

## **FORMATION AND DEVELOPMENT OF PRODUCT COMPETITIVE POLICY AT ENTERPRISES BASED ON MARKETING RESEARCH**

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### **Abstract**

*The paper reveals the essence of the product policy, its place in the marketing mix complex, the key elements of product competitiveness, directions to achieve a competitive product policy at the company. A special place belongs to stages of formation and development of product competitive policies of at companies including: formulating the conditions of elaborating and fulfilling the product's policy (elaborating new action strategies, knowing the elements of the market); choosing variants on product's strategies and procedures for implementing marketing tactics; managing the life cycle of the product and the changing characteristics in the movement of product through its life cycle phases; develop recommendations on product planning and improving their value in use (consumption); deciding on the making, packaging, labeling and marking of products.*

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**Keywords:** *product policy, assortment policy, competitiveness, new product, marketing mix.*

### **1. Introduction**

Nowadays, the increased need to elaborate a competitive product policy in the marketing mix complex of the enterprise due to businesses' success depends on the ability of economic agents to propose to the market an affordable product by price and according to consumers' needs.

The need for marketing research in order to form and develop a competitive product policy of the enterprise is determined by a set of causes: the high level of products' and businesses' competition on the market, the specifics of developing food and nonfood market, the influence of internal and external factors on forming competitive products and enterprises according to the market's requirements.

### **2. The degree of investigating the problem**

Currently in the Republic of Moldova product competitive policy is insufficiently researched. The authors specify for the first time the definition, the essence and the content of product competitive policy towards the overall product policy, also describe the main components of the product competitive policy: strategies and tactics of product; assortment Policy Service and Warranty Policy; politics mark (trade mark) product; product packaging policy.

### **3. Methods and materials applied**

The authors use marketing research methods on: analysis of different marketing strategies related to designing products' assortment; the decision about completing the assortment with new products on the market; removing obsolete products for which customer's demand is decreasing. In the research there was used the comparative method, the classification method on formation and development of competitive product policy at the enterprise.

### **4. Results and discussions**

#### **4.1. The specifics of forming the competitive product policy**

In books the product policy is defined by some authors as „the behavior which the enterprise adopts as on the size, structure and evolution of the range of products and services which are subject to its own activity” [2, p. 329]. Others consider that „the product must be conceived and analyzed by the advantages or usefulness that the buyer expects from it” [4, p. 116].

Moreover, the product policy includes certain actions of the company and behavior principles. The product policy must ensure product's competitiveness to a certain level, to contribute to determining the niche of the product on the market, pay attention to brand, package and services accompanying the products, to unfold marketing activity on the product and its attributes on the market. As attributes of the product on the market we can highlight: the brand, packaging, accompanying services. In this context there can be highlighted the directions of product policy, including: decisions on image (picture), qualities and characteristics of product; the decision on branding, packaging and accompanying services; the decision on each stage of product's life cycle (product's launch on the market, market's growth, market's maturity, market's decline); the decision on forming the product's assortment, the marketing decision on product, market's segmentation, product's positioning, establishing the prices, distribution and promotion of the product on the market.

Product policy, on one hand has an economic significance because an effective management policy will enable the company to survive in the harsh competitive conditions. On the other hand, the product policy has a social significance because it educates the consumers' tastes and forms their needs in conditions of intensifying the competition. Managing the product policy involves tracking the market's development in order to reflect the product's parameters to consumers' needs and creating the information basis for the evaluation of the product in the process of launching the product on the market. The major components of product's policy are: product's research, the analysis of product's quality, the analysis of the product's life cycle, formation of product's assortment, analysis of the strengths and weaknesses of the product's range, product's innovation and stimulation of creative capabilities from research and production, quality assurance and product's competitiveness, product's modeling by design and creation of a prototype or a mock form of the future product's components; legal assurance of the product which is protected against counterfeiting by using the tools (patents, trademarks, utility models etc.); attitude towards the old products tracked by the sales' index and the profitability of each product, managing the trade mark, packaging and marking.

