

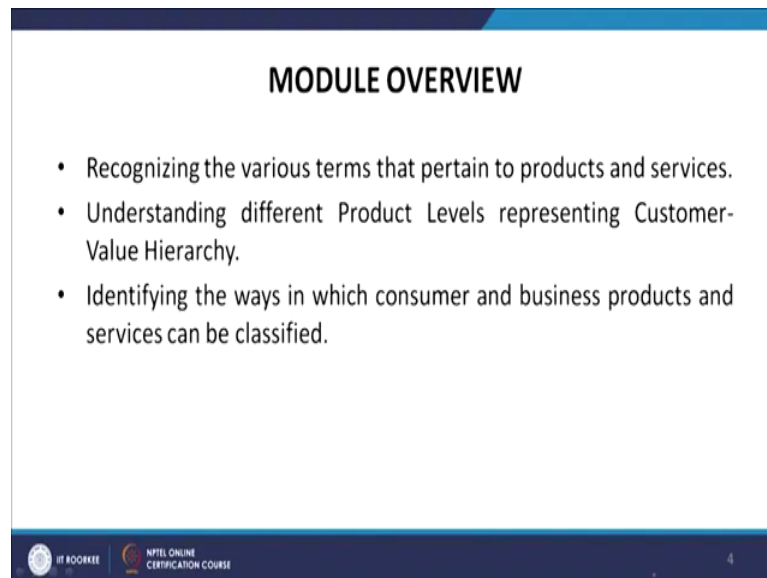
Introduction to Marketing Essentials
Prof. Zillur Rahman
Department of Management Studies
Indian Institute of Technology, Roorkee

Lecture – 19
Developing New Products and Services – I

Welcome to Introduction to Marketing Essentials we have covered the first 3 parts of this course, today we will start with the part 4 that is Satisfying Marketing Opportunities. Now from module 19 to module 40 all these modules are dedicated to this part 4. And the first topic in this part 4 is about Developing New Products and Services and this will be covered in 3 modules. So, that is module 19, 20 and 21

Now, let us start with module 19 that is on developing new products and services and these are the things that will be covered in this module.

(Refer Slide Time: 01:10)



MODULE OVERVIEW

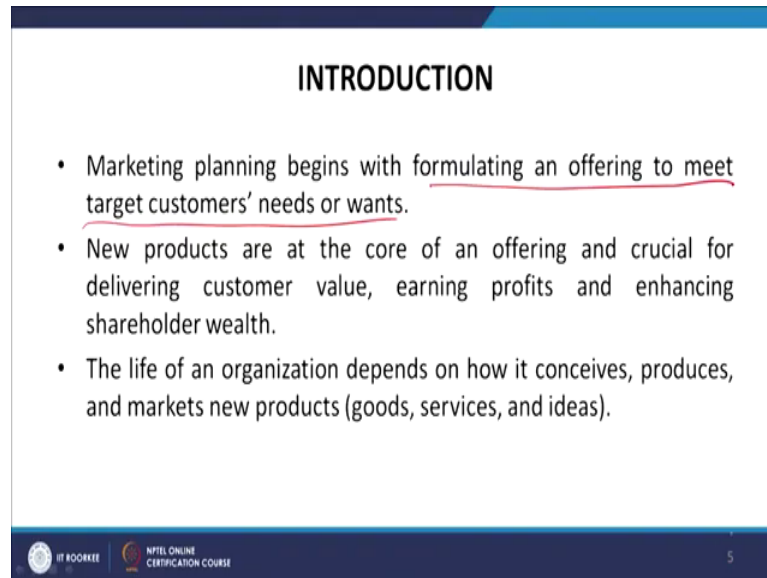
- Recognizing the various terms that pertain to products and services.
- Understanding different Product Levels representing Customer-Value Hierarchy.
- Identifying the ways in which consumer and business products and services can be classified.

IT ROORKEE | NPTEL ONLINE CERTIFICATION COURSE

So, we will recognize the various terms that pertain to products and services, then we will understand different product levels representing customer value hierarchy. So, we will talk about this customer value hierarchy and then we will identify the ways in which consumers and business products and services can be classified. So, these are the three important things that we will talk about in this module 19.

