

**Product and Brand Management**  
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**Lecture 08**  
**Product Classification**

Welcome back friends. Let me take you further into some more concepts related to product and product management. And, let us look at this as concept building exercise because after this, we would be moving into the management side of the product and we will be going into the application part as I said.

So, this is the last session in the sequence of terminologies and classifications and concepts and you would have noticed, that terminologies are coming forward in terms of supporting us in developing our understanding about the concepts and the conceptual build up associated with product management. So, let us talk a bit about product classification schemes, because we have to categorize, how to look at our products. We have talked about forms, attributes, characters, and characteristics and you would see these terms coming back to us now.

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**PRODUCT CLASSIFICATION SCHEMES**

- Classification of products is essential because of the different categories of products aiming at different target markets.
- The different classifications are based on characteristics like
  - **Tangibility** and **Durability** (Durable vs Non-Durable vs Services)
  - **Use** (Consumers vs Industrial)

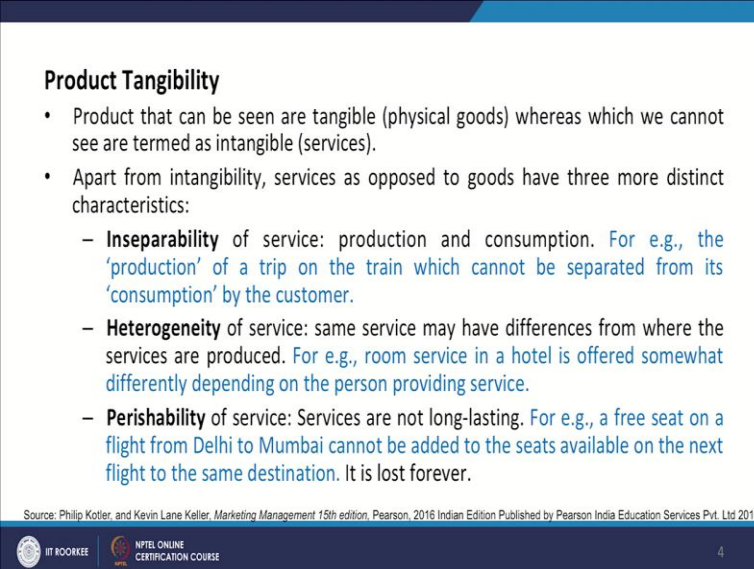
Source: Philip Kotler and Kevin Lane Keller, Marketing Management 15th edition, Pearson, 2016 Indian Edition Published by Pearson India Education Services Pvt. Ltd 2016

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So, the classification of products is essential, because of the different categories of products aiming at different target markets. Here again, I would mention ‘line’, those five circles and all those things should be recalled when we are talking of aiming at different target markets, and if

you look at a product, then definitely those things come in front of us otherwise, if you have a differentiation in the products itself by a marketer or several kinds of products available by different marketers, then definitely different classifications are based on characteristics like (and this is again an evolving aspect although these are some fundamental elements, but, you can think of this to be, segregated in different kinds of terminologies as per your convenience in due course of time and there is lots of literature on that) tangibility and durability wherein, durable as compared to non-durable versus services also comes to fore then, there is a use-based classification, that is consumers and industrial usage.

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**Product Tangibility**

- Product that can be seen are tangible (physical goods) whereas which we cannot see are termed as intangible (services).
- Apart from intangibility, services as opposed to goods have three more distinct characteristics:
  - **Inseparability** of service: production and consumption. For e.g., the 'production' of a trip on the train which cannot be separated from its 'consumption' by the customer.
  - **Heterogeneity** of service: same service may have differences from where the services are produced. For e.g., room service in a hotel is offered somewhat differently depending on the person providing service.
  - **Perishability** of service: Services are not long-lasting. For e.g., a free seat on a flight from Delhi to Mumbai cannot be added to the seats available on the next flight to the same destination. It is lost forever.

