standards like market development and economies of scale, with product lifecycle marketing and other standard business models.

The four key elements of the international product lifecycle theory are –

- The layout of the demand for the product
- Manufacturing the product
- Competitions in international market
- Marketing strategy

The marketing strategy of a company is responsible for inventing or innovating any new product or idea. These elements are classified based on the product's stage in the traditional product lifecycle. These stages are introduction, growth, maturity, saturation, and decline.

IPL Stages

The lifecycle of a product is based on sales volume, introduction and growth. These remain constant for marketing internationally and involves the effects of outsourcing and foreign production. The different stages of the lifecycle of a product in the international market are given below –

Stage one (Introduction)

In this stage, a new product is launched in a target market where the intended consumers are not well aware of its presence. Customers who acknowledge the presence of the product may be willing to pay a higher price in the greed to acquire high quality goods or services. With this consistent change in manufacturing methods, production completely relies on skilled laborers.

Competition at international level is absent during the introduction stage of the international product lifecycle. Competition comes into picture during the growth stage, when developed markets start copying the product and sell it in the domestic market. These competitors may also transform from being importers to exporters to the same country that once introduced the product.

Stage two (Growth)

An effectively marketed product meets the requirements in its target market. The exporter of the product conducts market surveys, analyze and identify the market size and composition. In

this stage, the competition is still low. Sales volume grows rapidly in the growth stage. This stage of the product lifecycle is marked by fluctuating increase in prices, high profits and promotion of the product on a huge scale.

Stage three (Maturity)

In this level of the product lifecycle, the level of product demand and sales volumes increase slowly. Duplicate products are reported in foreign markets marking a decline in export sales. In order to maintain market share and accompany sales, the original exporter reduces prices. There is a decrease in profit margins, but the business remains tempting as sales volumes soar high.

Stage four (Saturation)

In this level, the sales of the product reach the peak and there is no further possibility for further increase. This stage is characterized by Saturation of sales. (at the early part of this stage sales remain stable then it starts falling). The sales continue until substitutes enter into the market. Marketer must try to develop new and alternative uses of product.

Stage five (Decline)

This is the final stage of the product lifecycle. In this stage sales volumes decrease and many such products are removed or their usage is discontinued. The economies of other countries that have developed similar and better products than the original one export their products to the original exporter's home market. This has a negative impact on the sales and price structure of the original product. The original exporter can play a safe game by selling the remaining products at discontinued items prices.

➤ **New Product Development Process**

New product development refers to the process that goes into bringing a new product to market, from brainstorming an idea to understanding if it fits into the market, ironing it out to prototyping to final commercialization.

Let's discuss the different stages involved in new product development.

1. Idea Generation

The new product development process begins with idea generation, where you brainstorm an idea (or ideas) that will help you solve an existing customer problem in a new and innovative way. As you're coming up with ideas that will help you solve customer needs, it's important to have a robust understanding of your target market and the pain points they have that you want to solve.

Your initial idea generation stage can be as simple as saying "What if we did this?" and then they become more ROBUST during the research stage.

2. Research

Once you've developed a product idea, the next step is conducting research to FLESH IT OUT. There are various steps you can take to do this, like:

- **Market research** to understand the current sentiment in your industry and if there are any holes that your product will fit into, and if there will even be demand for it.
- **Competitor analysis** to understand if customers think there are things your competitors' products or services lack that you can incorporate into your product to better fit your target market's needs.

During this stage, you can also get early feedback from customers about what they think of your ideas before coming up with a final definition for your product. One of the best ways to get this feedback is through surveys, where you can easily and quickly collect information from existing customers.

3. Planning

The third stage is planning, where you formulate a final product idea/definition based on your initial idea and research and begin coming up with your plans to bring it to life.

Planning also involves coming up with a marketing strategy that will help you effectively market when your product is completed, pricing models that make sense for your product, and that your customers will pay.

It's also critical to identify the teams that will be involved in your product development process that will help bring it to market, from the marketing teams that will promote your product to any possible external partners that will assist with production.

4. Prototyping

The prototyping phase is when you come up with a sample product that is a mockup of what will be created during mass production.

This prototype is often referred to as a minimum viable product (MVP), which is a basic version of your tool, still similar to your final product, that will help you get a sense of how it functions and identify any areas that need to be improved.