Product policy involves measures to increase the competitiveness of manufactured products, improve the quality, changes in product range; holding a strong position on the market; increasing

the degree of products' renewal by assimilating new products, improving some products from manufacturing lines; optimization of assortment for making coordinated decision by increasing or decreasing coordinated product lines; extension or reduction of some stages of product's life cycle; taking decisions about the image, properties and characteristics of the product; argumentation of decisions on branding, packaging and services, taking decisions on each phase of the product's life cycle (launch, growth, maturity, decline).

An important policy of the product assortment is managing the assortment or formation of assortment policy, which involves establishing the dimension and structure of the product range unfold by a commercial enterprise related to its potential and market demand. The assortment policy establishes the link between the market requirements and intention of the company, it provides the adjustment of the structure of products' offer to the development of demand, forms the product's assortment at enterprise-level, determines the specialization of enterprise and solves the problem of determining the origin of the product.

The aim of the assortment policy is to determine a set of products that will ensure positive activity of the enterprise on the market, as well as making an accelerated rotation of the stocks with a higher sales volume. Strategically the assortment policy brings decisions taken within the assortment groups of the enterprise and operationally the decisions are pooled across product lines. The decisions taken on the choice of assortment groups and products' lines are based on the characteristics of the assortment of goods (length, width, depth and consistency of assortment) as well as the criteria: the nature of products, the merchandising features, the structure of commercial network, the level of prices, the ratio between supply and demand on the market, the specifics of the activities unfold in the field of products' movement.

The assortment policy needs correction because not all products are cost effective and the volume of profit decreases continuously. Only a rational proportion of products and the creation of an optimal set of assortment will enable the company to react timely to changes of supply and demand, to combine the goods' criteria related to the forms of consumers' demand.

Product policy is a domain of marketing activity, which materializes its strategic and tactical decisions within the marketing mix in order to meet consumers' needs by using more efficient methods towards competitors. In our opinion product policy can be defined as an economic process of continuous reporting according to the scheme "enterprise-market" based on a set of decisions and actions aimed at introducing new products in manufacturing and on the market, some actions directed towards modernizing the products introduced on the market and removing obsolete products to ensure high product competitiveness on the market. This definition allows widening the essence of the product policy due to a deeper research of elements related to innovational activity of the enterprise based on looking for new decisions related to the stimulation of creative capacities in the field of research and production, discovering new types of brands and packaging, developing the assortment policy, technical service and commercial policy, policy of enterprise's security to make the economic agent more competitive.

Product policy involves a set of actions of the manufacturer to form the product range and directing the assortment, developing competitiveness of products at every level of management, elaborating the strategies of packaging and products' labeling. It optimizes the process of assortment formation of the concept of product's life cycle. Marketing service must closely monitor the transition from one phase of the life cycle of the product to another, to follow the

changes which take place in the sales' volume to give recommendations to the management of the company to amend the product's policy in certain periods which characterizes the market's stability. Except the individual decisions made on products it is foreseen to bring together all the proposals within the limit of products' assortment and to draft the assortment policy of the company. Changes of product's range at the enterprise is performed based on eliminating obsolete products and promoting scheduled withdrawal of obsolete products, as well as introducing new products into manufacturing and on the market.

The renewal process of products' structure represents a valuable working tool which assures highlighting of the new product perceived by consumers towards the modernized and improved product. The analysis of perception of the new product by consumers can be achieved by scaling the novelty level presented by the enterprise or by consumer's efforts depending on his knowledge to establish criteria for distinguishing in product policy. The creation and launching process of new products on the market comprises the following stages: forming ideas for innovation, selecting ideas about new products, testing new products, elaborating the project of the new product and its testing etc. [3 p. 270]. This scheme consists of nine stages and it follows the principles of continuing the performing of works and the direction of achieving the purpose of marketing at low costs to introduce the new product in the nomenclature of existing products at the enterprise. When designing a new product, it will not fall into the existing assortment component and it can become a new line for the enterprise because the level of product's novelty of the project is very high. Working with this new product requires new investments and is related to higher expenses for promotion. However, there are cases when the novelty of the product not always succeeds to differentiate clearly on the market. In this case the manufacturer and distributor must bring the novelty to potential consumers, to intensify the promotional policy and use different means of communication: advertising, public relations, sales promotion, using trademarks, packaging and other promotional elements.