Source: Philip Kotler and Kevin Lane Keller, Marketing Management 15th edition, Pearson, 2016 Indian Edition Published by Pearson India Education Services Pvt. Ltd 2016

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Product tangibility can be seen with reference to product being a physical good whereas, we cannot see the tangibility in services for example, that is why they are termed as intangible. So, here the physical form differentiates the non-physical form, although we have to look at services as products as well, although service management talks about services with a different kind of perspective, but still we have seen the definitional frame of the product, wherein experiences related to products and, other aspects and ideas are also categorized as products and so on.

And I have been continuously telling you that, there is a strong overlap in our conceptual understanding of so many things that there cannot be a very strongly compartmentalized understanding on services versus products. But here, literature demarcates them with reference to elaborating upon the concept on one side and on the other side application also demarcates these

things to an extent and then there is a convergence of the concepts when we look at them together.

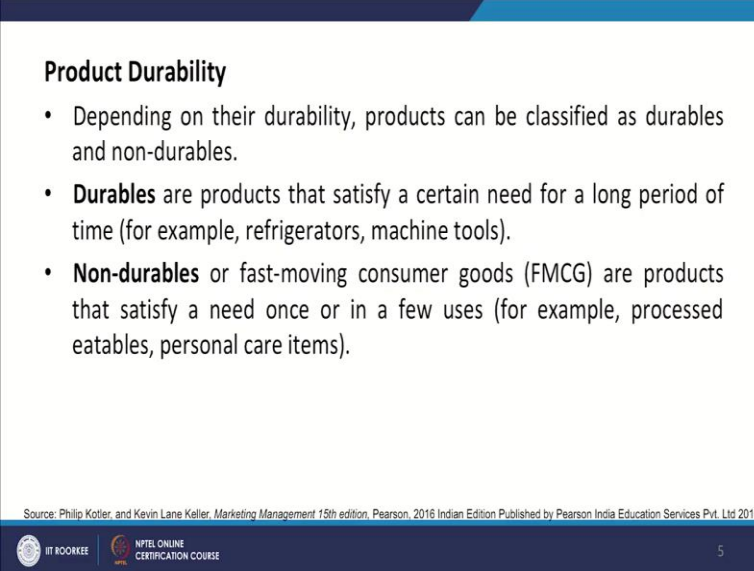
So, apart from intangibility services, as opposed to goods have three more distinct characteristics. Product is a separate entity, though it has personality, it speaks to you. It has persona and services element is related to inseparability. Inseparability of a service wherein production and consumption are more or less carry forward the element of inseparability for example, a trip on a train which cannot be separated from the related consumption by the customer.

So, the trip is sold as a product, it generates an experience, but it is related to being a service as such. This service comes along with products as well. You have tangible products to eat there and the rest of the experience which you gain in a restaurant is related to the service you get. It is not so complex. It is a matter of experience and compartmentalization or demarcation or categorization whichever we want to look at it with respect to heterogeneity of a service, wherein same service may have differences from where and how the services are provided, for example, room service in a hotel is offered somewhat differently depending on the person providing service and so on.

That can also be an element perishability of a service. Services are not long lasting many times. You may remember the service given to you by someone, but it has a particular life of its own in terms of time. For example, a free seat on a flight from Delhi to Mumbai cannot be added to the seats available on the next flight to the same destination and it has gone.

So, it is a product element, though it is a service. A particular service which includes hot meal served on a flight can be discontinued, but you may remember that particular hot meal and the associated service. So, that is what I am trying to imply here and that is why we are taking these as concepts and classifications, so that when they come back to us in terms of decision making, we can think of these as strategic elements to be projected propelled and so on.

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**Product Durability**

- Depending on their durability, products can be classified as durables and non-durables.
- **Durables** are products that satisfy a certain need for a long period of time (for example, refrigerators, machine tools).
- **Non-durables** or fast-moving consumer goods (FMCG) are products that satisfy a need once or in a few uses (for example, processed eatables, personal care items).