You may make multiple prototypes and go back and forth between this stage and the testing stage before you have a finalized prototype.

5. Testing

Before launching your product you need to test it to ensure it will work as advertised and effectively solve your customer needs. So, during this stage, you'll share your prototypes with target audiences and ask for actionable feedback on how the product works.

Essentially, you want your product to be used in situations that are similar to real-world use cases so you know exactly what works and what doesn't. Sometimes the results of your testing will require you to go back and make changes to your prototype, as mentioned above.

Once you feel as though your prototype is finished and ready to solve your customer needs, you'll begin product development.

6. Product Development

This stage involves creating the final product that will be commercialized once completed. You'll use the insights gained from testing your MVP to make final touches to your prototype, and begin mass production.

Depending on your type of business, you'll likely have a different process for product development. For example, if you're a SaaS business, your internal software development or programming teams will likely work to finalize code. If you create a physical product, you may outsource labour for certain components and assemble final products in your warehouse.

Whichever your process is, your planning stage should've helped you identify how your product development will go.

7. Commercialization

The final stage of your new product development process is commercialization, where you introduce your products to market. This is the culmination of your brainstorming, research, iteration, where your audiences can finally make use of what you created.

You'll enact your marketing plans to make your audiences aware of your new product, and enact campaigns that will entice them to become customers.

Although this is the final stage, many businesses launch their products and, over time, return to make improvements to their products based on customer feedback and market changes to ensure they're always providing the best possible customer experience.

➤ **Branding**

Branding is the process of creating a strong, positive perception of a company, its products or services in the customer's mind by combining such elements as logo, design, mission statement, and a consistent theme throughout all marketing communications. Effective branding helps companies differentiate themselves from their competitors and build a loyal customer base.

➤ **Importance of branding in marketing:**

• **Branding and Customer Recognition**

Developing a brand that has a level of *fame* or *fluency* amongst your target audience helps to build strong customer recognition. This is important when developing your marketing materials as you want your product and services to be the automatic choice amongst your customers. Having a recognisable brand means that consumers are far more likely to opt for your products in comparison to a less recognisable brand. Having strong foundations of branding for your business is vital. This is how your customer will begin to recognise and associate with your brand.

a.) Brand Messaging:

It's important to focus on your brand messaging, as these messages communicate who you are and what your purpose is in order to speak to your ideal clients. Ensuring that you have

a consistent brand message and voice so new and existing customers immediately relate to what your business values are, and how engaging with your business can benefit them, is the ultimate goal here. That recognisability and emotional connection assists in communicating to your customers and it is what separates you from your competitors.

b.) Brand Identity:

In order to grow your brand's recognition, it is essential that you have a strong brand identity. Having a distinguishable and cohesive brand identity means that your customers can automatically identify your brand at first glance. This visual representation that your brand identity (Logo, Tagline, Font etc) illustrates is important as it is a way to effectively communicate your business' values and messaging to your customers. Think of these as a visual cue that will help customers to recall your business. Implementing it consistently throughout your marketing materials will improve the likelihood that your brand will be remembered by your audience, but also that your marketing is consistent. Brand consistency aids in developing customer brand recognition.

- **Branding & Competitive advantage**

Having a strong, recognisable brand which has a consistent identity throughout your marketing activities, helps you to differentiate yourself from competitors within the marketplace. This is advantageous when penetrating the market and lends a sense of credibility, as well as a competitive edge to your company. In order to do this it is important that you implement the same brand guidelines throughout your marketing materials both online and offline. This credibility and recognition increases your brand awareness and in turn will differentiate your business from other competitors in the market, giving you that competitive edge to boost your sales.

- **Branding and Customer loyalty & Shared Values**

Your customers are your best allies when it comes to fortifying your brand. In today's world where perception determines your brand's value, creating a brand that has recognisable features and delivers upon their values instills brand loyalty amongst consumers. According to the Harvard Business Review, 64% of consumers say that sharing the same values with a brand is the primary reason they have a relationship in the first place.

Having an absolute brand means that when customers interact with your marketing the fame, feeling and fluency associated with your brand lends to a greater level of customer loyalty. Customers are attracted to businesses with brands with which they share common values. When building a strong brand, you need to convey these values in order to evoke an emotional connection with your customers. Brand loyalty often lasts a lifetime and even transfers to future generations. This is exactly the kind of customer loyalty that every business wants their brand to instil.

