

A Study on Modifications in Product Mix

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ABSTRACT

Anything that possesses utility is described as goods. A product is both what a seller has to sell and what a buyer has to buy. Philip Kotler defines “Product as anything that can be offered to a market for attention, acquisition, use or consumption that might satisfy a want or need. It includes physical objects, services, persons, places, organisation and ideas.” Marketers make product and service decision at three levels; individual product decision, product line decision, and product mix decisions.

1. INDIVIDUAL PRODUCT AND SERVICE

Product attributes, branding, packaging, labelling, and product support services are the important decisions in the development of individual products and services.

PRODUCT LINE

A product line is a group of products that are closely related because they function in a similar manner, are sold to the same customer groups, are marketed through the same types of outlets, or fall within given price ranges. An individual product in a line is known as a product **item**. There are several product items in a product line. The major product line decision involves **Product line length**-the number in the product line. The line is too short if the manager can increase profits by adding items; the line is too long if the manager can increase profits by dropping items. Product line length is influenced by company objectives and resources. A company need to analyze their product lines periodically to assess each product item's sales and profits and to understand how each item contributes to the line's overall performance.

A company can expand its product line in two ways: by line filling or by line stretching. **Product**

line filling involves adding more items within the present range of the line. There are several reasons for product line filling: reaching extra profits, satisfying dealers, using excess capacity, being the leading full-line company, and plugging holes to keep out competitors. **Product line stretching** occurs when a company lengthens its product line beyond its current range. The company can stretch its line downward, upward, or both ways. Product line stretching occurs when a business adds new product to the product line and the new product types are of a higher or lower quality than existing products in the product line. If the new product types are cheaper or of a lower quality it is known as a downward stretch. If the new product types are more expensive or of a higher quality it is known as an upward stretch. Supermarkets often stretch product lines by offering value, standard and premium versions of their own brand products. Product stretching enables firms to fill any gaps they have identified in the market.

PRODUCT MIX

“A product mix (also called product assortment) is the set of all product lines and items that a particular seller offers for sale to buyers.” An organisation with several product lines has a product mix. For example, a small company may sell multiple lines of products. Sometimes, these product lines are fairly similar, such as dish washing liquid and bar soap, which are used for cleaning and use similar technologies. Other times, the product lines are vastly different, such as diapers and razors. It is a collection of products manufactured or distributed by a firm. It is the full list of all products offered by a firm. The four dimensions to a company's product mix include width, length, depth and consistency.

Width-Product mix width refers to the number of different product lines the company carries. For example, if a company has two product lines, its product mix width is two. Small and upstart businesses will usually not have a wide product mix.

Length-Product mix length refers to the total number of items the company carries within its products line. For example, ABC Company may have two product lines, and five brands within each product line. Thus, ABC's product mix length would be 10. Companies that have multiple product lines will sometimes keep track of their average length per product line. In the above case, the average length of an ABC Company's product line is five.

Depth-Product mix depth refers to the number of versions offered of each product in the line. Variations can include size, flavor and any other distinguishing characteristic. For example, if a company sells three sizes and two flavors of toothpaste, that particular brand of toothpaste has a depth of six. Just like length, companies sometimes report the average depth of their product lines; or the depth of a specific product line.

Consistency-Product mix consistency refers to how closely relate the various product lines are in end use, production requirements, distribution channels, or some other way. For example, a small company may sell its health bars and health magazine in retail stores. However, one product is edible and the other is not. The production consistency of these products would vary as well.

GOALS OF PRODUCT MIX

The marketer's goal to supply goods and services to consumer for satisfaction of their needs can be possible if due attention is given to three issues which govern the product mix.

Sales growth- It can be achieved either by increasing its share in existing markets or by finding new markets. Four ways can be adopted market penetration, market development, product development, and diversification.

Sales stability-Stable sales allow for more efficient planning in all phases of production and distribution. Sales stability is also possible by making an entry into a new market.

