PRODUCT CLASSIFICATION STRATEGY

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INTRODUCTION
The influx of wide ranges of consumable into the Nigerian market has provided a corresponding wide range of choice to the consumers. The competitive nature of the market place has therefore become a significant factor that producers can only ignore to their own peril. The purchasing power of the consumers is also affected by the economy of the Nation. It is as a result of those factors that manufacturers must of necessity know the product category to which their products belong.

The hostility in the marketing environment suggests that the producers have no option other than to employ aggressive marketing drive in order to survive competition in the face of the declining purchasing power of the consumers. It is in the light of this, that product classification become one of the most potent technique for determining the survival or extinction of products in the hand of the producers.

Consumers at times may want to minimise the shopping time. This should be a signal to the producer on the retail outlet to adopt, that is, whether door step delivery or supermarket sales is necessary. It is the responsibility of the producer to fashion out a channel of distribution that with make the product accessible to the consumers. This again pre-supposes that the buying behaviour of the consumers must be studied for appropriate channel selection.

Goods that are bought infrequently is “used up” quite slowly. This explains why consumers can afford to allot a considerable amount of time and effort to the buying decision so as to consider the gains and costs of the time and effort devoted to buying the product. The implication of the buying behaviour on the part of the producer is that the retail outlet should be minimised for the products.

There are other cases of products in which the consumer already has a brand in mind; the special purchasing effort is just to know where it is on sales. Producers will do well to ensure that such products retain the quality the consumers want. Since price of the items are secondary to the consumers, producers can afford to jack up the price so as to obtain some level of margin of profit.

Product classification can therefore be done on the basis of durability and tangibility, the rate of consumption, Buying behaviour and on Relationship of goods to the organisation’s production process and cast structure.

This study examines the various product classification methods and offers marketing strategy solutions for each of the classification methods.

PRODUCT CLASSIFICATION: RATE OF CONSUMPTION
This form of classification is credited to Copeland (1923). This method of classification is one of the earliest classifications in marketing. In many literatures it is referred to as traditional classification.

Product can be classified into three group, according to their durability or tangibility as shown below:

a. **Non durable goods**: Non durable goods are tangible goods that are normally consumed in one or few uses. Examples are Beer, Toothpaste, Sugar, Soap and Salt.
These goods are consumed fast and purchased frequently by the consumers. Many fast foods fall into this category.

b. **Durable Goods**: These are tangible goods that normally survive many uses. Goods that fall under this category include, Furniture, Refrigerator, Clothing, Rug etc. They are not frequently purchased as non-durable goods because they are used up slowly.

c. **Services**: These are activities, benefits or satisfaction that are offered for sale. Examples are Haircuts, Repairs, Banking Services and Dry cleaning. Services are intangible. They are usually produced and consumed in the same time frame unlike durable goods or non-durable goods that can be produced and shelved. The producer of goods may be far away from consumers, but service providers often work in the presence of the customers.

A comprehensive classification of goods is shown below:

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**PRODUCT CLASSIFICATION: CONSUMER GOODS**

Edward and Richard (1971) identified three classes of consumer goods namely convenience goods, shopping goods and specialty goods.

a. **Convenient Goods**

These refer to items that the consumer buys with minimum shopping effort. Essentially these are goods that are habitual with the consumers. They are bought frequently but not in large quantities because they are non-durable good. In other words they are ‘used up’ goods. The buying decision of the consumers for convenience goods is ignited by habit and he knows all the retail outlets. Under this category are Biscuits, Newspaper, Toilet Soap, Cigarettes etc.

Consumers want to minimise the time and effort devoted to buying convenience goods, therefore the consumers are not interested in comparing the prices and quality of convenience goods with other related products in the market place. This is because the gain of such exercise is not high enough to justify the cost involved in the exercise. But in case, the price of a convenience good like bread is abnormally higher than competing brands, consumers tend to change their buying decision on the product.

In an attempt to buy convenient goods, consumers buy convenience goods at a convenient location or retail outlets situated very close to their residence. It is the recognition
of this consumers minimum shopping time that makes marketers of such products to have the
products available in large quantities in numerous outlets.

Marketers of convenience goods must therefore be sure that they have adequate
inventories of the convenience goods. This is because inadequate supply of such goods will
create extra search time on the part of the consumers which they may not want to embark
upon. There are three types of convenience products - staples, impulse and emergency
products. These sub-categorisation of convenience goods are based on how the consumers
think about the product and not on the characteristic features of the product.

