M. COM. SEM. - II

MC 202: Marketing Management

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Classification of Products in Marketing

Classifying products into meaningful categories helps marketers decide which strategies and methods will help promote a business's product or service. Many types of classification exist. For example, marketers might categorize products by how often they are used. One-time-use products, such as vacation packages, require completely different marketing strategies than products customers use repeatedly, such as bicycles. Disposable consumer products are marketed differently than white goods like refrigerators. Product classifications help a business design and execute an effective marketing plan.

Products may be classified on the basis of users of the products, the type of consumers who use the product that is:

1. Consumer products, and
2. Industrial products.

1. Consumer Products:

Consumer products are those products that are bought by the final customer for consumption.

Consumer products are of four types:

i. Convenience products,
ii. Shopping products,
iii. Speciality products, and
iv. Unsought products.

i. Convenience Products:

Convenience Products are usually low priced, easily available products that customer buys frequently, without any planning or search effort and with minimum comparison and buying effort. Such products are made available to the customers through widespread distribution channels-through every retail outlets. This category includes fast moving consumer goods

(FMCG) like soap, toothpaste, detergents, food items like rice, wheat flour, salt, sugar, milk and so on.

Characteristics of convenience products are:

(a) They are non-durable —they are frequently required.
(b) They are often bought by hand.
(c) They are often bought by habit, without much deliberation.
(d) They are inexpensive and are not worth going and bargaining from shop to shop.

Since shopping convenience is most important, place is a vital factor. Customers will not go out of their way to purchase convenience goods; frequently the purchase is not planned. For successful marketing, convenience goods must be placed in as many outlets as possible.

Customers will not search for these goods and they must be placed in front of them wherever possible. Convenience goods need minimum shopping effort and maximum exposure. Convenience goods need large promotion budget.

ii. **Shopping Products:**

Shopping products are high priced (compared to the convenience product), less frequently purchased consumer products and services. While buying such products or services, consumer spends much time and effort in gathering information about the product and purchases the product after a careful consideration of price, quality, features, style and suitability. Such products are distributed through few selected distribution outlet. Examples include television, air conditioners, cars, furniture, hotel and airline services, tourism services.

Characteristics of shopping products are:

(a) They are relatively durable and long-lasting.
(b) They are generally high-priced items.
(c) They require much shopping time.
(d) They do not stores brand identification.

Shopping goods are of two types — homogeneous goods and heterogeneous goods.

Homogeneous goods are considered to be of equal quality, suitability and styling and comparison with competing goods is limited to price. Examples of homogeneous goods are TV sets, refrigerators and washing machines.

Heterogeneous goods are the goods that the consumer compares for quality, suitability and styling with the price being relatively unimportant. Furniture, famous brand clothing are examples of heterogeneous goods.

Shoppers generally do not know all the characteristics of the goods they buy and part of the shopping effort is spent for learning about the product. For example, an automobile purchaser learns about the features of a particular model from the salesperson. Unlike convenience goods, shopping goods are planned and there is no rush to get the product.

Since the customer is willing to visit more than one shop for shopping goods, such goods do not require a maximum number of outlets. It may, however, be noted that all consumers do not shop to the same extent for shopping goods as they do for convenience goods. In particular, rich consumers would just walk to a well-known shop and purchase their requirements from there.

The advertising of both homogeneous and heterogeneous shopping goods is usually the responsibility of the retailer, although many producers encourage the promotion through advertising.

iii. Speciality Products:

Speciality Products are high priced branded product and services with unique features and the customers are convinced that this product is superior to all other competing brands with regard to its features, quality and hence are willing to pay a high price for the product. These goods are not purchased frequently may be once or twice in lifetime and are distributed through one or few exclusive distribution outlets. The buyers do not compare speciality products.

Characteristic of speciality products is the customer's insistence on the particular product. As regard to place, this insistence brings about a willingness to travel a considerable distance to make the purchase. As a result, specialty goods are generally restricted to single outlet in each region. Middlemen are rarely found in the distribution channels of specialty goods. This provides a very close relationship between the manufacturer and the retailer which is beneficial to both parties.

