ASSIGNMENT

Pharmaceutical Marketing
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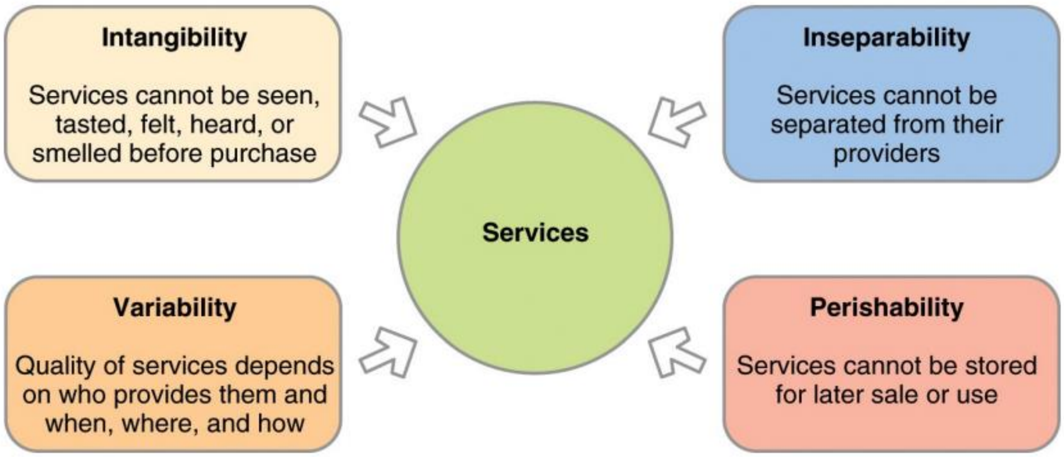
<u>Product mix strategies</u>

<u>Product definition:</u> Anything that can be offered to a market for attention, acquisition, use, or consumption that might satisfy a want or need

<u>Service definition:</u> Any activity or benefit that one party can offer to another that is essentially intangible and does not result in the ownership in anything

<u>Characteristics – services</u>



Product line:

A product line in context of pharmaceutical marketing is a group of products, that deals with same disease category, or is promoted to the same segment of medical profession.

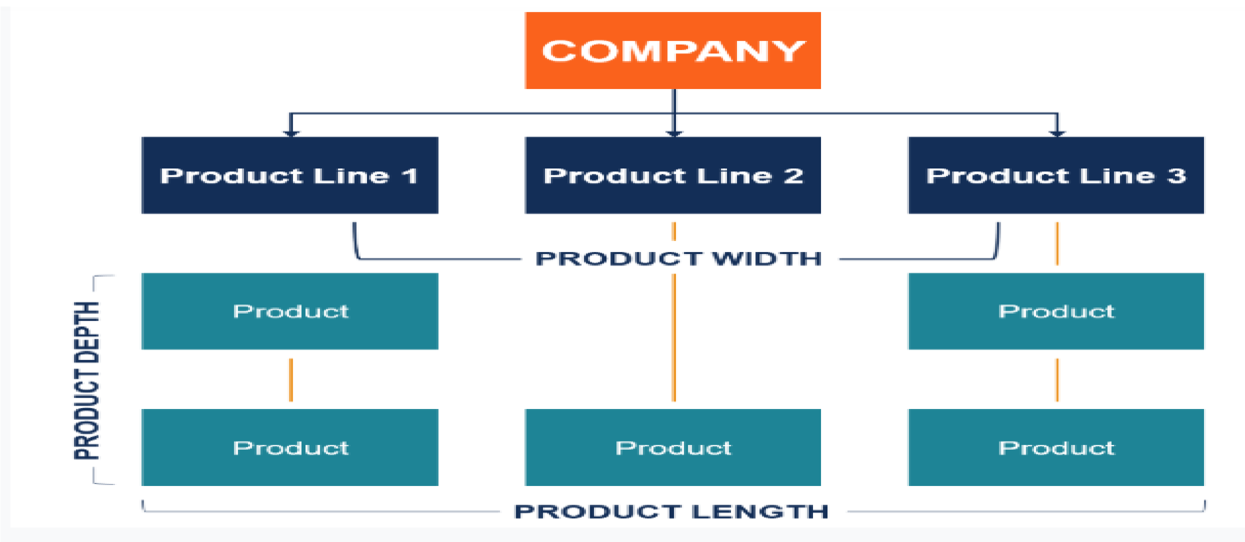
e.g Merck Sharp and Dhome (MSD) have a range of antihypertensive drugs, with some differences in their profile, action and prices.