Profits-Profits are determined by the components of the product mix. Some items are usually more profitable than others.

CHANGES IN PRODUCT MIX AGRICULTURAL DEVELOPMENT

Population growth may also induce changes in the mix of products produced by farmers. Increases in labor to land ratios make adoption of products requiring greater labor intensity and producing higher returns per unit of land likely. At lower levels of population density, population growth may induce a change from extensive livestock cereal production to integrated crop livestock systems that use labor more intensively and take advantage of complementarities between crop and livestock production (McIntire, et al., 1992). At higher levels of population density, further population growth may induce return to specialization as a result of increasing competition between crops and livestock for land and water, and development of infrastructure and markets making specialization more profitable (Ibid.). Adoption of highly labor-intensive crops, such as rice or vegetables under irrigated conditions, may enable much fuller utilization of available land but leave less land or labor available for the maintenance of livestock (except perhaps draft animals). On the other hand, intensive livestock operations, such as commercial dairy or poultry operations, may develop in areas close to urban markets as population density rises to high levels. Many of the factors conditioning the transition from specialized extensive crop or livestock production to integrated crop-livestock systems were discussed above, in discussing adoption of draft animals. Topography, soils, climate conditions and the extent of infrastructure and market development condition the comparative advantage of specialized crop or livestock production relative to integrated systems. Where topographic and/or soil conditions are not well suited to plowing (e.g., on steep slopes), adoption of draft animals may be limited. Good access to roads and urban markets, or significant local variations in comparative advantage, will favor continued specialization and trade as population grows, particularly at higher population densities where problems of competition between crops and livestock become more severe. The transition to intensive irrigated crops of course depends upon the potential for irrigation as well as the availability of inputs such as fertilizer, seeds and pesticides, access to credit, and access to markets (particularly for perishable crops such as vegetables). Development of commercial dairy or poultry production depends upon the availability of low cost feed, as well as close proximity to markets. Particularly with perishable products such as milk or vegetables, development of organizations (such as cooperatives) or institutional mechanisms (such as contract farming) to ensure access to inputs and credit, an assured market for sellers, and quality control for buyers, may be very important. As with adoption of more labor-intensive methods of production, adoption of more labor-intensive products can be expected to increase the value of output per unit of land, but may be associated with reduced value per unit of labor input, unless some element of learning or technological change is associated with the change in product mix. Where shifts in product mix are brought about by new opportunities, such as new technology, development of infrastructure, or expansion of markets for high value products, increases in the value of labor as well as land are likely. Only in such cases can one expect the shift in product mix to improve incomes per capita and welfare, and population growth will be responsible for the improvement only to the extent that it led to the expansion of such opportunities. The impacts of changes in product mix on resources can be complex. The adoption of more labor-intensive products can be expected to reduce pressure on forests or other marginal lands, as long as the supply of labor is not perfectly elastic. Adoption of such products may involve better management of land in some respects. For example, investments in soil and water conservation structures may be promoted by adoption of irrigated crops (Pender and Kerr, 1998). On the other hand, continuous multiple cropping of such crops may create problems for soil fertility and structure, while frequent plowing may cause problems of severe soil erosion. Problems of soil fertility and structure may be aggravated as integrated crop-livestock systems

are replaced by specialized crop production at high population density, since reduced availability of manure may reduce soil organic matter and nutrients. Farmers may compensate for reduced manure by using chemical fertilizers, but this may not address the problems associated with low soil organic matter. Increased use of fertilizers and pesticides in such intensive crop systems also may cause water quality and health problems, as mentioned previously.

THE MOST COMMON REASONS OR OBJECTIVES REQUIRING A COMPANY TO MAKE ONE OR MORE CHANGES IN ITS PRODUCT MIX:

MARKET DEMAND

To absorb changes in demand of the products, marketer changes its product mix. Demand changes due to a large number of factors, such as technology, demographic variables, competitions, development of new products, change in fashion, custom, attributes, and many other such reasons. In order to satisfy changing needs and wants of existing customers, the company opts for various changes in its product mix. Company fails to reflect market demand in product mix may not survive in a long run.