Source: Philip Kotler and Kevin Lane Keller, Marketing Management 15th edition, Pearson, 2016 Indian Edition Published by Pearson India Education Services Pvt. Ltd 2016

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Durability: Depending upon their durability products can be classified as durables and non-durables. Products that satisfy a certain need for a long period of time for example, refrigerators nowadays, they do not serve the needs for a very long-time people do often change refrigerators, machine tools, etc. But still refrigerator is a durable machine, basically, it has a component of strength and durability. Now, you see here, it reminds me to tell you that many times when we categorize products with the durability perspective, the timeframe with reference to the original product or the initial product in terms of durability keeps on changing in due course of time with all the technological or material innovation and associated product choices associated with the customer usage and so on.

Non-durables or fast-moving consumer goods or products are those, that satisfy a need once or in few uses for example, processed eatables, personal care items, detergents, soaps and so on. So, they vanish in due course of time as products after their usage. And this is how it is a very natural categorization. This is very common. You would feel that why it is being emphasized upon so much? Just because that when we look at this kind of a categorization, then whole lot of perspective associated with reaching to the customer changes. Customer concentration, customer approach all those elements they change actually and that is what product management is all about.

We must look at the classification and then we must look into the strategy we would use to approach the customer for example, if you are selling non-durable goods, then definitely however, high priced or low priced it may be, but your approach would be different in terms of when you are marketing or presenting durable goods to the customer.

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**Consumer-Goods Classification**

- **Convenience Goods**- Purchased frequently, immediately and with minimal effort.
  - Staples- Purchased on regular basis. E.g., Heinz ketchup, Crest toothpaste, and Ritz crackers.
  - Impulse goods- purchased without any planning or search effort. E.g., Candy bars, snacks, chocolates etc.
  - Emergency goods- purchased when need is urgent. E.g., umbrellas during a rainstorm.
- **Shopping Goods**- Those goods that consumer characteristically compares on such bases as suitability, quality, price, and style. E.g., furniture, clothing, and major appliances.
  - Homogeneous shopping goods- similar in quality but different enough in price to justify shopping comparisons.
  - Heterogeneous shopping goods- differ in product features and services that may be more important than price.

Source: Philip Kotler and Kevin Lane Keller, Marketing Management 15th edition, Pearson, 2016 Indian Edition Published by Pearson India Education Services Pvt. Ltd 2016

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Then as per the usage, when you talk of a product use, one of the most common and widely used classification of products is between consumer and industrial goods. A categorization in terms of marketing comes in when you talk of consumer goods. So you say that it is business to consumer b2c marketing and when you talk of industrial goods, the categorization may come into b2b or business to business, because most of the time industrial goods are not purchased by individuals they are purchased by the people who would use them for different kind of a purpose to produce something to use as a part of something and so on.

So, consumer goods classification is related to consumer, wherein consumer products are bought in order to satisfy personal and family needs and so on as we all know. And, this classification is on the basis of shopping habits also, again, because product has to be marketed and a marketing perspective has to be associated with product management. So, shopping habits must be a reason to classify the products when we say that these goods are convenience goods, shopping goods, specialty goods, many a times unsought goods also. We will see that and I am not digressing

towards, the kind of demands, which are there in marketing management text. You will find different kinds of demands.

So, there you would find some resonance with the classification of the goods, which we are referring here. Please just go to that segment of any marketing management book where in demands are explained and you will realize that, that can be a resemblance with or is connected with the discussion we are having here.

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**Product use**

- One of the most common and widely used classification of products is between consumer (B2C) and industrial (B2B).