Product mix:

Product mix, also known as product assortment, refers to the total number of product lines that a company offers to its customers. 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.

The four dimensions to a company's product mix include

- Width,
- Length,
- Depth
- Consistency.



Width:

The width of a company's product mix may pertain to the total number of product lines that a company sells. If a company have two product lines. Its product width is two. E.g. SmithKline and Beecham has a wide product mix comprising antibiotics, painkillers, multivitamins, skin treatments and antiulcerants. Small and upstart businesses will usually not have a wide product mix.

Length:

Product mix length pertains to the number of total products or items in a company's product mix. e.g.SKB has Fortum, Augmentin, Ampiclox and Ampicillin in its antibiotics category. If ABC company have two product lines, and five brands within each product line. Thus ABC's product length would be 10.

Companies that have multiple product lines will sometime keep track of their average length per product line. In above case, the average length is 5.

Depth:

Depth of product mix pertains to the total number of variations for each product. Variations can include size, flavor and any other distinguishing characteristic. SKB's antibiotic brand Fortum comes in 250 mg, 500 mg and 1 gram and similarly the other brands are also available in different strengths.

Another example is if a company sells three sizes and two flavors of toothpaste, that particular brand of toothpaste has a depth of six.

Consistency:

Product mix consistency pertains to how closely related product lines are to one another in term of use, production and distribution. A company's product mix may be consistent in distribution but vastly different in use. For example, a small company may sell its health bars and health magazine in retail stores. However, one product is edible and other is not.

Alternative Product Mix Strategies

As in general products categories, product line decisions are also critical in pharmaceutical marketing and most critical one is deciding upon the length of product line. A company has to decide on having a certain number of products in one product line. The aim is to have a product line, which offers enough choices for the doctors while keeping the length of product line quite manageable and profitable. A company may increase the product line length either by stretching it upwards and/or downwards, or through product line filling.

The major alternative product mix strategies (given by William Stanton and others) have been discussed briefly as under:

1. **Expansion of Product Mix:**

Expansion of product mix implies increasing the number of product lines. New lines may be related or unrelated to the present products. For example, Bajaj Company adds car (unrelated expansion) in its product mix/ may add new varieties in two wheelers and three wheelers. When company finds it difficult to stand in market with existing product lines, it may decide to expand its product mix.

2. Contraction of product mix:

Sometimes, a company contracts its product mix. Contraction consists of dropping or eliminating one or more product lines or product items. Here, fat product lines are made thin. Some models or varieties, which are not profitable, are eliminated. This strategy results into more profit from fewer products.

3. Deepening product mix depth:

Here, a company will not add more product lines, but expands one or more existing product lines. Here, some product lines become fat from thin.

4. Alteration or changes in existing products:

Instead of developing completely a new product, marketer may improve one or more established products. Alteration or establishment can be more profitable and less risky compared to a completely new product.

5. Developing new uses of existing products:

This product mix strategy concerns with finding and communicating with new uses of product. No attempts are made to disturb product lines and product items. It is possible in terms of more occasions, more quantity at a time, or more varied uses of existing product.

6. Trading up:

Trading up consist of adding the high-price-prestige products in its existing product line. The new product is intended to strengthen the prestige and goodwill of the company. New prestigious product increases popularity of the company and improves image in the minds of costumers. By trading up product mix strategy, demand of its cheap and ordinary products can be encouraged.

7. Trading down:

The trading down strategy is quite opposite to trading up strategy. A company producing and selling costly, prestigious and premium quality products decides to add lower-priced items in its costly and prestigious product lines. Those who cannot afford the original high-price products can buy less expensive products of the same company. Trading down strategy leads to attract price-sensitive customer. Consumers can buy the high status products of famous company at a low price.

8. Product differentiation:

This is a unique product mix strategy. This strategy involve no change in price, qualities, features, or varieties. In short, products are not undergone any change. Product differentiation involves establishing superiority of products over competitors.