#### **4.2. The main components of the product policy to ensure a high competitiveness of products on the market**

The components of product's policy activities are presented in Figure 1. From the figure it is apparent that the product strategy is achieved through continuous improvement of products manufactured for a particular segment of consumers. Applying tactics involves technological changes on the material substance of the product, changes in the dimensions of a product line.

The assortment policy implies planning all activities oriented towards the product's choice for production in the future and their implementation on the market according to consumers' needs. The formation of assortment is an ongoing process that extends throughout the product lifecycle. Planning assortment includes: determining current and potential needs of buyers; the analysis of peculiarities of consumers' behavior on the market: assessing the activity of competitors in the same directions; assessing the products manufactured product assortment and decisions that must be included in the assortment and what products should be disposed from the assortment due to changes in the levels of competitiveness; development of new or upgraded lists according to consumers' needs; studying the possibilities of enterprises to produce new products and to upgrade the products on the market; conducting products' testing according to their potential needs in order to assimilate the main indicators.

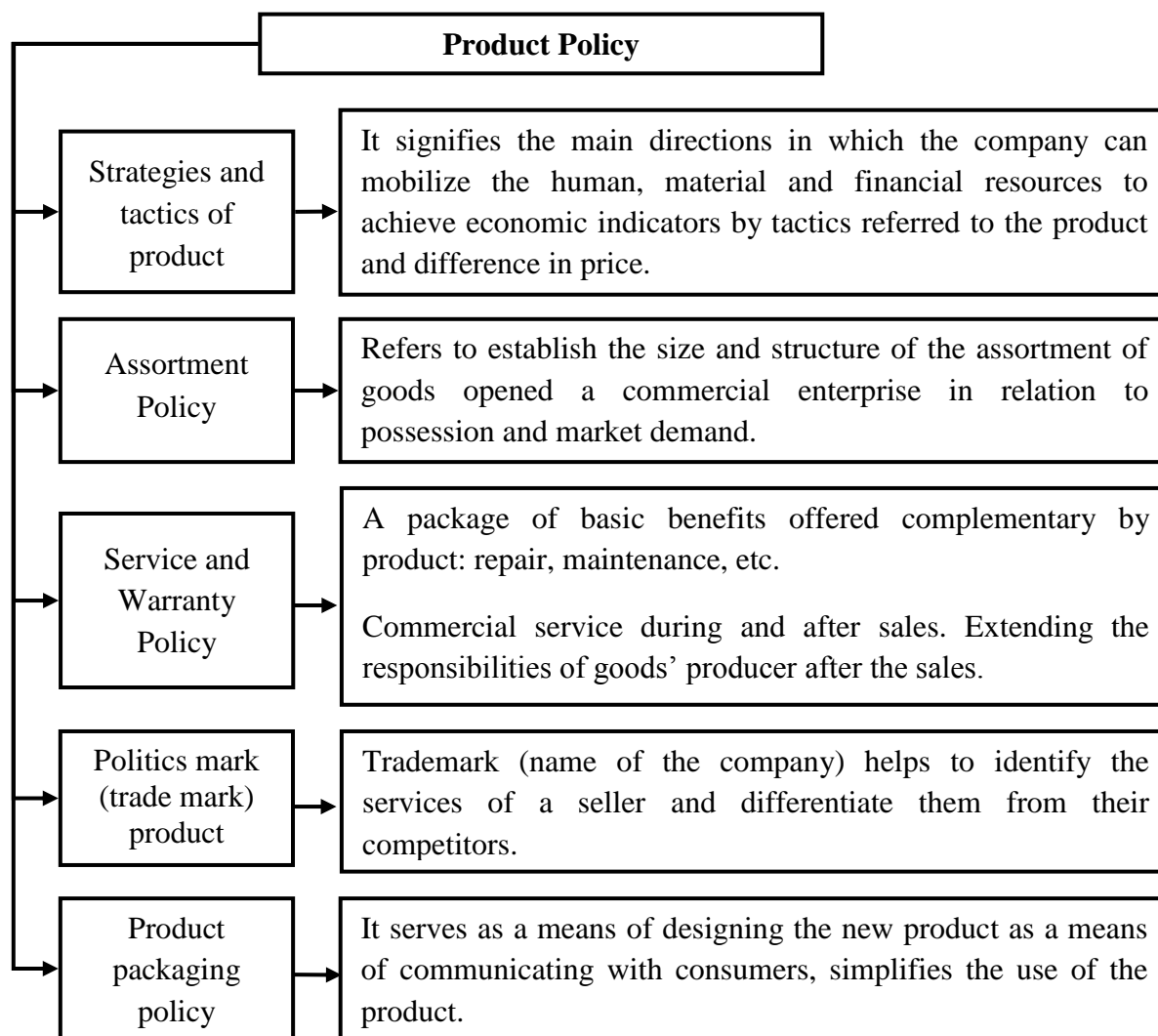


Figure 1: The main components of the product policy to ensure a high competitiveness of products on the market

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Service and warranty policy is motivated by the growing importance in the service of economy's product, the existence of a growing competition on more markets simultaneously showing a high degree of saturation.

Warranty policy complements the company's arsenal of means by which the economic operator is striving to become more competitive. The incentives granted during the warranty period (changing the defective product with a similar one increases the confidence of potential buyers to a particular brand of product).

Politics of mark (trademark, emblem) enhances the value of the product and highlights the benefits to consumers as it ensures a level of quality product (service) and enhances the prestige of the product relating to increasing the brand value in society. Fulfilling the trademark's policy the enterprise requires making decisions about naming the brand, determining the market potential of the brand, developing brand's strategy. The price of the trademark can be assessed on the basis of the costs for design and promotion, establish enterprise's revenue related to the use of the trademark.

The policy package fulfilled in time may have a utility value for the consumer and for the producer's promoting. The package is the core of the new product and acts as a means for designing a new product. Packaging fulfills the functions of storage, protection and transportation of the product, it has a great importance in advertising and communication system of the enterprise with customers, it serves as a means of stimulating sales, it simplifies product's use and is able to replace the product.