Consumer-Goods Classification	Industrial-Goods Classification
<ul style="list-style-type: none"><li>• Consumer products are bought in order to satisfy personal and family needs.</li><li>• Classification on the <u>basis of shopping habits</u><ul style="list-style-type: none"><li>• Convenience goods</li><li>• Shopping goods</li><li>• Specialty goods</li><li>• Unsought goods</li></ul></li></ul>	<ul style="list-style-type: none"><li>• Industrial products are bought from companies or organizations in order to be used as an input to produce other products (for example, raw materials), for company use or sale to other companies.</li><li>• Classification in <u>terms of their relative cost and the way they enter the production process</u><ul style="list-style-type: none"><li>• Materials and parts</li><li>• Capital items</li><li>• Supplies and business services</li></ul></li></ul>

Source: Philip Kotler and Kevin Lane Keller, Marketing Management 15th edition, Pearson, 2016 Indian Edition Published by Pearson India Education Services Pvt. Ltd 2016

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Industrial products are bought from companies or organizations in order to be used as an input to produce other products, for example, raw material for company use or sale to other companies. Classification in terms of the relative cost and the way they enter the production process can be with respect to those goods being material and parts, capital items, which are used as machinery to produce something, supplies and business services also.

So, once you look at, this kind of a classification perspective all around immediately the thought which comes to your mind is, related to what you would say to the customer. What would you tell the customer and that is where positioning perspective comes in. How would you create the image of a product in the minds of the customer is also associated with the classification and the categorization of the goods which you are producing or products which you are producing.

Just before I go into the subsequent details of, what we have seen just now, just imagine that you are thinking in terms of, a soap, which can be a consumer good and that falls under the category of let us say, a convenience good probably it is also a shopping good, but, convenience is much better thing, it is not so, price sensitive and you see here a target and a positioning perspective simultaneously is coming to you. This is the beauty of Product Management and Marketing Management actually, wherein you think of target, you have a product in mind and you can generate a positioning perspective all around.

And from the other side, you think of the product, you classify it, you create a perspective around it and then you create a story, a tagline, a punch line, a statement around the product to tell to the customer and I am not talking of the feature-based positioning, I am talking of the classification-based positioning.

So, that is, what we are discussing at this moment and that is why, it is a very important part of our understanding in terms of product and later on, you would realize that this is very useful for us to project a product or develop a product in terms of being a brand because all these elements would emanate into something which is related to brand development.

For example, when we would be referring to something like marketing program investment in brand development and brand value chain and I would not distract you by talking about that at this moment but that is again a very interesting kind of a discussion for later, where in several elements would be discussed.

But, these elements would actually traverse through our discussion there into, when we talk of that basically, and then you would realize that, a simple tennis ball also can be seen with the perspective of a brand. Does any name come to your mind? There are several important, sporting goods companies which have been projecting themselves as a brand and we have been using their products at large.

And then comes in consumer goods classification, we have just talked about that, now, let me extend some, aspects to it and elaborate it. Consumer goods classification as we saw first is related to a good being or our product being a convenience good which is purchased frequently,

obviously and we can see that immediately and with minimal effort that it is related to availability and distribution.

But because we are categorizing that (convenience) good as a convenience good, we assure that it reaches to the large number of customers, because we have seen that good with respect to its convenience actually, for example, staples are purchased on a regular basis. Let us say ketchup, toothpaste, crackers, chips, wafers, soaps, salt and sugar and we remember that portion of the departmental store, wherein you purchase convenience goods, that is what we are referring to here, then, that can further traverse into again a characteristic and a trait of the consumer.

Here, we are talking of convenience, we are talking of frequency, we are talking of immediacy, we are talking of accessibility and we are talking of impulse also. So, there are some impulse goods purchase without any planning or search effort such as candy bars, snacks, chocolates, again, do you remember the section of the departmental store when you are just moving out, or you are entering in and you find those goods wherein you do not have to put up so much of energy and thinking whether you want those or no and especially when you are moving out you are just about to, pay the bill, there you find these refrigerators, wherein you find a deep-freezed or frozen products, you find vegetables, you find fruits, you find chocolates, you find several other things like toffees and many a times at that particular moment you feel hungry, and there are some patties and samosas and breads all around, in that corner, and then you just purchase some of those because you now want to pay the bill, go to your car and start eating while driving. That is that is the perspective of impulse.

