

MARKETING MANAGEMENT

UNIT-2

PART-I

Product concept and classification

One of the important elements of marketing mix is Product. Any firm is known by the product it is offering. The other elements of marketing mix are based on it. So, there it is very important that the firm must have a sound product policy. Product is any object which satisfies the consumer needs. It can be in any form like tangible or intangible.

In every part of the world there are different systems of product classification. The concept of “product classification” consists of dividing products according to specific characteristics so that they form a structured portfolio. In general, manufacturers use an informal product classification system but there are also many standardized methods of product classification devised by various industry organizations.

Some examples of such standardized methods of classification of products are the GS1 Global Product Classification, the International (Nice) Classification of Goods and Services, North American Product Classification System, etc. A very well-known system for classification of products is the Harmonized Commodity Description and Coding System (HS) created by the World Customs Organizations.

The main reason for using such kind of system can vary from registering trademarks to numerous different purposes.

A basic product classification can be made based on consumer and business products. The consumer products are afterwards divided based on preference for shopping habits or durability and tangibility. The business products are the industrial goods.

Below, we are going to present the informal classification of products based on variables such as shopping habits, durability and tangibility as well as industrial goods.

A product is a set of tangible and intangible attributes, including packaging, colour, price, quality and brand plus the services and reputation of the seller. It consists of various product features and accompanying services. According to the traditional classification, the two major

categories of goods are consumer goods and industrial goods. This note describes the different concepts of the product and the types.

The various types of the products are: -Consumer product -Convenience product -Shopping product -Speciality product -Unsought product -Industrial product

Meaning, Concept & Types of Product

Meaning of Product

A product may be defined as a bundle of utilities. It consists of various product features and accompanying services. The customer does not buy merely the physical and chemical attributes of a product. A consumer is really buying a product for satisfaction. It can offer him / her expected satisfaction. Therefore, the term 'product' does not mean only the physical product. It also means the total product including brand, package and label, the status of manufacturer and distributor and services offered to the customer in addition to the physical product. The term product is inclusive. It means both physical goods such as fan and cycle and also service, credit.

According to Philip Kotler, "A product is anything that can be offered to a market for attention, acquisition, use or consumption that might satisfy a want or a need."

According to Peter D. Benett, "A product may be an idea, a physical entity or a service. Or any combination of the three. It exists for the purpose of exchange in the satisfaction of individual and organizational objective."

Types of Product

According to the traditional classification, the two major categories of goods are: consumer goods and industrial goods. This classification is based on the purpose for which they are primarily used. Typewriters and electric motors are regarded as industrial goods. Soaps and sweets are regarded as consumer goods. This classification does not classify products in water tight compartments.

However, classification is necessary for a student of marketing because buying motives differ from buyer to buyer. Marketing situation and problems vary depending upon the category of a product.

Consumer Product

Consumer products can be defined as those products which are destined for use by the ultimate consumer for their personal or household use. Such products are directly used by the individual. Ultimate consumers are satisfying non-business and they constitute consumer market.

According to American Marketing Association, “Consumer goods are those destined for used by the ultimate consumer or household and in such form that can be used without commercial processing.”

Consumer products can be further classified into convenience product, shopping product, specialty products, and unsought products.

A brief description of products has been given below:

i. Convenience Product

Convenience products are those products which are purchased by the customers without spending their time from the convenient places that, too, from the nearby where they are residing. According to Philip Kotler, “Convenience products are goods that the customers usually purchase frequently, immediately with a minimum effort.” These goods are usually familiar with the customers.

Thus, cigarettes, soaps, bulbs, flashlight and low-priced electrical equipment etc. are convenience products. They can be further classified into three categories:

Staple product

Impulse product

Emergency product

ii. Shopping product

Shopping products are those products where consumers devote considerable time in making a selection of those before they buy. The consumers want to compare a quality, price, and style in several shops before they buy. According to Philip Kotler, “Shopping goods are the goods that the customers, in the process of selection and purchase, characteristically compare on such

bases as suitability, quality, price, and style.” Furniture items, dress materials, shoes, and household appliances are the examples of shopping products.

iii. Speciality Product

A specialty good is a type of consumer goods that is important enough to motivate people to make a special effort to acquire it.

When buying consumer goods, a consumer almost always has a predetermined notion or need or pattern for buying both convenience and specialty goods. The major difference in buying pattern of the two is that whereas convenience goods require low involvement, specialty goods require high involvement. For example, a consumer while buying a convenience good would not display high levels of brand loyalty and would pick whichever product is easily available under budget, whereas while buying a specialty good, a consumer shows high level of brand loyalty, and may go an extra mile to find the brand he wishes to buy, the consumer may also pay a premium to acquire that brand.

iv. Unsought Product

Unsought product are those products that do not fall in any of the above categories, but they are important for the customer. The customer might not know the existence of the product or know but do not think of buying them. Such goods are not normally bought by the customer unless there is a high level of promotion campaign showing the necessity of those products for satisfying their needs.

Industrial products

Industrial products are those products which are used in producing other goods or rendering services. These are the products that are to be sold to ultimate consumers. The main characteristics of industrial goods are a geographical concentration of the market, a limited number of buyers, a large unit of individual purchase and technical considerations. These goods have a derived demand.

According to American Marketing Association, “Industrial goods which are destined to be sold primarily for use in producing other goods or rendering services as contrasted with goods destined to be sold primarily to the ultimate consumers.”

Industrial goods can be classified into following five categories:

i. Raw materials

Raw materials are the industrial goods. They have not been processed except for their physical handling. Raw materials may be divided into natural products- minerals and product of the forests and the seas and agricultural products- wheat, cotton, tobacco and animal products such as eggs and raw milk.

ii. Fabricating material & parts

Fabricating materials and parts are the industrial goods. These goods have undergone manufacturing processes but they need further processing or need to be combined with other materials or parts before they are ready to reach the ultimate consumers.

iii. Equipment

Equipment is used merely to provide facilities to the manufacturer, as they cannot be part & parcel of finished goods. Unit price and life are less than installations. For example, tools, such as screwdrivers, files set, spanners set, computers, time clock, conveyers, sharpeners, typewriter, etc.

iv. Installation

Installations means major industrial equipment's and major machinery in the industry. It can be consumed only after repeated usage due to wear and tear. They are long life orientated and very costly enough. These goods are designed and produced only against the order with a view to meet the special needs of an individual purchaser.

v. Operating supplies

Operating supplies mean the goods which are used by the industrial producer with a view to provide facilities for the operation of machine or plant continuously without loss of time, but which will not become a part of the finished product. Operating supplies are the physical items required for running of a manufacturing production or service facility owned by a business.