Service marketing

A Service Marketing is an economic activity, that is intangible or not be touched, not be stored, and not be owned. Nature of service:

1. **Lack of ownership -** One cannot own or store a service as it can be done in case of a product. Service is consumed at the point of sale and does not result ownership. Services are used or hired for a period of time.

2. **Intangible -** services are intangible in nature, you cannot touch it, cannot see it, cannot taste it. You cannot touch or hold a service as you can do with a product.

3. **Inseparable** - service is inseparable in nature means to say that it cannot be separated from the service provider.

4. **Perishable** - service last for specific time period, it cannot be stored as like a product for future use.

5. **Heterogeneous** - It is very difficult to make each service experience identical, for example you travelling by plane the service quality may differ from the first time you travelled by that airline to the second, because the air hostess is less or more experienced. Systems and procedures are followed in service production process to minimize this heterogeneity and to provide consistent services all the time.

Function of marketing strategies:

- Effective marketing strategies convince prospective clients that new ideas can solve their needs. At the same time, firms must reconcile the need for consistent innovation with a feeling of trust and stability enjoyed by existing clients.

Marketing Strategies for Service Firms

Developing a strong marketing plan is vital to the success of any business. Service firms can face challenges in their marketing strategies as they often don't offer physical products that can be demonstrated for customers. These companies therefore depend on delivering high levels of professionalism and efficiency. A comprehensive marketing strategy can help service providers highlight capabilities and attract clients.

Product-mix decision Problems and Production planning problems:

Most production companies face many decision-making problems, such as:

- scheduling,
- logistics,

- data mining,
- and resource allocation.

Product-mix decision and production planning problems are also major and important problems when deciding the optimal rate of product allocation, taking into consideration customers' demands and many of the conditions surrounding the real market.
Until now, many researchers have considered product-mix decision problems when minimizing the total cost arising from the production processes of firms, and recently many mathematical models have been proposed.
However, in production processes, minimizing the total cost does not always result in maximizing the total profit. Therefore, decision makers need to consider not only minimizing the total cost, but also maximizing the total profit. Then, in order to accomplish both objectives, they must also consider which products to produce, how many of them, and when to produce.

Product Mix Pricing Strategies in Marketing

Pricing is an important part of a company's marketing mix strategies. Pricing strategy helps to increase a company's product or service sales in selected market. It also have direct impact on growing company's market share. So we can say that pricing is one of the most important factors of a company's marketing mix strategy. Before proceeding towards the main topic **"product mix pricing strategies in marketing"** first you should be aware of this common marketing terms "product mix or product portfolio". Here I am mentioning three most common **definitions of product mix**.

- The product mix is the collection of all those products and services that a particular company offers in the market.
- The set of all product line or item which a particular seller offers to sale.
- The number of all product of similar nature or kind offered by a particular seller for sale.

Types of Product Mix Pricing Strategies

Poduct Line Pricing

This strategy is used for setting the price for entire product line. Many companies now a day develop product line instead of a single product. So product line pricing is setting the price on the base of cost difference between different products in a product line. Marketer also keeps in mind the customer evolution of different features and also competitive prices.

Optional Product Pricing

This strategy is used to set the price of optional products or accessories along with a main product. For example refrigerator comes with optional ice maker or CD players and sound systems are optional product with a car. Organizations separate these products from main product because organizations want that customer should not perceive products are costly. Once the potential customer comes to the show room, organization employees explain the benefits of buying these optional or accessory products.

Captive Product Pricing

This is strategy used for setting a price for a product that must be used along with a main product, for examples blades with razor and films with a camera. Gillette sells low priced razors but company make money on the replacement of cartridges.

By-Product Pricing

By-product pricing is determining of the price for by-products in order to make the main product's price more attractive and competitive. For example processing of rice results in two by-products i.e. rice husk and rice brain oil, and sugar cane with husk. Now if company sells husk and brain oil to other consumers, they will generate extra revenue by adopting this by-product pricing.

Product Bundle Pricing

This is a common price and selling strategy adopted by many companies. Many companies offer several products together this is called a bundle. Companies offer the bundles at the reduced price. This strategy helps many companies to increase sales, and to get rid of the unused products. This bundle pricing strategy also attracts the price conscious consumer. Best example is anchor toothpaste with brush at offered lower prices

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