8. THE PRODUCT FOR SALES II

8.1 CLASSIFICATIONS OF PRODUCTS: Product classifications help marketers focus their efforts using consumers' buying behavior. 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. Product classification helps a business design and execute an effective marketing plan.

Your business can use these buying habits to design your marketing efforts for a clearly defined target audience. Consumer products are often classified as convenience goods, shopping goods, specialty products or unsought goods. Although these classifications are named as types of products, focusing on how your customers buy these goods is equally important as you classify products and develop your marketing campaigns.

In marketing, a **product** is anything that can be offered to a market that might satisfy a want or need. In retailing, products are called merchandise. In manufacturing, products are bought as raw materials and sold as finished goods. Commodities are usually raw materials such as metals and agricultural products, but a commodity can also be anything widely available in the open market. In project management, products are the formal definition of the project deliverables that make up or contribute to delivering the objectives of the project. In insurance, the policies are considered products offered for sale by the insurance company that created the contract.

In economics and commerce, products belong to a broader category of goods. The economic meaning of product was first used by political economist Adam Smith.

A related concept is sub-product, a secondary but useful result of a production process.

Dangerous products, particularly physical ones that cause injuries to consumers or bystanders may be subject to product liability.

Convenience Goods

Those products your customers buy often and without much thought or planning are classified as convenience goods. Soap, condiments and toothpaste are common examples of convenience goods. Consumers typically make a choice once on their brand preference for these products and repeat that choice over many purchases. Making your convenience goods available for impulse or emergency purchases can be particularly effective. You'll see this marketing tactic in the placement of candy near the cash register of your grocery store for impulse buys. Another version is to place umbrellas, boots or snow shovels near a store exit when sudden weather changes call for them.

Shopping Goods

Buying decisions are detailed considerations of price, quality and value for products classified as shopping goods. Think about the amount of time you put into picking out a clothing purchase, a car or appliances. Successful marketing of your shopping goods can come from positioning as a better buy than your competitors -- for example, presenting better value with higher quality for the price or vice versa. Products in the shopping goods classification tend to rely on heavy advertising and even trained salespeople to influence consumer choices.

Specialty Products

Goods in the specialty products classification tend to promote very strong brand identities, often resulting in strong brand loyalty among consumers. Examples include stereos, computers, cameras and the most high-end brands of cars and clothing. While used cars are classified as shopping goods, a brand-new Mercedes is classified as a specialty good. Buyers for your specialty goods generally spend more time seeking the product they want than on comparing brands or products to make a value decision. Your marketing of specialty goods can be successful by promoting what you have on hand and where your costumers can find it.

Unsought Goods

The products classified as unsought goods are those that your consumers don't put much thought into and generally don't have compelling impulse to buy. Examples include batteries or life insurance. Your consumers essentially buy unsought goods when they have to, almost as an inconvenience rather than the newest, latest, greatest product they can't wait to purchase. Marketing your unsought goods will likely be most effective with lots of advertising and salespeople promoting the idea of unresolved need for your unsought products.

Product classification

A product can be classified as **tangible or intangible**. A tangible product is a physical object that can be perceived by touch such as a building, vehicle, gadget, or clothing. An intangible product is a product that can only be perceived indirectly such as an insurance policy.

Intangible Data Products can further be classified into Virtual Digital Goods ("VDG") that are virtually located on a computer OS and accessible to users as conventional file types, such as JPG and MP3 files, without requiring further application process or transformational work by programmers, and as such the use may be subject to license and/or rights of digital transfer, and Real Digital Goods ("RDG") that may exist within the presentational elements of a data program independent of a conventional file type, commonly viewed as 3-D objects or a presentational item subject to user control or virtual transfer within the same visual media program platform. Open Source Code, GNU Linux, or even Android, may manipulate and/or convert base Virtual Digital Goods ("VDG") into process-oriented Real Digital Goods ("RDG"), as part of an application process or manufactured service that may be viewed on Personal Data Assistant ("PDA") or other hand-held tangible devices or OS computer.

A third type in this is **services**. Services can be broadly classified under intangible products which can be durable or non durable. Services need high quality control, precision and adaptability. The main factor about services as a type of product is that it will not be uniform and will vary according to who is performing, where it is performed and on whom/what it is being performed.

By use

In its online product catalog, retailer Sears, Roebuck and Company divides its products into "departments", then presents products to potential shoppers according to (1) function or (2) brand. Each product has a Sears item-number and a manufacturer's model-number. Sears uses the departments and product groupings with the intention of helping customers browse products by function or brand within a traditional department-store structure.