(i) **Staple products:** These are products that are bought often in a routine manner
without much thought on regular basis. A typical example is with paste or milk for breakfast.
Staple products are usually sold in convenient location like food stores and supermarkets.
Branding is important with staple products.

(ii) **Impulse Products:** These are products that are purchased without any planning
or search effort. They are usually purchased because of a strongly felt need. They are
products that consumers had not planned to buy but decide to buy on the spot. An example is
an ice-cream seller who rings a bell, if the children do not buy the ice cream as the seller is
sighted, the need goes away and the purchase will not be later. This implies that if the buyer
does not see an impulse product on time the sale may be lost. This explains why retailers
display impulse products conspicuously where they will be seen and bought.

(iii) **Emergency products:** These are products that are circumstantially purchased
when the need is great. For example, the price of ambulance service will not matter if an
accident occurs. So also is the price of umbrella during a rainstorm. Different marketing mix
are required to meet customers’ emergency needs especially the place. Some stores open
from 7.00 a.m. to 11.00 p.m. just to satisfy some of these emergency needs of the consumers.

(b) **Shopping Goods**

These set of product are selected by consumers based on certain yardsticks such as
suitability, quality, price and style. All, products that involve shopping comparison before
selection fall into this category. Such goods are, furniture, rugs, dresses, computers, shoes and
household appliances. Before a consumer makes up his mind to buy a shopping good, a lot of
exercise must have been carried out to know the different prices of the various stores that sell
the product. Shopping goods are more durable than the convenience goods. This is why a lot
of parameters must be considered before procurement. The rate of the ‘use up’ of shopping
goods is quite slow compare to convenience goods. Shopping products are products that a
consumer feels are worth the time and effort to compare with competing products.

Kotler (1991) identified two classes of shopping goods: homogenous and
Heterogeneous shopping goods.

(i) **Homogeneous Shopping Product:** These are products that the consumers see as
basically the same and want at the lowest price. Some consumers feel that certain sizes and
types of television sets are similar, so they shop for the best price. This is true of many
shopping products.

(ii) **Heterogeneous Shopping Product:** These are products the consumers see as
different in features and would want to test and inspect for quality and suitability. For this
category of shopping goods, quality and style matter more than price. This is also true when
service is a major part of the product, as in a visit to a mechanic for car repair service what is
of interest to the car owner is the quality of service of the mechanic and not the charges.

This is why branding may be less important for heterogeneous shopping products
because the more customers compare price and quality the less they rely on brand names or
labels. This explains why retailers carry competing brands so that consumers won’t go to a
competitor to compare price.
(c) **Specialty Goods**

These refer to goods for which consumers are habitually willing to make a special purchasing effort. These categories of goods possess unique characteristics or high degree of brand identification. Examples include specific brands and types of fanny foods, cars, stereo components, photographic equipment and suits. Specialty goods do not involve buyer in making comparisons buyers invest time only to reach the dealers of the specialty goods.

(d) **Unsought Goods**

These are goods that the consumer does not know about or know about but does not normally think of buying. Examples are insurance, cemetery plots, coffin and encyclopedia. For consumers to be attracted to these products substantial marketing effort is required in form of advertising and personal selling.

William D. P. (1996) identified two types of unsought products:

(i) **New unsought products**: These are products offering new ideas that potential customers seem not to know anything about. Sales promotion aimed at informing and convincing the customers can be carried out to end their unsought status. Many of the electronic gadgets that we have in the market today were once unsought goods because they were new innovations. The erratic power supply in Africa sub-region has made available television set that uses battery.

(ii) **Regularly unsought products**: For this category of unsought goods potential customers are not motivated to satisfy the need. Examples of products under this category are gravestones. For these kind of products personal selling is very important.

Although every consumer product may be classified into any of the four classifications. For product classified as convenience and shopping, this may be easy to do. But items coming under the headings of specialty goods may not be easy to identify. The buyer of a Mercedes Benz for example may have made his choice only after comparing Mercedes Benz with other makes or he may be attracted to purchase it because of certain unique features or the brand name or it may be because of the dealer’s convenient location. In which case, the Mercedes Benz qualifies as convenience, shopping and specialty good.