Emergency goods are purchased, when need is urgent, umbrellas, during a rainstorm, and so on. So, they are also related to something when you do not think twice basically you need those. And that is the categorization, which actually helps us in positioning and marketing the products at the end of the day. And that is why classification and concepts are more important, because in today's competitive era, we cannot lose any chance to reach to the customer.

Shopping goods: Now, those goods that consumers characteristically compare on such basis as suitability, quality, price and style, for example, furniture, clothing and appliances. Now, again, you look at your own behavior when you go for purchase for example, a shirt, so, you not only compare a particular shirt you have in mind with the shirts which are being displayed there, you



also have the other shop besides or another brand in your mind. You may just go through those products which are being offered there and then you leave the shop and go to the other shop and then you may come back and purchase the same shirt which you were surfing through for the first time.

Now, that is where that that kind of a comparison, that kind of perspective, suitability, quality, price and those kinds of things are there for us to understand, and this categorization is hinting upon the fact that, that actually is associated with the behavioral reflection of the consumer. So, this categorization actually directs our attention towards how to address, first to understand and then to classify and then to address the behavior of the consumer through communication. So, and for that, you can think of an integrated marketing communication course and there you will find those elements.

Now, there are elements of homogeneity and heterogeneity here. So, when we talk of homogeneous shopping goods, those are similar in quality, but different enough in price to justify shopping comparisons and in case of heterogeneity, shopping goods, are being seen with reference to different product features and services that may be more important than price. So, that is how classification actually traverses.

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### Consumer-Goods Classification

- **Specialty Goods-** That have unique characteristics or brand identification for which enough buyers are willing to make a special purchasing effort.


- **Unsought Goods-** Those the consumer does not know about or normally think of buying.



Source: Philip Kotler, and Kevin Lane Keller, Marketing Management 15th edition, Pearson, 2016 Indian Edition Published by Pearson India Education Services Pvt. Ltd 2016  
Image Source: Pixabay

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Now, comes in specialty goods, wherein, specialty, special usage or special positioning and potential of the product are the important elements. So, that is all that comes together now, wherein premium is associated with these type of goods which have unique characteristics or brand identification for which buyers are willing to make a special purchasing effort for example a unique watch or a specific model of a car, a special edition of a product, diaries or pens, shoes, special model of a shoe, which in general would solve the similar purpose, but definitely it is highly prized and is a high premium product. So, there are several models available and so on and that is why these are called as specialty goods.

Then, and I do not take it that it is just a general kind of a thing which is implied and everyone understands, (though we do understand these terms and these things), but here, when I am talking about these, please keep that in mind that the strategic perspective of understanding and reaching to the customer is associated with this classification from this side.

So, if there is a specialty good, it would not be available everywhere, then there would be a price perspective associated with that, then that price has to be justified. And that is what we are going to talk about in whole of the product management all through. Then there are unsought goods many times, consumer does not know about for example, fire extinguishers, your mind does not go there, because you never expect fire to be around you, but somehow, we are becoming more aware, and there are norms and rules and regulations, which are actually motivating us to put a fire extinguisher everywhere in every home or every building. But otherwise, if you will see that people do not have a sight of those products in their minds basically.

So, many times there are specific health policies, which you feel are important, but somehow you are not looking for those kinds of policies and especially at a specific age when health and life is with you, there is a time when for the first-time blood pressure fluctuates and one goes to a doctor and doctor says that you are taking stress and that particular moment person feel likes getting insured against ailments. So, that is a need-based kind of a thing. But emergencies come from all the sides and then shouldn't we all be taking good care of ourselves by ensuring ourselves also? We should but again, our sight does not go there.

