# 11.6: What Is a Product?

## 6. What is a product, and how is it classified?

The goal of marketing research is to create products that are desired by the target market(s) chosen as strategic markets in line with the organization’s goals. In marketing, a **product** (a good, service, or idea), along with its perceived attributes and benefits, creates value for the customer. Attributes can be tangible or intangible. Among the tangible attributes are packaging and warranties as illustrated in **Exhibit 11.5**. Intangible attributes are symbolic, such as brand image. Intangible attributes can include things like image as well as the depth of the relationship between a service provider and a customer. People make decisions about which products to buy after considering both tangible and intangible attributes of a product. For example, when a consumer buys a pair of jeans, he or she considers price, brand, store image, and style before making the purchase. These factors are all part of the marketing mix.

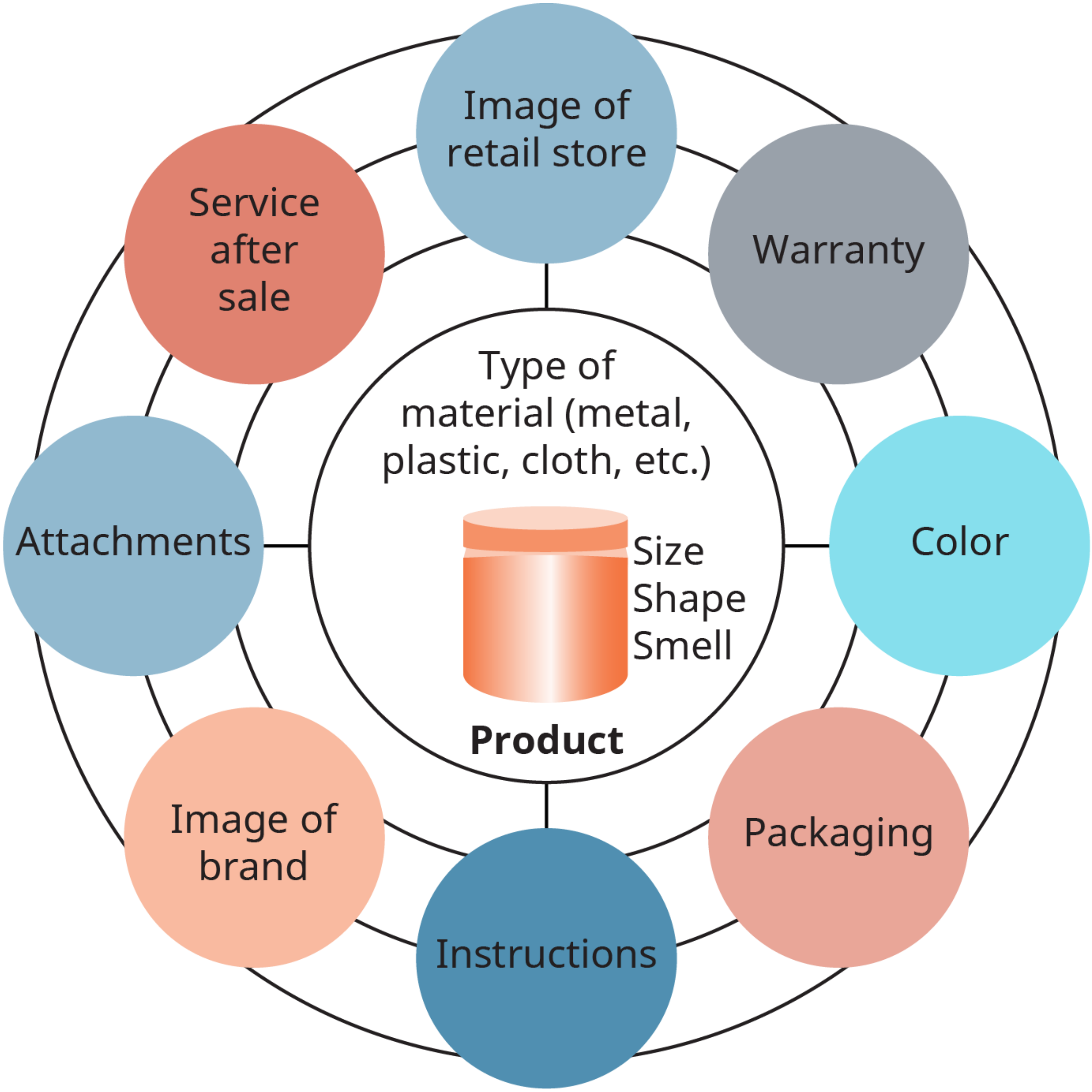


Exhibit **11.5 Tangible and Intangible Attributes of a Product Create Value** (Attribution: Copyright Rice University, OpenStax, under CC BY 4.0 license.)

## Classifying Consumer Products

Consumers are really buying packages of benefits that deliver value, which always includes some tangible aspects and some intangible aspects. The person who buys a plane ride on United Airlines is looking for a quick way to get from one city to another (the benefit). Providing this benefit requires a tangible part of the product (a plane) and an intangible part of the product (ticketing, maintenance, and piloting services). A person who purchases accounting services buys the benefit of having taxes completed on the correct tax form (tangible part of the service) and having the taxes prepared correctly by a trusted person (intangible part of the service).

Marketers must know how consumers view the types of products their companies sell so that they can design the marketing mix to appeal to the selected target market. To help them define target markets, marketers have devised product categories. Products that are bought by the end user are called *consumer products*. They include electric razors, sandwiches, cars, stereos, magazines, and houses. Consumer products that get used up, such as Nexxus shampoo and Lay's potato chips, are called *consumer nondurables*. Those that last for a long time, such as Whirlpool washing machines and Apple computers, are *consumer durables*.

Another way to classify consumer products is by the amount of effort consumers are willing to make to acquire them. The four major categories of consumer products are unsought products, convenience products, shopping products, and specialty products, as summarized in Table 11.4. **Unsought products** are products unplanned by the potential buyer or known products that the buyer does not actively seek.