The product classification strategy enables the producers to know that people buy products for different reasons and that their buying attitudes are not the same and therefore the pattern of buying behaviour vary from are person to the other.

**IMPORTANCE OF PRODUCT CLASSIFICATIONS FOR MARKETING DECISIONS**

Product classification has implication on marketing decision both to the producer as well as to the consumers. For durable and non-durable goods, there is a reflection on the life expectancy of the product. These classifications have strategic implications to the producer. Durable products are purchased infrequently and require personal selling. Perishable products need speedy distribution- and luxury goods can be priced highly.

Convenience goods could be staples like food items bought on regular basis often by habit. It could also be impulsive items which are purchased, not because of planning but because of strongly felt need. It could also be emergency products which are needed to solve an immediate crises.

Brand Name would be very important for staple products while impulse products require a captivating packaging signal that will attract the consumers. For emergency products the consumers are less sensitive to price, therefore it is a circumstantial product. The understanding, of the buying behaviour of the consumers for each of these sub-categories of convenience goods and the product characteristics will inform the producer on the appropriate marketing strategy options to be taken for higher returns.
Shopping goods are bought rather infrequently and are used up very slowly. For homogenous shopping goods the prices should be relatively in the same range with other products in the same homogenous shopping goods category. For heterogeneous shopping goods consumers should consider the tangible features of these products and the associated services on offer before making a buying decision. Consumers are not usually sensitive to prices of heterogeneous shopping goods provided the product has some demonstrable advantage over its competitors.

According to Elizabeth Hill (1996), promotional activity for this category of shopping goods should focus on pointing out unique attributes of the product rather than low prices.

Specialty goods are products that have no acceptable substitutes in the mind of the consumer. Tarry O. (1996) opined that the uniqueness and superiority of the Specialty product stems from unrivalled quality superiority or design exclusivity. Specialty brands is what should be created. Producer should be encouraged by this superiority complex of the buyers and should not demean the quality. Consumers of such products are insensitive to price. Hence the mark up could be high for the targeted market.

For unsought products, the consumer has no felt need for it. Many new products fall into this category. Until their usefulness are known the consumer is not disposed to buying them. Personal selling and wide advertisement is required for unsought goods. There may be a need to even launch the product officially in the market place.

**PRODUCT CLASSIFICATION: INDUSTRIAL GOODS**

This classification is based on relationship of the goods to the organisation’s production process and cost structure. Industrial goods are intermediate goods and can be classified into three categories below:

(a) **FOUNDATION GOODS** These are manufacturing machines upon which production is dependent. They are not used up in the production process but over a course of years during which a part is charge off as depreciation. Foundation goods are long-term investment.

There are two types of foundation goods: installation and accessory equipment.

(i) **Installations**: These are long-lasting products that are not bought very often. The number of potential buyers at any given time is usually small. These consist of buildings and fixed equipment. The producer must design it to specification and to supply post sale services.

(ii) **Accessory equipment**: These comprise of portable factory equipment and tools. These equipment do not become part of the finished product. They simply help in the production process. Quality features, price and services are major considerations in vendor selection.

(b) **ENTERING GOODS** These refer to ingredients or components of product. These are the parts that go into the product itself. Entering goods can also be categorised into two main sub-groups: raw material and fabricating materials.

(i) **Raw materials**: These are goods that have been produced only enough to make handling convenient and safe. They enter the manufacturing process basically in their natural state. They originate either from agriculture or from industries such as mining and lumbering. Examples are cotton, man cue, crude oil and most farm produce.

(ii) **Fabricating materials**: These undergo some degree of initial processing before they enter the product manufacturing process. This according to Rosenberg (1977) may be a relatively basic step such as changing iron ore into pig iron or wheat into flour. In other cases an ingredient may be completely prefabricated, such as an automobile tyre or an electric motor for home appliance. The more complicated a
product is, the more likely it is to contain both raw and fabricating materials. Computers and calculators for example use basic material such as silicon crystal, glass and metals. They also use integrated circuits which are often manufactured by an outside company and supplied as fabricated materials.

(c) **FACILITATING GOODS:** These are operating supplies that are used up in the operation of the firm but do not become part of the product. They are usually budgeted as expenses and have short life. The purpose of such goods is to keep the foundation goods functioning properly and to help in the handling and supply of the entering goods. Examples are lubricating oil; saw blades, cider forms and labels.