In a competitive environment packaging becomes the primary means that helps the producer to highlight the brands of their own product on the market and to remove some competitors because the packaging design directly influences the producer's image. The influence of pack extends not only in the purchase decision, and also in the process of purchase and consumption of the product.

Product competitiveness is a complex category which includes a number of elements, including product quality. Usually, product competitiveness depends on the size of 2/3 of product's quality. Quality is the total of the properties and characteristics of products or services, which ensures meeting the consumers' needs. For creating competitive products it is necessary to use quality management based on international standards ISO 9000, which states that each company must resolve the issues related to maintaining products' quality and services at the level of satisfying the consumers' needs, ensuring confidence in company's management, and the required capacity will be expanded and supported at the level established under the terms of the contract. Before concluding the contract on the quality management assessment it is necessary to analyze the actual situation to determine the potential of the supplier to meet the consumers' needs. At the stage of quality assurance in the production process and selling the product all employees of the company must learn the quality managing methods, to select information from consumers, to develop recommendations on improving the quality assurance system and optimization of products' assortment.

Specialists from marketing service should conduct market research on the analysis of different marketing strategies related to the design of the product assortment, taking the decision about expanding the assortment with new products on the market and eliminating the obsolete products that customer's demand is in vivid decline. The decision on the planned withdrawal of obsolete products is taken by a special committee, made up of representatives of marketing, distribution, accounting services, etc., that set up the terms of product's recall from production and circulation.

In the process of planning product's assortment there must be used the concept of product life cycle, which is done on the market. The practice shows that the lifecycle of seasonal product varies

on fashion, the level of market competition, income levels. In the literature there are different types and specific categories of product life cycle, product life cycle's structure and change in the characteristics of the movement of product life cycle phases [3, pp. 276-278]. Thus, if the product is in phase "Starting (introduction)" and selling market is characterized by slow growing, then it has a potential possibility to be included in the development plan of the assortment. The company must select allowable variants of marketing programs with major components (pricing, distribution, etc.) according to market demands. It's rational to be included in the plan of assortment developing of the product, which is in the growth phase (development) of its life cycle as well as the products oriented towards new market segments.