**Convenience products** are relatively inexpensive items that require little shopping effort. Soft drinks, candy bars, milk, bread, and small hardware items are examples. Consumers buy them routinely without much planning. This does not mean that such products are unimportant or obscure. Many, in fact, are well known by their brand names—such as Pepsi-Cola, Pepperidge Farm breads, Domino's pizza, Sure deodorant, and UPS shipping.

In contrast to convenience products, **shopping products** are bought only after a brand-to-brand and store-to-store comparison of price, suitability, and style. Examples are furniture, automobiles, a vacation in Europe, and some items of clothing. Convenience products are bought with little planning, but shopping products may be purchased after months or even years of search and evaluation.

**Specialty products** are products for which consumers search long and hard and for which they refuse to accept substitutes. Expensive jewelry, designer clothing, state-of-the-art stereo equipment, limited-production automobiles, and gourmet restaurants fall into this category. Because consumers are willing to spend much time and effort to find specialty products, distribution is often limited to one or two sellers in a given region, such as Neiman-Marcus, Gucci, or a Porsche dealer.

Classification of Consumer Products by the Effort Expended to Buy Them

| Consumer | Product Examples | Degree of Effort Expended by Consumer |
|---|---|---|
| **Unsought products** | Life insurance | No effort |
| | Burial plots | Some to considerable effort |
| | Time-share condos | Some to considerable effort |
| **Convenience products** | Soft drinks | Very little or minimum effort |
| | Bread | Very little or minimum effort |
| | Milk | Very little or minimum effort |
| | Coffee | Very little or minimum effort |
| **Shopping products** | Automobiles | Considerable effort |
| | Homes | Considerable effort |
| | Vacations | Considerable effort |
| **Specialty products** | Expensive jewelry | Maximum effort |
| | Gourmet restaurants | Maximum effort |
| | Limited-production automobiles | Maximum effort |

**Table11.4**

## CUSTOMER SATISFACTION AND QUALITY

### Ferrari Targets Successful Consumers

Kevin Crowder walked onto the famed Monza, Italy, race track, climbed into a Ferrari F2000 racer, and circled the course with a Grand Prix champion. Mr. Crowder, a Texas businessman who earned millions when he sold a software company he cofounded, isn't himself a professional driver. He's a customer of one of Ferrari's marketing programs: the F-1 Clienti program, under which

Ferrari resurrects old race cars that would otherwise be headed for the scrap heap. Instead, it sells them for $1 million or more, along with the chance to drive them with a professional pit crew's help.