**PRODUCT CLASSIFICATION: SERVICES**

Marketing initially developed in connection with physical products. But of recent, the increasing growth in service industries has made this aspect of marketing important. Service industries vary. It ranges from government sector with its courts, hospitals, loan agencies, military services, police, fire departments and post office to private non profit sector with its museums, charities, churches in the service business.

A service according to Kotler (1988) is any act or performance that one party can offer to another that is essentially intangible and does not result in ownership of anything. Its production may or may not be tied to a physical product.

Services like consumer goods can be classified using several approaches. But we need to bear in mind that while goods are testable services are not. For example a consumer cannot test-drive a bank like you do for an automobile. Services are so important that all products require service commitments and this is reflected in the purchase price. Services are consumed as they are produced unlike consumer goods that could be stored in inventory.

Services have four major characteristics that affect the design of marketing programs - intangibility, inseparability, variability and perishability.

These characteristics are discussed in turns below:

(a) **Intangibility:** Services like other physical products cannot be seen, felt or tasted before they are bought. The evidence of the services quality in term of equipment, communication materials, symbols and price that they presents of comparison of quality. This explains why the service provider uses the evidence. For example the services of a bank is intangible, but environment, the personnel and the form of information technology a fliers or communication materials and bank’s prices for various services into determining which bank to patronise. Although the services offered by the banks are intangible, all these evidences can go a long way to make them tangible to the customers.

(b) **Inseparability:** Services are produced and consumed on the spot. This is unlike physical products that can be produced now and stored in inventory till later for consumption. If a service is rendered by a person, the person and the service cannot be separated since the provider is present at the point of sale. This explains why there is a provider-client interaction in services marketing. It is the provider of the services that is very important in entertainment and professional services. Because of strong preferences for provider, a substitute will not in any way satisfy the buyer.

(c) **Variability:** Services are highly variable and they depend on who provides them and when and where they are provided. One Surgeon may be preferred to another because of hospital facilities and handling he has over and above the other. Service buyers are usually aware of this high variability and frequently talk to others before selecting a service provider. This explains why many banks, airlines and hotels spend substantial amount to train their
employees in providing good service the degree of variability can be reduced by training the
service providers in response to customers’ demands.

(d) Perishability: Services as mentioned earlier cannot be stored. The reason why many
doctors charge patients for missed appointments - is that service value existed only at the point
when the patient should have been seen.

There are three ways of classifying services: by buyer, by seller, by form of regulation.

1. **By Buyer:** Two major buyers are identifiable for every service. These are
household buyers and industrial-buyer. Recreational services purchase by individual include
everything from tennis lessons to fortune telling. Many services purchased by individuals are
households’ in nature. For example, Electricity, House painting and Insurance. The Industry
also requires training, transportation and consulting services for smooth economic
performance of the various sectors of the economy.

2. **By Seller:** There are three major groups under this classification of services:
   (i) Service organisation owned by private individuals or groups, who
   share the profits or the losses,
   (ii) Privately owned organisation not for profit. e.g. private schools,
   symphony orchestras museums and Churches.
   (iii) Public owned companies e.g government parastatals.

3. **By Form of Regulation:** Services may be categorised by the extent to which they are
controlled by public regulations. Services can be classified by form of regulation into three
classes.
   (i) **Extensive Control Services:** Service under this category requires the
   certification of the supervise body before licensing. Examples are banks and electric utilities.
   To provide banking services, appropriate approval must have been obtained from the Central
   Bank before the commencement of operation. Appropriate agency must also certify the
   authenticity of an electrical contractor with National Electric Power Authority (NEPA).
   (ii) **Near Extensive Control Services:** Service under this category are theatre,
   travel agencies and hotels. The requirements for establishing them are not as tough as the
   banks mentioned earlier.
   (iii) **Unregulated Services:** Most repairs services fall under this category. Many
   professional practitioners like lawyers and doctors are controlled by the regulation laid down
   by their professional body end not by public body.

In conclusion, the life cycle of a service is a marketing characteristic that must be
considered in designing a marketing strategy for a service. It is therefore suggested that the
offer characteristics and the marketing characteristics should be the basis for the formulation
of any marketing strategy for any service classification.

REFERENCES
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