**STUDY NOTE**

**UG : SEMESTER----2**

**Subject: Marketing Management**

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**LECTURE NO. 03**

**UNIT –II TOPIC: PRODUCT**

**Classification of Products** –

6 Major Types: Differentiated Product, Customised Product, Potential Product, Core Product, Actual Product and Augmented Product.

1. The Differentiated Product:

The differentiated product differs from other similar products or brands in the market. The differential claimed by the product, may be ‘real’, on account of ingredient, quality, utility, or service, or it may be ‘psychological’ on the basis of perception of the buyer.

 2. The Customised Product:

Customer specific requirements are taken into account while developing the product. The manufacturer and the user are in direct contact and the product gets customised as per the requirements of the customer.

 3. The Potential Product:

The potential product means product for future, it carries all the improvements and finesse possible, under the given technological, economic and competitive condition. There are no limits to the ‘potential product’. Only the technological and economic resources of the firm set the limit.

4. The Core Product:

It is not the tangible physical product as it cannot be touched. The benefit of the product makes it valuable to the buyer. For example, in case of a car, the benefit is convenience that is, the ease at which one can drive and another core benefit is speed. Therefore, a core product is not the actual product but can be defined as the benefit of the product that makes it useful to the purchaser. This benefit might be an intangible idea or concept connected with convenience, status or the ability to achieve a certain task quickly. This benefit gives the product value and meets the needs of the intended customer.

5. The Actual Product:

It is the tangible, physical product that can be seen and touched by the buyer, which has some use. The actual product is what the average person would think of under the generic meaning of product. Taking the same example of a car, it is the vehicle that you test drive, buy and then collect is the actual product.

 6. The Augmented Product:

It refers to the non-physical part of the product. It usually consists of added value, for which premium may or may not be paid. To continue with the example of the car, the augmented product would be the warranty, the customer service support offered by the manufacturer and any after-sales service. The augmented product is an important way to tailor the core or actual product to the needs of an individual customer.

To understand the meaning of core product, actual product and the augmented product, an example of a camera, can be taken. In case a buyer purchases a camera, the core product would be the ability to take a high quality picture conveniently, quickly and in a variety of circumstances. This solves the main problem for the buyer.

The actual product is the camera bought by the customer, which includes attributes such as brand, style and colour. The augmented product, in this example would include customer service and warranty in addition to the other features.

Philip Kotler defined five levels of a product namely core product, generic product, expected product, augmented product, and potential product.

1. Core product

2. Generic Product

3. Expected Product

4. Augmented Product

5. Potential Product

Kotler states that translating the list of core product benefits into a product can involve deciding on the quality level, product and service features, styling, branding and packaging. For example Apple’s iPhone design has enabled it to become a smart phone market leader by launching various versions of i-Phone, going up to iphone-5, and as of, now i-phone-6, which is the 6th version of this product.

There are other smart phones in the market but Apple has managed to design a product which people order in advance and purchase overnight outside Apple’s retail stores so that they can be the first ones to buy the product.

**Product or goods can be classified into two broad categories depending upon the use for which they are meant.**

These categories are:

1. Consumers’ goods and

2. Industrial goods

**1. Consumers’ Goods:**

Consumers’ goods are meant for final consumption by the ultimate consumers. Bread, butter, TV sets, cosmetics and garments are all consumer goods. On the other hand industrial goods are meant for use in the commercial production of other goods or in connection with carrying out some business activities. Machine tools, iron-ore, and electronic computers are all industrial goods. It should be observed that all goods cannot be classified exclusively as consumers’ goods or industrial goods.

For example, typing paper is used for both personal and business correspondence and therefore is both a consumers’ and an industrial goods. The distinction between consumers and industrial goods is necessary in order to understand the behaviour of their purchasers. The purchasers of industrial goods have an altogether different approach as compared to the purchasers of consumers’ goods.

Consumers’ goods can be further classified into convenience goods, shopping goods, and speciality goods.

A brief description of these is given below:

(i) Convenience Goods:

These include items which the consumers buy frequently, immediately, and with minimum shopping efforts. Cold drinks, cigarettes, magazines and newspapers, drugs and most grocery items are the examples of convenience goods. These goods are non-durables i.e., they are consumed or used up rapidly. At the time of buying these goods, the habit of the consumer dominates his behaviour. He does not take much item in marking the buying decision.

(ii) Shopping Goods:

These include items which consumers select and buy after making comparisons on such criteria as suitability, quality, price and style. In case of a shopping goods, a substantial number of consumers habitually make shopping comparisons before they take a buying decision. Furniture items, dress materials, shoes, and how appliances should are the examples of shopping goods. A shopping goods is durable and is used up slowly. The consumer has to compare different stores offerings and devote considerable time and effort to take the buying decision.

(iii) Speciality Goods:

As the name implies, the consumers have to make a special purchasing effort to purchase speciality goods. Items in this category must possess unique features or have a number of brand names or both. Fancy goods, stamps and coins for collectors and prestige brands of men’s suits may be termed as speciality goods.

The consumers are already aware of the product or brand they want and they are willing to make a special purchasing effort to find the outlet handling it. Thus, in case of speciality goods, the consumers do not compare the desired speciality goods with others. But they may take considerable time in deciding to start the special search required because goods are often in the luxury price class.

**2. Industrial Goods:**

Industrial goods are those meant for use in making other products or for rendering a service in the operation of a business organisation. For a comprehensive analysis, industrial goods may be classified on the basis of use (instead of buying habits as in case of consumers goods) into five categories, namely, raw materials, fabricating parts and materials, installations, accessory equipment and operative supplies.

A brief description of these is given below:

(i) Raw Materials:

Raw materials are those industrial goods which will become part of another physical product and which have received no processing at all than that necessary for economy or protection in physical handling. Raw materials may be divided into natural products – Minerals, land, and products of the forests and the seas – and agricultural products – Wheat, cotton, tobacco, fruits, live-stocks and animal products such as eggs and raw milk. Raw materials are usually graded for standardised quality.

(ii) Fabricating Materials and Parts:

These are partial or complete items which become part of the final product. They have already been processed to some extent. Fabricating materials undergo further processing, e.g., pig iron going into steel, yarn being woven into cloth, leather being shaped into shoes, and flour becoming a part of cake or bread. Fabricating parts are assembled with no further change in form e.g., spark plugs in an automobile, barrel of a rifle and buttons on a coat.

(iii) Accessory Equipment:

Accessory equipment includes industrial goods usually less expensive and having shorter life than installations. They are required for the manufacture of final product though they do not form part of the finished products, e.g., portable drills, hand tools, work-lift trucks, etc. these items are highly standardised.

(iv) Installations:

Installations are long-life and expensive major equipment of an industrial user. These are necessary for further production of goods, but they do not form part of those products, e.g., heavy machinery, diesel engines, trucks, factory sites and production lines.

(v) Operating Supplies:

Operating supplies are short ¬lived and low priced items usually purchased with a minimum of effort. They are the ‘convenience goods’ of industries. They do not have a significant impact on the long run profitability of an organisation. Supplies include floor wax, lubricating oils, heating fuel and office stationary like pins, pens, pencils, papers, etc. Operating supplies do not become a part of finished product.

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