However, if the product is found at the stage "Market maturity" then it will take the decision to include in the plan for developing the assortment. If the market is saturated with this type of product it will inevitably reduce the selling volume and there will come the "market decline" phase. This situation can be examined as an alternative to the modification of those products in accordance with the purchasing habits and consumer habits or as alternative to promote product withdrawal from production to keep at a lower cost their market penetration. In this situation, it is applied one of the marketing strategies in the plan of marketing: strategy for developing the market – orients the enterprise towards finding new buyers' segments who will require its current products; strategy of amending the products in order to enhance the sales based on their continuous improvement; replacement strategy - aimed at launching new products assortment on the same markets; product differentiation strategy - aims to develop new versions of a product assortment and launch on the market to meet its individual segments; product line extension strategy - aims to develop new products, which are based on modern technologies related to existing ones. Along with the strategies taken by each product type there are calculated preventive programs to check whether the products included in the plan for developing the assortment are advantageous for the enterprise. The plan for developing the assortment can be developed in several versions and includes all indicators stipulated in the production program elaborated annually by each enterprise.

Usually they determine concrete measures for each product which in perspectives for various reasons can be upgraded or taken out from production. Products which no longer have successful strategic factors on market will be taken out of production and replaced with new products that will ensure the profitability level or the amount of profit at the company. Among the factors related to the research of market situation there can be highlighted: the decrease of market share in some items, the appearance of a higher quality product, reducing the profitability of sales, the decrease of sales volume etc. Analysis of these factors allow to seek directions for improvement of marketing tools: stimulating sales; improving packaging; enhancing the effectiveness of advertising by improving promotional activity and public relations; the completion of sales promotion and sales' forces; the replacement of a promotional tool with another while the latter offers greater economic advantages.

For the new product on the market to be successful, it must have the desired parameters by consumers (usefulness, safety etc.), meet product's competitive parameters (normative parameters – legislation in force, standards, norms, consumers' needs; technical parameters - the destination, ergonomic, technological, decisions and other regulations; economic parameters - profitability, prices, consumption costs, transportation and maintenance; organizational parameters - conditions

for making and paying of payment, using distribution channels, following the terms of guaranteeing the delivery).

To attract the attention of consumers the product must have a compelling package, which will have the characteristics of the product, will generalize trust and favorable impression on product's movement from the manufacturer to the consumer. Packaging should: contain the necessary information about the product composition, the energy and the terms of validity; to create positive image about the consumer product; to have a well-thought connection with the product's contents; not to change too often because it prevents from knowing the product; to ensure the choice of that product which the consumer needs.

Also manufactured packaging by domestic producers has an unappealing appearance which reduces the competitiveness of the exported products abroad. Thus, a number of Moldovan food embargo established by the Russian Federation hit the key agriculture producers, who are not prepared for the agricultural export on European markets in terms of packaging and other European standards. In the republic there are modern refrigerators, capable of storing only 30% of fruit and vegetables and only 15 packaging lines. Meanwhile the sorting lines of fruits and vegetables practically lack. As a result the opportunities of signing Free Trade Agreement with the EU have caught the agricultural producers almost totally unprepared to correspond to marketing requirements and European markets. There is no doubt that the recommendations proposed in normative documents (National Development Strategy "Moldova 2020", the Association Agreement, the set of recommendations from the United Nations, World Bank, USAID, International Cooperation Agency of Germany, Austrian Development Agency, Swiss Agency for Development and Cooperation, in coordination with diplomatic representatives of the USA, Sweden, Switzerland, Germany and Austria) prompted the domestic manufacturers to change their traditional approaches towards packaging, to comply with EU food safety requirements and to redirect significant amount of food product exports from Moldova to the EU to increase the competitiveness of the agricultural sector which constitutes 11-12% of the GDP of the country according to the National Bureau of Statistics.

To be mentioned that consumers are interested in information about the composition of the product presented on the label, which is a part of the package. Labels fulfill a number of functions that make the product to be identified, to indicate the date of manufacture and the place of manufacture, content, use and storage of the product. Also, labels can promote the product by attractive images they contain, can describe the unit price of the product, its quality and its nutritional value.

An important way to develop the competitive product policy is to increase the image of the manufacturer. The image is a process of forming manufacturer's image, which influences the consumer's behavior in order to spread the reputation on the market. Creating enterprise's image contributes to the promotion of manufactured products, increasing the market share based on attracting new customers and marketing intermediaries. Promoting products on the market is carried out depending directly on the image formed by the manufacturer.