Now to begin with this marketing planning begins with formulating an offering to meet target customers' needs and want.

(Refer Slide Time: 01:45)



INTRODUCTION

- Marketing planning begins with formulating an offering to meet target customers' needs or wants.
- New products are at the core of an offering and crucial for delivering customer value, earning profits and enhancing shareholder wealth.
- The life of an organization depends on how it conceives, produces, and markets new products (goods, services, and ideas).

IIT ROORKEE NPTEL ONLINE CERTIFICATION COURSE 5

So, this is the very important thing that this marketing planning, what does this marketing planning do, it is about formulating an offering how, so that it meets the target customer's wants and needs.

Now new products are at the core of an offering. So, these new products they are the core of this offering and crucial for delivering customer value, earning profits and enhancing shareholder wealth. So, all these things can be had if we make an offering that will meet target customer's needs and want and this offering is to be based on a new product.

So, life of an organization depends on how it conceives, produces and markets new products. So, when we talk of new products when we are saying new products it will cover these three things broadly that is goods, services and ideas.

(Refer Slide Time: 02:47)



The slide is titled "INTRODUCTION" and contains three bullet points. The first bullet point states that as globalization pressures drive increasing competition, innovation success is ever more important. The second bullet point states that success of an organization in the 21st century depends on innovation, developing and launching new products and providing customers with new and improved product choices, as we will see in the case of Apple Inc. The third bullet point states that whether developed internally, acquired or generated from a strategic alliance, successful new products beat competitors and drive growth. The slide footer includes the logos for IIT ROORKEE and NPTEL ONLINE CERTIFICATION COURSE, along with the number 6.

INTRODUCTION

- As globalization pressures drive increasing competition, innovation success is ever more important.
- Success of an organization in 21st century depends on innovation, developing and launching new products and providing customers with new and improved product choices, as we will see in case of Apple Inc.
- Whether developed internally, acquired or generated from a strategic alliance, successful new products beat competitors and drive growth.

IIT ROORKEE NPTEL ONLINE CERTIFICATION COURSE 6

As globalization pressures drive increasing competition, innovation success is even more important. So, globalization is there everywhere and because of this the competition has increased and now how to deal with competition. So, innovation success has become more important in this 21st century.

So, success of an organization in this 21st century depends on innovation, developing and launching new products and providing customers with new and improved product choices, as we will see in case of Apple Incorporation.

Whether developed internally, whether these products are developed internally, acquired from someone else or generated from an strategic alliance, successful new products beat competitors and drive growth. So, that is the idea of having new products because in this era of globalization and competition it is a new product that will sail the company through the competition.

Now, let us look at how Apple has become a new product innovation machine.

(Refer Slide Time: 04:01)

APPLE: THE NEW-PRODUCT INNOVATION MACHINE

- Since its foundation in 1976 Apple has developed itself from a mere computer manufacturer to a successful all-rounder.
- It has conceived, produced and marketed some of the worlds' most creative and innovative products.
- Apple Inc.'s innovations revolutionized six industries: personal computers, animated movies, music, phones, tablet computing, and digital publishing.

IT ROORKEE | NPTEL ONLINE CERTIFICATION COURSE 7



Since its foundation in 1976 Apple has developed itself from a mere computer manufacturer to a successful all - rounder. It has conceived, produced and marketed some of the worlds' most creative and innovative products. Apple Inc innovation revolutionized six industries. Personal computers, animated movies, music, phones, tablet computing and digital publishing.

Now one such innovation was the introduction of iCloud.

(Refer Slide Time: 04:37)

APPLE: THE NEW-PRODUCT INNOVATION MACHINE

- One such innovation was the introduction of iCloud.
- Because many consumers now use multiple devices (smartphones like iPhone, PCs like iMac, and tablet devices like iPad), all of them need a way to share the music, photos, videos, files, and apps that reside on any one device.
- With the introduction of iCloud consumers won't have to worry about syncing their devices any longer to transfer their data.