- **Branding and Customer Retention**

When you have grown your brand to a relatively recognisable point amongst your target audience, your marketing practices become increasingly more beneficial in terms of generating sales leads. It's important to realise that branding aids the retention of existing customers as it keeps customers engaged with your brand and marketing materials. This customer experience influences customer retention. Effectively implementing a brand strategy means that you can manage your customer's experience and journey, keeping them intrigued and engaged, so that they repeatedly return to do business with your brand. A strong brand brings customers back around to the purchase funnel after an initial interaction with your business.

- **Branding and Trust within the marketplace.**

We have seen above how branding can benefit your business in terms of generating interest and conversation around your marketing and business as a whole. However, it is really important to note that a strong brand also evokes a sense of trust within the marketplace as well as amongst your consumers. Building a strong brand helps to determine how your customers perceive the quality of your products and services and the likelihood that they will purchase from you. Through implementing your business's brand strategy throughout your marketing activities, you enhance the level of credibility of your brand amongst your customers, along with your competitive edge, and recognition within the marketplace. The practices go hand in hand. And with this, as customers begin to trust your brand's offerings the ease of purchase becomes increasingly more likely.

- **ADVANTAGES OF BRANDING:**

The advantages to branding would include the following:

- Branding gets recognition.
- Branding increases business value.
- Branding generates new customers.
- Improves employee pride and satisfaction.
- Creates trust within the marketplace.
- Branding supports advertising.

- **Labelling**

Labelling is the display of label in a product. A label contains information about a product on its container, packaging, or the product itself. It also has warnings in it. For e.g. in some products, it is written that the products contain traces of nuts and shouldn't be consumed by a person who's allergic to nuts. The type and extent of information that must be imparted by a label are governed by the relevant safety and shipping laws

- **Packaging**

“Packing is the preparation of product or commodity for proper storage and/or transportation.

It may entail blocking, bracing, cushioning, marking, sealing, strapping, weather proofing, wrapping, etc.” – Business Dictionary.

- **Objectives of packing and packaging:**

1. To Provide Physical Protection:

Packaging of objects insures that they are protected against vibration, temperature, shock, compression, deterioration in quality etc. Packing and packaging also protect the products against theft, leakage, pilferage, breakage, dust, moisture, bright light etc.

2. To Enable Marketing:

Packing and packaging play an important role in marketing. Good packing and packaging along with attractive labelling are used by sellers to promote the products to potential buyers. The shape, size, colour, appearance etc. are designed to attract the attention of potential buyers.

3. To Convey Message:

There is so much of information about the product that a manufacturer would like to convey to the users of the product. Information relating to the raw materials used, the type of manufacturing process, usage instructions, use by date etc. are all very important and should be conveyed to the users. Manufacturers print such information on the packages.

4. To Provide Convenience:

Packing and packaging also add to the convenience in handling, display, opening, distribution, transportation, storage, sale, use, reuse and disposal. Packages with easy to carry handles, soft squeezed tubes, metallic containers, conveniently placed nozzles etc. are all examples of this.

5. To Provide Containment or Agglomeration:

Small objects are typically put together in one package for reasons of efficiency and economy. For example, a single bag of 1000 marbles requires less physical handling than 1000 single marbles. Liquids, powders, granular materials etc. need containment.

6. To Provide Portion Control:

In the medicinal and pharmaceutical field, the precise amount of contents is needed to control usage. Medicine tablets are divided into packages that are of a more suitable size for individual use. It also helps in the control of inventory.

7. To Enable Product Identification:

Packing and packaging enable a product to have its own identity. This is done by designing a unique and distinct package through the effective use of colours, shapes, graphics etc. Such

identification and distinction are very essential in the present situation of intense competition and product clutter.

8. To Enhance Profits:

Since consumers are willing to pay a higher price for packaged goods, there will be higher profit realization. Moreover packaged goods reduce the cost of handling, transportation, distribution etc. and also cut down wastage and thereby increase profits.

9. To Enable Self-Service Sales:

The present trend in retailing is effective display and self-service sales. Products require effective packing for self-service sales.

10. To Enhance Brand Image:

Attractive packing and packaging in a consistent manner over a long time enhances the brand image of the product.