COMPETITION

It is a powerful cause leading to product mix modification. Company formulates product mix to respond competitors strongly. Minor or major changes in product mix are made to prevent, remove, or to fight with competitors. Company changes its product mix to offer more competitive advantages and prove the superiority of products over competitors through product differentiation.

ATTRACTION OF NEW CUSTOMERS

When company wants to increase number of customers, it has to cater the needs and wants of new customers. Existing product mix may not be capable to meet the expectations of new segments. It has to add new product lines or new varieties in its existing product lines to attract new customers.

UTILIZING EXCESS PRODUCTION CAPACITY

Sometimes, company prefers to alter product mix to utilize excess production capacity. By adding new products or varieties, a company can utilize its plant resources capacities. Optimum utilization of production capacity improves profitability.

EXPANSION OF MARKET IN NEW TERRITORY

When company plans to expand geographically, it has to modify its present product mix. In different geographical areas, consumer needs and wants are different. Therefore, company has to improve existing products or add more varieties to match products with new territories.

REDUCING FINANCIAL RISK

Reducing level of financial risk is also one of the strong reasons leading to change in product mix. Looking at the future market trend, a company changes its product mix to exploit

emerging opportunities or to face challenges, or both. To reduce financial risks, a company may opt for eliminating less profitable product lines or items within existing lines; may add low-price products to survive in recession; or may reduce product varieties to reduce capital investment and costs.

ENVIRONMENTAL CONSTRAINTS

The greatest challenge for agriculture over the next 10 to 20 years is environmental constraints, which could directly or indirectly affect the structure of agriculture in terms of location and crop mix. Environmental constraints could be studied in four domains: climate, water, soil, flora and fauna. Climate variability is an important feature of agriculture, which emphasizes risk management strategies, and understanding the Southern Oscillation Index to predict the El Nino effect and weather patterns. Due to the global warming phenomenon, green house gas control will become a feature of the agriculture sector. There is likely to be continued pressure and perhaps incentives to provide carbon sinks by maximizing on-farm tree cover increasing organic content of the soil. Carbon credits and taxes may bring extra benefits and costs to the agriculture sector. Competition for water will influence the expansion of some industries in some areas. Water prices, water trading, and the demand of managing salinity will accelerate the move toward more water use efficient crops and consequently change the product mix of the industry. Maintaining the condition of soils is a constant challenge to agriculture. The ability of producers to control increasing soils acidity, declining soil structure and fertility and erosion will be a major determinant of farm profitability and sustainability, which will impact the size of the operation and suitability of crops in different types of soils. Urban and rural residential development is taking good agricultural land out of production. The extent of the problem and whether it is encouraging agriculture into more marginal areas is unclear at the current stage of research. 10 Not only on-farm effects of natural resource issues, their off-farm agricultural activities in terms of polluting water streams pollution of neighbouring environment (eg. The issue of air pollution by cotton growers on neighbouring community) also a critical dimension in understanding the institutional constraints on farming that impact on structure of the industry. Other factors outlined in Figure 1 such as the economic and the political are not detailed in this paper. Interested readers could refer to the Productivity Commission report on 'Trade and Assistance Review' annual publication, which illustrates the government policies and assistance levels to agriculture. Agriculture and implications on structure of the industry

2. CONCLUSION

The foregoing discussion raises more questions that it answers in understanding the causes of structural change in agriculture and its food and fibre system. Clearly, there is a long way to go in searching for answers, developing theories and empirical analysis. The New Institutional Economics literature hopefully can provide a new understanding of structure and performance of agriculture and its food and fibre system. The systems dynamic and scenario analysis could provide a broader canvas to understand and predict the likely structures of agriculture.

3. REFERENCE

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