

PRODUCT

(Compiled by Deep Banerjee, Marketingpundit.com)

- **In business**, a **product** is a good or service which can be bought and sold.
- **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 purchased 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 general usage, product may refer to a single item or unit, physical objects, a group of equivalent products, a grouping of goods or services, or an industrial classification for the goods or services and also personalities, places, organisations and ideas.

Single unique product

Product may refer to a unique product, such as a single carton of brand X milk, a single customized interior design or a single hour of technical support. Serial numbers are used to identify certain unique products. A vehicle identification number identifies a unique motor vehicle.

The term defective product usually refers to a single instance or a few instances of unique products not meeting specifications or standards. Every product is unique in the sense that it cannot be sold to different customers such as customer A and customer B at the same time, or sold twice at the same time to a single customer. An invoice is a business document requesting payment for actual product delivered. Double billing is the error of charging a customer twice for the same unique product.

Equivalent or interchangeable product

The specific meaning of generic product names varies over time and location. Some products such as bread, milk, and salt have been bartered or sold for centuries, but the meaning of "bread" or "milk" as a product varies. The technologies were not available for pasteurization and homogenization of milk until the 20th century, and these food processing technologies are not used worldwide. Bread varies by type of grain, specific recipe, and size of loaf. In 1980s, Tata Chemicals introduced iodized TATA table salt, a product previously unavailable. Certain products may be considered equivalent or interchangeable for the purposes of trade, record-keeping, and reporting, despite gradual changes in the product or variations among geographical locations.

The distinction between a new product and a minor modification to an existing product is not always clear. Certain products have a product life cycle in which the supply and demand for the product increases then decreases over time. The demand for certain food products such as bread will tend to increase with population, but the supply and demand for a specific brand of bread may decline over time.

Product numbers in many businesses clearly identify the product by linking to a full description. Example: Maruti Genuine Parts (MGP).

Lots or batches

Lot numbers, batch numbers or control numbers are used in manufacturing to sub-divide equivalent product by its manufacturing batch or run. The publishing page of a book lists the

printing run that produced that unique book. Industries such as pharmaceuticals, food processing, and petroleum use some form of control number to sub-divide equivalent product for product testing or expiration dating. Two separate lots may vary slightly, but they are not assigned separate product identification codes because the variation does not give them significantly different features or uses as products.

Product groups

Categories

In a typical product catalogue, LG Electronics, Samsung, L'Oreal and others divide its products into departments, viz. IT department or Consumer Electronics department, Skin or Hair care and then present the products to shoppers according to (1) function or (2) brand. Each product has an item number and a manufacturer's model number. The departments and product groupings that the company uses are intended to help customers browse products by function or brand within a traditional department store structure, viz. Pantaloons, Shoppers Stop.

Sizes and colors

A catalog number, especially for home furnishing, clothing, etc may group sizes and colors. When ordering the product, the customer specifies size, color and other variables. Example: you walk into a store and see a group of shoes and in that group are sections of different colors of that type of shoe and sizes for that shoe to satisfy your need.

Product line

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". Example: Sleep-ins – lingerie and women's casual/formal wear, Lakme hair care, skin care, colour cosmetics.

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. Example: ICICI which generate revenues 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.

Service types

National and international product classifications

Various classification systems for products have been developed for economic statistical purposes.

The **Aspinwall Classification System** (Leo Aspinwall, 1958) 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 behaviour (How long will consumers shop for the product?)

The structure of a product

For many people, a product is simply the tangible, physical entity that they may be buying or selling.

One might buy a new car or a cell phone and that's the product - simple! Or maybe not. When one buys a car or a cell phone, is the product more complex than he first thought?

In order to actively explore the nature of a product further, lets consider it as three different products:

- the **CORE** product,
- the **ACTUAL/ FORMAL** product, and
- finally the **AUGMENTED** product.

These are known as the 'Three Levels of a Product.' So what is the difference between the three products, or more precisely 'levels?'

The **CORE** product is NOT the tangible, physical product. You can't touch it. That's because the core product is the BENEFIT of the product that makes it valuable to you. The benefit determines our decision.

The **ACTUAL/ FORMAL** product is the tangible, physical product. You can get some use out of it. The emphasis is on quality, brand name, features, style and design, packaging.

The **AUGMENTED** product is the non-physical part of the product. It usually consists of lots of added value, for which you may or may not pay a premium. It relates to the Post-purchasing services and additional services provided by the company.

Example (1): Let's consider a Car.

The core product: the benefit is convenience i.e. the ease at which you can go where you like, when you want to. Another core benefit is speed since you can travel around relatively quickly.

The actual product: it is the vehicle that you test drive, buy and then collect.

The augmented product: the warranty, the customer service support offered by the car's manufacture, and any after-sales service.

Example (2): Let's consider a Cell Phone.

The core product: to make phone calls.

The actual product:

- **Brand name** - The name of the brand whether or not its popular.
- **Quality** - Is it good or bad, won awards etc.(usually based on the brand).
- **Features** - Such as looks and special features.(the functions of the product).
- **Style and design** - Colour of the cell phone, width and length, slim/bulky.
- **Packaging** - (when a customer purchases it) Is it in a box, wrapped in bubble wrap etc.

The augmented product: one-year warranty guarantee.

The division of goods depending on the degree of materiality:

- a) Material goods: those can be described in terms of physical features. We can verify the quality of a product before the purchase.
- b) Services: they entail no possibility of checking their excellence prior to a purchase.
- c) Services accompanied by material goods (and vice versa) e.g. Hairdresser (cutting + hair dye).

Diversification of marketing policy depending on the type of product

Instruments applied to the analysis are as follows: product, price, place, promotion, people.

a) Convenience goods

These are ordinary, typical goods whose use requires no knowledge. They are purchased on a regular basis for a relatively low price. Convenience goods include food, newspapers, drugstore products and the like. The distributional network is fairly dense. The intensive distribution facilitates shopping because you can buy the goods you need without effort, at any place and at any time (convenient location of outlets). Promotion is the core of marketing policy. It is important to make customers aware of the particular brand. On this account two different means are used, namely push and pull strategies. The pull strategy involves a direct appeal by means of advertisements. Though attached to certain brands, customers are apt to buy substitutes. As regards selling techniques, they are diverse.

b) Shopping goods

Selective products are bought less frequently. They include: furniture, clothes, footwear products. The decision to buy is not immediate but is a result of thorough processing of information about available brands. Our choice is determined by economic as well as socio-cultural factors such as: prestige, influence of other people. The distribution is less intensive than in the case of casual goods. The outlets are mainly located in places with high circulation of customers. Promotion strategies: push & pull.

c) Speciality goods

They are bought extremely seldom, sometimes even once in a lifetime. The price is extremely high. They include: works of art, real estate, jewelery and the like. The focus is on the brand. What counts is the uniqueness and originality of the product. Thus, it entails an extremely high price. The product is supposed to satisfy our most sophisticated need: the feeling of prestige. Customers are loyal towards the brand they appreciate and do not accept substitutes. The decision concerning the purchase takes time. Promotion is based on pull strategy.