Product Line and Product mix Strategies

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Session Objectives

- To understand the difference between product mix and product line
- To discuss major product mix strategies
  - Product Positioning
  - Product Mix Expansion
  - Alteration of Existing Product
  - Product Mix Contraction
- Trading Up and Trading Down
Product Line: It is a broad group of products intended for similar uses and having similar physical characteristics, constitute a product line.

Product Mix: A product mix is the set of all products offered for sale by a company.

Breadth of Product Mix: It is measured by the number of product lines the company carried.

Depth of Product Mix: It is measured by the variety of size, colors and models offered within each product line.
# Product Mix Elements @ HUL

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<th>Product Line-1</th>
<th>Product Line-2</th>
<th>Product Line-3</th>
<th>Product Line-4</th>
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<td><strong>Bathing Shop</strong></td>
<td><strong>Laundry Products</strong></td>
<td><strong>Beverage</strong></td>
<td><strong>X</strong></td>
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<td>Dove</td>
<td>Surf</td>
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<td>Brookebond</td>
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Product Mix Strategies

POSITIONING THE PRODUCT

- Positioning the Product: It is the management’s ability to bring differentiation to a product and to differentiate it in a favorable way from similar product which goes a long way in determining the producer’s revenue.

- Definition: The process of developing an image that a product projects in relation to competitive products and to the firm’s other products.

- Various Positioning Strategies
  - Positioning in relation to a competitor
  - Positioning in relation to a product Class or a Attribute.
  - Positioning by Price and Quality
Product Mix Strategies

1. Positioning In Relation to the Competitor

- This strategy is especially suitable for a firm that already has a solid differential advantage or is trying to solidify such an advantage.

- Exp: To fend off rival makers of micro-processors, Intel Corp. has used the slogan, “Intel Inside”, and a long running advertising campaign to convince buyers that its producer is superior to competitors.
This strategy entails associating its product with a product class or attribute. Example:

- Made in USA
- Firms promoting their wires as having an attractive attribute, such as “Low Energy Consumption” or Economically Friendly.
- Many companies in the food product categories, are producing sugar free products.
This strategy reflects the price quality effect as hit the customers’ perception towards that.

Some of the retail stores they apply this strategy.

Fab India position itself as the retail chain selling quality products at high price.

Wall Mart and Dollar General Store are saying that “Discounter ignore quality; rather they stress low price.
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PRODUCT MIX EXPANSION

- Product mix expansion is accomplished by increasing the depth within a particular line and / or the number of lines a firm offers to customers.

- When a company adds a similar item to an existing product line with the same brand name, this is termed as **LINE EXTENSION**
  - 5 variations of a well known biscuits

- **Reason for Line Extension**
  - The farm want to appeal to more market segmentations by offering a wider range of choices for a particular product.

- **MIX EXTENSION** – Here a new product line is added to the company’s present assortment. (Ref-Stanton, p-254)

- Under a mix-extension strategy, the new line may be related or unrelated to the current products.
Product Mix Strategies

**ALTERATION OF EXISTING PRODUCT**

- This focuses on improving an established product rather developing a completely new product, known as **PRODUCT ALTERATTION**

- Exp: Johnson and Johnson redesign its disposable diapers so that they are less bylky and also come in separate style for both boys and Girls.

- Some times, without changing the product, **packaging is altered** for making it more attractive.
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PRODUCT MIX CONTRACTION

- It is carried out either by eliminating the entire line or by simplifying the assortment within a line.
- Normally the company eliminate those lines which contribute less profit in the long run.
- So, the intended result of product mix contraction is higher profit from fewer products.
Trading Up and Trading Down

Trading Up
- Adding a higher price product to a line in order to attract a broader market.
- Here the seller intend that the new product’s prestige will help the sale of its existing low – price products.

Trading Down
- Adding a low-priced product to a company’s product line.
- The firm expects that people who can’t afford the original higher-priced products or who see it too expensive, will buy the new lower priced one.
  - In this case, the new offering may harm the firm’s reputation.
  - To reduce this, the firm may may give a brand name to the new one unlike to the existing one.
Product Line Decision

Present Product

New Product

Quality

Price

Present Product

New Product

Quality

Price

Present Product

New Product

Quality

Price

Present Product

New Product

Quality

Price
Product Management and task involved

- **Product management** means managing the product lines and product mix of the company

- **Tasks for Product Management**
  - How many different product lines should the firm accommodate?
  - How can the different lines be grouped for effective management?
  - What should be the relationship among the various members in the same product line?
  - How to position these products in the market? How do they distinguish themselves from other competing products/brands?
  - Should there be individual brand or family brand?
  - How to develop a brand equity?
  - How to plan a new product so that in the long run the firm retains a healthy product portfolio.
  - How to handle the products going through different stages of their life cycle? What are the strategic treatment they require?
Thank You

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