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**Common terms related to product**

- **Product Category**
- A product category is “a particular group of related products,” Cambridge Dictionary. <sup>[1]</sup>
- Product categories are typically created by industry organizations/firms or brands to focus their promotional efforts effectively by grouping similar items together. <sup>[2]</sup>
- Product categories are sometimes confused with product classification. Both are organizational strategies, and both help guide marketing decisions, but classifications are much broader (think convenience goods, shopping goods, and specialty goods).
- For example,  
Dove Skin Care, Dove Personal Care & Beauty, Dove Hair care, Dove Fragrances  
Fastrack Men Watches, Fastrack Women Watches, Fastrack Unisex Watches

Source: [1] <https://dictionary.cambridge.org/>  
[2] Lehmann, D. R., & Winer, R. S. (2005). Product management. Boston: McGraw-Hill.

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Now, then again, there is a very important term which comes back to us when we talk of classification that is called category. Product category is a particular group of related products, as given by Cambridge dictionary wherein product categories are typically created by industry organizations or firms or brands to focus their promotional efforts effectively by grouping similar items together. Product categories are sometimes confused with product classification, which we have just talked about.

Both are organizational strategies, are perspectives and both help in guiding marketing decisions, but classifications are much broader. For example, convenience goods, shopping goods, specialty goods and so on. For example, Dove skincare, Dove personal care and beauty care and Dove Hair Care, Dove fragrances, Fast Track men watches, Fast Track women watches and faster universal watches.

So, that is where category comes into being, wherein, you have to tell about your products cumulatively to the customer and looking at the limitation of the message, the size, the space or let us say you want to go to the customer with all the product offerings you have so, you categorize those products and that is why it should not be somehow mixed up with the understanding of classification.

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### Industrial-Goods Classification

- **Materials and parts-** goods that enter the manufacturer's product completely.
- They fall in two classes-
  - **Raw materials**
    - Farm products E.g., wheat, cotton, livestock, fruits, and vegetables etc.
    - Natural products E.g., fish, lumber, crude petroleum, iron ore etc.
  - **Manufactured materials and parts**
    - **Component material-** usually fabricated further—Raw iron is made into steel, and yarn is woven into cloth. The standardized nature of component materials usually makes price and supplier reliability as the key purchase factors. E.g., iron, yarn, cement, wires etc.
    - **Component parts-** enter the finished product with no further change in form, as when small motors are put into vacuum cleaners and tires are put on automobiles. Most manufactured materials and parts are sold directly to industrial users. Price and service are major marketing considerations, with branding and advertising less important. E.g., small motors, tires, castings etc.

Source: Philip Kotler, and Kevin Lane Keller, *Marketing Management 15th edition*, Pearson, 2016 Indian Edition Published by Pearson India Education Services Pvt. Ltd 2016

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Then industrial goods wherein, materials and parts and goods that enter a manufacturer's domain of products fall into classes like raw materials, for example, farm products, like wheat, cotton, livestock, then there are natural products, fish, crude petroleum, iron ore and then there are manufactured materials and parts, components, for example, these are usually fabricated for example, raw iron is made into steel and yarn is woven into a cloth. Then manufactured material and parts are differentiated into component parts as well where in, they enter the finished product with no further change in form.

So, these are classifications of industrial goods because here the purpose would be to differentiate the positioning and the negotiations and the further approach and for this you can look for any industrial marketing course and that will take you deeper into that, so, it is a different kind of perspective which has to be built around though, I will be focusing upon these elements as well in due course of time. Examples of component parts are small motors, tires, castings, etc and so on.