The positive image of the company is formed through increased promotional activity, which is realized through various promotional tools (advertising, public relations, sales promotion, promotional events with exhibition, sponsored by the financial support of public events for the public) to draw attention to the public. After that, the positive picture is completed with a set of actions regarding distribution of leaflets, organizing demonstrations, conferences at local and



international fairs and exhibitions. Achieving the positive image of the company involves reflecting the market activity of manufactured products, workers' image analysis, research of the culture of production process and service, mirroring noncommercial activity by sponsoring public events and charity. These elements are implemented in practice with the help of marketing communications based on the change of information between subjects of marketing activities, fulfilling strategies to promote the enterprise's image within the external environment and of the product offered on market, the implementation of offensive strategies of product penetration on the market by the massive use of promotional funds. In case the competitive conditions are harsh the organization may promote a defensive strategy to maintain its market's position. On the other hand, depending on the position of the enterprise on the market, it may opt for a promotional strategy: Focus - oriented to a specific market segment; undifferentiated - when it addresses the entire market; differentiated - involves the actions suitable for the characteristics of each segment.

Using tools of marketing communications in complex (advertising, public relations, sales promotion, trademarks use, promotional events with the purpose of exhibiting, sponsorship and other elements of the mix of marketing) improves the efficiency of spending the costs to promote products and increase their competitiveness on the market.

#### **4.3. The stages of formation and developing the product's competitive policy at enterprises**

Formation and development of competitive policy involves unfolding actions with well-defined purposes by manufacturers, ensuring decisions and actions on the assortment range and maintaining market competitiveness of products, development of packaging, marking and maintenance of additional products. Product policy covers not only physical and technical characteristics of the product, but also providing around product characteristics that form attractive product and consumer demand for this product. The marketing of the company must be geared towards attracting and satisfying customer's needs through efficient usage of product policy elements.

Competitive product policy covers the production and distribution activity of the company, complex research of product's market based on decisions for optimization of software, attribution of market and price of the product.

Formation and development of competitive policy at enterprise is carried out through the following stages (Figure 2).

### **5. Conclusions**

We conclude that a well-formed product policy allows successful planning to exit the market with new products and optimization of assortment policy and for enterprise's manager is a mechanism of action able to introduce changes in the current market situations. It is recommended to use the proposed scheme into practice to achieve a competitive product policy by creating product characteristics that form the possibility of promoting its attractiveness as a precious amount of use (consumption). It is important to introduce on time the product changes that contribute to enhancing the value of use and increased possibilities of satisfying consumers' needs on the market.