By association

A product line is "a group of products that are closely related, either 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." Many businesses offer a range of product lines which may be unique to a single organization or may be common across the business's industry. In 2002 the US

Census compiled revenue figures for the finance and insurance industry by various product lines such as "accident, health and medical insurance premiums" and "income from secured consumer loans". Within the insurance industry, product lines are indicated by the type of risk coverage, such as auto insurance, commercial insurance and life insurance.

National and international product classifications

Various classification systems for products have been developed for economic statistical purposes. The NAFTA signatories are working on a system that classifies products called NAPCS as a companion to North American Industry Classification System (NAICS). The European Union uses a "Classification of Products by Activity" among other product classifications. The United Nations also classifies products for international economic activity reporting.

The **Aspinwall Classification System** classifies and rates products based on five variables:

1. Replacement rate (How frequently is the product repurchased?)
2. Gross margin (How much profit is obtained from each product?)
3. Buyer goal adjustment (How flexible are the buyers' purchasing habits with regard to this product?)
4. Duration of product satisfaction (How long will the product produce benefits for the user?)
5. Duration of buyer search behavior (How long will consumers shop for the product?)

The National Institute of Governmental Purchasing (NIGP) developed a commodity and services classification system for use by state and local governments, the NIGP Code. The NIGP Code is used by 33 states within the United States as well as thousands of cities, counties and political subdivisions. The NIGP Code is a hierarchical schema consisting of a 3 digit class, 5 digit class-item, 7 digit class-item-group and an 11 digit class-item-group-detail. Applications of the NIGP Code include vendor registration, inventory item identification, contract item management, spend analysis and strategic sourcing.

Product Model

A manufacturer usually provides an identifier for each particular type of product they make, known as a **model**, **model variant**, or **model number**. For example, Dyson Ltd, a manufacturer of appliances (mainly vacuum cleaners), requires customers to identify their model in the support section of the website. Brand and model can be used together to identify products in the market. The model number is not necessarily the same as the manufacturer part number (MPN).

Because of the huge amount of similar products in the automotive industry, there is a special kind of defining a car with options (marks, attributes), that represent the characteristics features of the vehicle. A model of a car is defined by some basic options like body, engine, gear box and axles. The variants of a model are built by some additional options like color, seats, wheels, mirrors, trims, entertainment and assistant systems etc. Options, that exclude each other (pairwise) build an option-family. That means, that you can choose only one option by each family and you have to choose exactly one option.

This kind of product definition fulfills the requirements of an ideal Boolean Algebra and can be helpful to construct a product configuration. Sometimes, a set of options (car features) are combined to an automotive package and are offered by a lower price. A consistent car definition is essential for the production planning and control in the automotive industry, to generate a master production schedule, which is the fundamental for the enterprise resource planning.

In addition, a specific unit of a product is usually (and has to be) identified by a serial number, which is necessary to distinguish products with the same product definition. In the case of automotive products it's called the Vehicle Identification Number VIN, an international standardized format.

8.2 CHARACTERISTICS OF PRODUCTS: *The unique characteristics of a product should be used as inputs in determining the product's marketing mix.*

KEY POINTS

- The characteristics of the product are the features that differentiate it from other products on the market.
- When companies create a product they have specific features in mind. It can be characteristics that improve on an existing product or ones that fill a currently unfilled need. Promoting these features can be a successful approach.
- Characteristics of a product also help to determine the price of a product. Premium features may be able to fetch a premium price.
- It is the combination of demand for a product and its price that help to determine the marketing mix.

TERMS

- price index
  A statistical estimate of the price level of some class of goods or services.
- target market
  a group of people whose needs and preferences match the product range of a company and to whom those products are marketed
- marketing mix
  A business tool used in marketing products; often crucial when determining a product or brand's unique selling point. Often synonymous with the four Ps: price, product, promotion, and place.

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Characteristics of the Product

The characteristics of the product are the features and elements that differentiate it from other products on the market. Product characteristics help determine the marketing mix, potential target market and the pricing of a product.

Products

The characteristics of a product determine the target market and price of a product.

A product needs to differentiate itself in the market and carry distinct characteristics that separate it from its competitors. Otherwise, there would be no reason for consumers to purchase that product over any other product on the market.

Determining the Marketing Mix

When companies create a product they have specific features in mind. It can be characteristics that improve on an existing product in the market or ones that help with a currently unfilled need. Companies spend a lot of time and money on product research to understand the needs of the market and how their product can fill that need.

Characteristics of a product also help to determine the price of a product. Some high end features will increase the price of the product, while low-end features could decrease the price of the product. This can determine where a product may fall on the price index. It is the combination of demand for a product and its price that help determine the marketing mix.

Different strategies are used for high end, expensive products than are used for low end, less expensive products. In addition, different marketing strategies are used depending on the target market. Some consumers need an Internet marketing approach, while other consumers may be more receptive to television or magazine ads. All of these questions can be answered by understanding the characteristics of the product.