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### Industrial-Goods Classification

- **Capital items** are long-lasting goods that facilitate developing or managing the finished product.
- They fall in two groups-
  - **Installations**
    - They consist of buildings (factories, offices) and heavy equipment (generators, drill presses, mainframe computers, elevators).
    - They are usually bought directly from the producer, whose sales force includes technical staff, and a long negotiation precedes the typical sale.
  - **Equipment**
    - It includes portable factory equipment and tools (hand tools, lift trucks) and office equipment (desktop computers, desks).
    - These types of equipment don't become part of a finished product.
    - They have a shorter life than installations but a longer life than operating supplies.
    - Although some equipment manufacturers sell direct, more often they use intermediaries because the market is geographically dispersed, buyers are numerous, and orders are small.

Source: Philip Kotler, and Kevin Lane Keller, *Marketing Management* 15th edition, Pearson, 2016 Indian Edition Published by Pearson India Education Services Pvt. Ltd 2016



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Then come in capital items which, are long lasting goods that facilitate developing or managing the finished product and fall into two groups, installations and equipment. Installation is related to factories and offices, that is buildings and heavy equipment, for example, generators, drill presses, mainframe computers and so on.

So, you are looking at them as installations you have to install those somewhere to be used for further processing being part of further processes and so on. Equipment includes portable factory equipment, tools and office equipment and so on. This type of an equipment does not become part of a finished product. We all know what equipment is, but again, just to elaborate briefly in front of you and also again, this is a categorization that leads towards marketing efforts.

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**Industrial-Goods Classification**

- **Supplies and business services** are short-term goods and services that facilitate developing or managing the finished product.
- Supplies are of two kinds: **maintenance and repair items** (paint, nails, brooms) and **operating supplies** (lubricants, coal, writing paper, pencils).
  - Supplies are the equivalent of convenience goods; they are usually purchased with minimum effort on a straight-rebuy basis.
- **Business services** include maintenance and repair services (window cleaning, copier repair) and **business advisory services** (legal, management consulting, advertising).
  - Maintenance and repair services are usually supplied under contract by small producers or from the manufacturers of the original equipment.
  - Business advisory services are usually purchased on the basis of the supplier's reputation and staff.

Source: Philip Kotler, and Kevin Lane Keller, Marketing Management 15th edition, Pearson, 2016 Indian Edition Published by Pearson India Education Services Pvt. Ltd 2016

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Then there are supplies and business services. These are short term goods and services that facilitate developing or managing the finished product. Supplies are of two kinds; maintenance and repair items, like paints, nails, brooms, and operating supplies, lubricants, coal, writing paper pencils and so on and business services include maintenance and repair services that is window cleaning, copier repair, business advisory services or legal management consulting, advertising and so on and also to remember that maintenance and repair services are usually supplied under contract by small producers or from the manufacturers of the original equipment and so on. So, categorization as I said, would lead to the negotiations as well to a mutual understanding of how the services would be served or how the products would be taken to the customer.

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**Product**

- **Product acceptance**
- **Product strategy and Planning**
- **Product Management**

Source: Michael Baker, and Susan Hart, *Product Strategy and Management* 2nd edition, Pearson, 2007

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Here comes the culmination after going through an emphasizing journey ladies and gentleman. Emphasizing because we talked about the terms, terminology, classification, concepts philosophy with a particular emphasis on the usage of these elements in the decision making and product management in due course of time.

So, here is the culmination, wherein there are three aspects, which you should remember, one is product acceptance, customer must or should willingly accept what we have to offer, and that is the objective of every producer, manufacturer, marketer, product manager and so on. The other two elements are product strategy and planning, that is about how to take the product through a due course of life while becoming the part of the life of a customer. And when I say life of a customer, it can be seen with the perspective of becoming the part of the lives of the customers generationally, and that is where product strategy and planning comes in. And both these elements take us towards product management.

And this is what this subject is all about. I will now be initiating a discussion in my subsequent sessions on Product Management at the core. And there, we would have a wonderful mix of an understanding on strategic and application perspective in relation to product management decision making. So, keep thinking, keep learning. I will meet you next time, till then. Goodbye!