Much of the advertising of specialty goods is done by retailers, frequently with the cooperation of the producer. Mass media as newspapers and magazines are used and advertisements simply remind the public where the product can be bought.

iv. Unsought Products:

Unsought product is consumer products that the consumer either does not know about or knows about but does not normally think of buying. In such a situation the marketer undertakes aggressive advertising, personal selling and other marketing effort. The product remains unsought until the consumer becomes aware of them through advertising. The price of such product varies. Examples of unsought product are cemetery plots, blood donation to Red Cross, umbilical cord stem cell banking services.

2. Industrial Products:

Industrial Products are purchased by business firms for further processing or for use in conducting a business .The distinction between consumer product and industrial is based on the purpose for which the product is bought. Like a kitchen chimney purchased by a consumer is a consumer product but a kitchen chimney purchased by a hotel is an industrial product.

Business products include:

v. Material and parts,
vi. Capital items,
vii. Supplies, and
viii. Services.

i. Material and parts

Material and parts include raw material like agricultural products, crude petroleum, iron ore, manufactured materials include iron, yarn, cement, wires and component parts include small motors, tires, and castings. Raw materials used in the production of other goods are called industrial goods. Such goods may be sold in their natural state or may be processed.

(a) Natural products such as iron ore, crude petroleum, lumber.

(b) Farm products such as livestock and agricultural products, fruits, cotton, vegetables, etc.

Raw materials in their natural state are characterized by limited supplies and small number of large producers. Since extractive industries must be located where the product is found, the cost of transportation is a major part of the total cost of product. Marketing strategy should reduce the cost of transportation. Brand identification is unimportant to industrial users, who are more concerned with low prices and certainty of supply.

Agricultural products are sold in the industrial market to businesses like restaurants, hotels, packers. Such goods must be graded and standardized. They are generally produced by small farmers. This means that the goods need a great deal of handling which can be done through long channels of distribution. Many middlemen are necessary to deliver the goods from the farmer to the industrial user. Little attention is paid to the promotion of agricultural goods that are destined for industry.

ii. **Capital items**

Capital items help in production or operation and include installations like factories, offices, fixed equipments like generators, computer systems, elevators and accessory equipments like tools office equipments.

These are long lasting goods that facilitate developing or managing the finished product.

They include two groups:

(i) Installations – Installations consists of buildings such as – factories, offices etc. They are major purchases. They are usually bought directly from the producer, with the typical sale preceded by a long negotiation period.

(ii) Equipment – It compromises portable factory equipment and tools hand tools (drills, lift trucks etc) and office equipments (personal computers, desks etc.). These types of equipment do not become part of a finished product. They have a shorter life than installations but a longer life than operating supplies.

iii. **Supplies**

Supplies are short lasting goods and services that facilitate developing or managing the finished product. Supplies are materials used in the operation of a business that do not become a part of the finished product. Lubricating oil, coal, stationery are examples of supplies. Supplies are the convenience products of the industrial market. They are relatively low priced and usually bought in small quantities. The channel of distribution for these goods is short and the goods are frequently negotiated in large contract lots by top executives. Supplies include lubricants, coal, paper, pencils and repair maintenance like paint, nails brooms.

Low cost industrial supplies need extensive channels of distribution. Wholesalers, by carrying the lines of many manufacturers, are able to have their salesman call on many users and sell large quantities of the goods of various producers to make the call profitable.

iv. **Services**

Services include maintenance and repair services like computer repair services, legal services, consultancy services, and advertising services. Nearly half of all consumer expenditures are for services. There is a big market for industrial services. Realizing this, many large organizations are moving into the service sector. For example, in USA, Gerber, the baby food company, owns nursery schools and Coca-Cola has entered the education market.

The growing complexity of business has reached a point where even the largest manufacturers are unable to fulfill all their needs internally. When they face problems, they turn to highly specialized service companies for help. These may be trained engineers or management consultants or programmers.

Generally, outside service companies are used when the cost of self-servicing is higher than the cost of buying the service.

Services are defined as activities, benefits or satisfactions which are offered for sale or are provided in connection with the sale of goods.

Services are:

a. Intangible
b. Perishable
c. Unstandardized
d. Based on buyer involvement