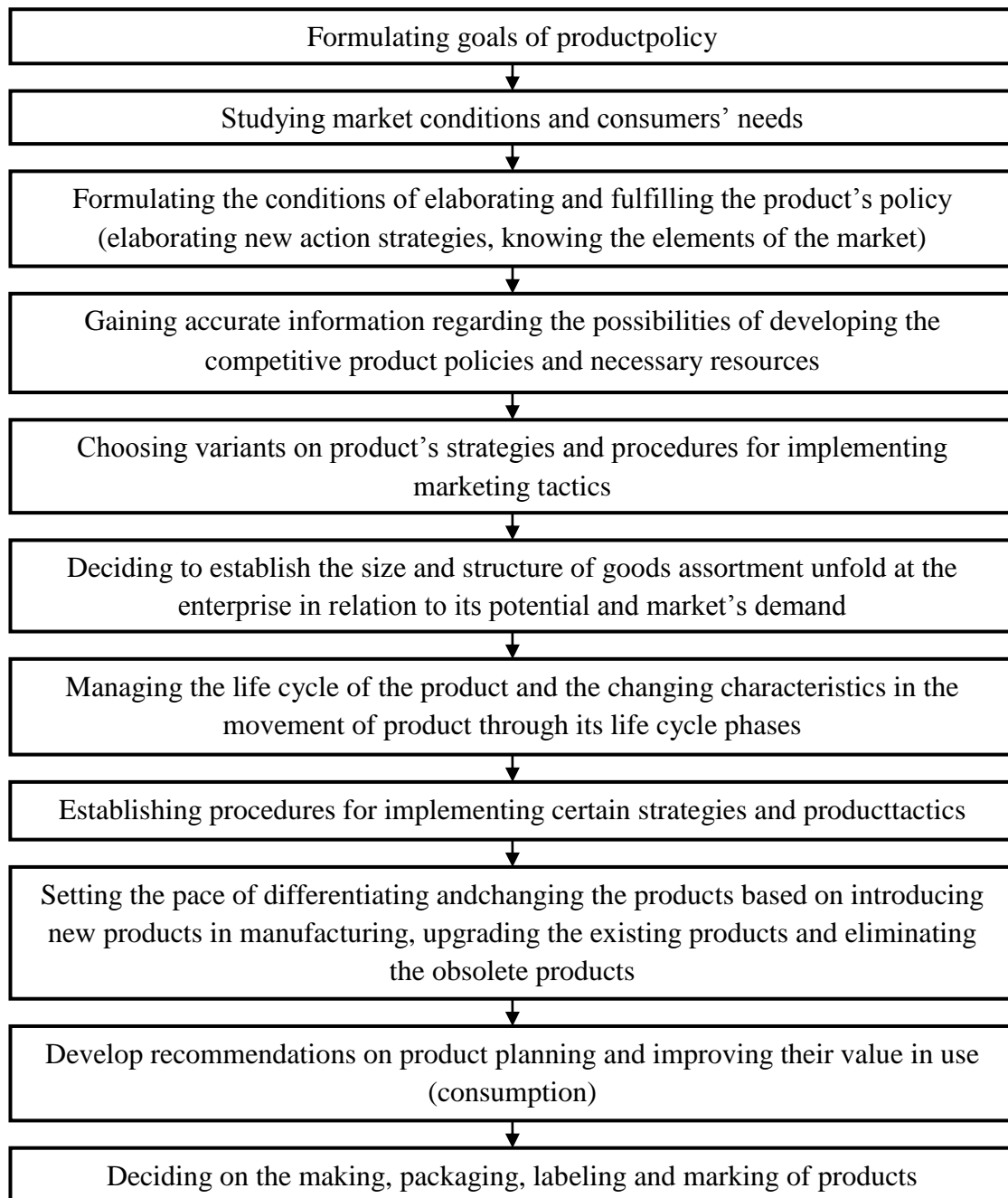


Figure 2: The stages of formation and development of competitive product in enterprise policy

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**Rezumat**

*În lucrare sunt dezvăluite esența politicii de produs, locul acesteia în complexul marketingului mix, principalele elemente ale competitivității produsului, direcțiile de formare și realizare a unei politici competitive de produs la întreprindere. Un loc deosebit îi aparține etapelor formării și dezvoltării politicilor competitive de produs la întreprinderi, inclusiv: formularea condițiilor elaborării și realizării politicii de produs (elaborarea unei strategii de acțiuni în perspectivă, cunoașterea elementelor pieței); alegerea variantelor strategiilor de produs și modalităților de punere în aplicare prin tactici de marketing; dirijarea cu ciclul de viață al produsului și schimbarea caracteristicilor în procesul mișcării produsului prin fazele acestui ciclu de viață; elaborarea recomandărilor cu privire la planificarea produsului și îmbunătățirea valorii de întrebuințare (consum); luarea deciziilor cu privire la preambalarea, ambalarea, etichetarea și marcarea produsului.*

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**Cuvinte-cheie:** politica de produs, competitivitatea, produs nou, marketing-mix.

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**Аннотация**

*В статье рассмотрены сущность создания товарной политики, место товарной политики в комплексе маркетинга-микс, основные элементы конкурентоспособности продукции, направления основания и реализации конкурентоспособной товарной политики на предприятии. Особое внимание уделено этапам формирования и развития конкурентоспособной товарной политики на предприятии, в том числе: формулирование условий создания и реализации товарной политики (разработка стратегии перспективных действий, познание рыночных элементов); выбор вариантов товарных стратегий и способов их внедрения посредством маркетинговых тактик; управление жизненным циклом продукта и изменение характеристик при фазном продвижении; разработка рекомендаций по планированию товара и улучшению его потребительского спроса; принятие решений по затариванию, упаковке, маркировке товара.*

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**Ключевые слова:** товарная политика, конкурентоспособность, новый товар, маркетинг-микс.

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