Ferrari has long built its business around exclusivity. It limits production to around 4,500 to 5,000 cars a year at around $180,000 and up. Some customers pay additional money to race these street cars against fellow owners at company-sponsored Ferrari Challenge events. The F-1 Clienti program adds a super-premium service by giving people a chance to drive the same Ferraris used in Formula One, a series of auto races that are especially popular among Europeans.

The program gives customers "an experience they can't get elsewhere," says Ferrari CEO Dieter Knechtel. Mr. Knechtel says that the "brand experience is very much related to the ownership experience: It's about driving and the experience of the car while doing it in a community of like-minded people. This is why, we organise track days and tours in Italy with road tours in different countries, we can organise almost any experience with the car—what we offer to our customers is often a 'money can't buy' experience."

Critical Thinking Questions

1. For Mr. Crowder, the Ferrari is a specialty good. What kind of product would it be for you? Why?
2. Do you think that Ferrari has done a good job of building brand loyalty? Could Ford do the same thing?

Sources: "Corse Clienti: Overview," http://races.ferrari.com, accessed October 8, 2017; James Allen, "Ferrari's F1 Clienti Is the World's Ultimate Used Car Buying Program," *Car Buzz*, http://www.carbuzz.com, accessed October 8, 2017; Jonathan Ho, "Ferrari Celebrates 70 Years," *Luxuo*, http://www.luxuo.com, July 13, 2017; Jonathan Welsh, "Checkered-Flag Past Helps Ferrari Unload a Fleet of Used Cars," *The Wall Street Journal*, January 11, 2005, pp. A1, A10.

## Classifying Business Products

Products bought by businesses or institutions for use in making other products are called *business products.* These products can be commercial, industrial, or services products. A commercial product would be an 18-wheeler truck used by a major transportation company as part of the business. An industrial product might be a major robotics installation in a state-of-the-art manufacturing facility. A services product (for business) might be telecommunications consulting for a large corporation setting up offices in Singapore. Business products are classified as either capital products or expense items. **Capital products** are usually large, expensive items with a long life span. Examples are buildings, large machines, and airplanes. **Expense items** are typically smaller, less expensive items that usually have a life span of less than a year. Examples are printer cartridges and paper. Industrial products are sometimes further classified in the following categories:

1. *Installations:* These are large, expensive capital items that determine the nature, scope, and efficiency of a company. Capital products such as General Motors' truck assembly plant in Fort Wayne, Indiana, represent a big commitment against future earnings and profitability. Buying an installation requires longer negotiations, more planning, and the judgments of more people than buying any other type of product.
2. *Accessories:* Accessories do not have the same long-run impact on the firm as installations, and they are less expensive and more standardized. But they are still capital products. Minolta photocopy machines, HP laptops, and smaller machines such as Black & Decker table drills and saws are typical accessories. Marketers of accessories often rely on well-known brand names and extensive advertising as well as personal selling.
3. *Component parts and materials:* These are expense items that are built into the end product. Some component parts are custom-made, such as a drive shaft for an automobile, a case for a computer, or a special pigment for painting U.S. Navyharbor buoys; others are standardized for sale to many industrial users. Intel's Pentium chip for PCs and cement for the construction trade are examples of standardized component parts and materials.
4. *Raw materials:* Raw materials are expense items that have undergone little or no processing and are used to create a final product. Examples include lumber, copper, and zinc.
5. *Supplies:* Supplies do not become part of the final product. They are bought routinely and in fairly large quantities. Supply items run the gamut from pencils and paper to paint and machine oil. They have little impact on the firm's long-run profits. Bic pens, Champion copier paper, and Pennzoil machine oil are typical supply items.
6. *Services.* These are expense items used to plan or support company operations—for example, janitorial cleaning and management consulting services.

### CONCEPT CHECK

1. What is a product?
2. What are the classes of consumer products?
3. Explain how business products are classified.

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