IT ROORKEE | NPTEL ONLINE CERTIFICATION COURSE 8

So, in addition to all other innovations let us for the time being talk about iCloud, because many consumers now use multiple devices that is a smartphone like iPhones and PCs like iMac and tablet devices like iPads. And all of them need a way to share the music, photos, videos, files and various other apps that reside on any one device.

So, there may be different apps residing on different devices that a consumer may have, but with the introduction of iCloud consumers would not have to worry about syncing their devices any longer to transfer their data. So, it is not that there are only two apps on one device, another two apps on another device. So, as soon as they connect to, the consumer connects to iCloud all of them will sync and every device will have all the apps.

(Refer Slide Time: 05:33)



WHAT ARE PRODUCTS AND SERVICES?

- Many people think a product is tangible, but technically a product is anything that can be offered to a market to satisfy a want or need, including physical goods, services, experiences, events, persons, places, properties, organizations, information, and ideas.
- A product is a **good, service, or idea** consisting of a bundle of tangible and intangible attributes or features that satisfies consumers' needs and is received in exchange for money or something else of value.

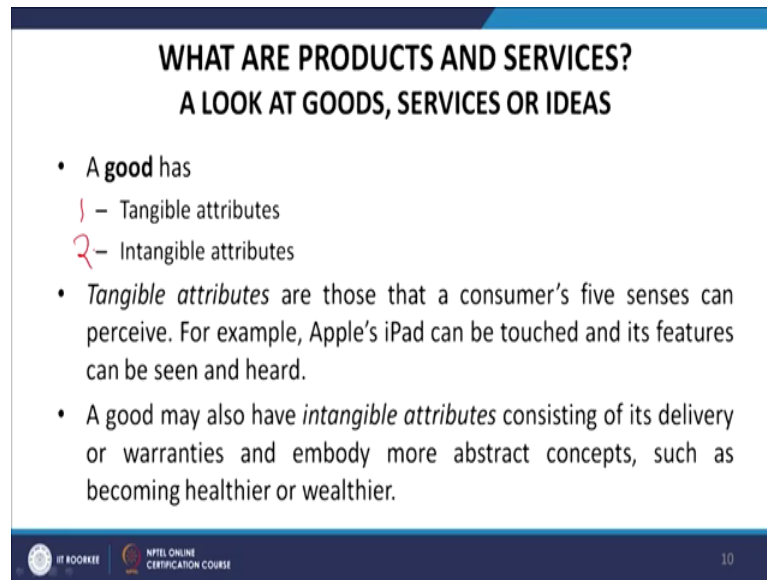
IT FROCKEE NPTEL ONLINE CERTIFICATION COURSE 9

Now, let us look at what are products and services. So, many people think a product is tangible, but technically a product is anything that can be offered to a market. So, product is anything that can be offered to a market it may not necessarily be tangible for doing what to satisfy a want or need including physical goods, services, experiences, events, persons, places, properties, organizations, information and idea. So, these are all the things that can be provided to a target market either in isolation or in combination to satisfy their wants and needs.

So, a product is a good, service or idea consisting of a bundle of tangible and intangible attributes or features. So, this when we say good, service or idea they are bundle of both

the tangible and intangible attributes. It is not either tangible or intangible, but a bundle of a tangible and intangible attributes or features that satisfy consumer needs and is received in exchange for money or something else of value.

(Refer Slide Time: 07:01)



WHAT ARE PRODUCTS AND SERVICES?
A LOOK AT GOODS, SERVICES OR IDEAS

- A good has
 - } – Tangible attributes
 - } – Intangible attributes
- *Tangible attributes* are those that a consumer's five senses can perceive. For example, Apple's iPad can be touched and its features can be seen and heard.
- A good may also have *intangible attributes* consisting of its delivery or warranties and embody more abstract concepts, such as becoming healthier or wealthier.

IT ROOBBEE | NPTEL ONLINE CERTIFICATION COURSE | 10

Now what are products and services? Now let us look at goods, services or ideas.

A good has tangible attributes and intangible attributes. So, a good has two kinds of attributes, tangible and intangible. Now, what are tangible attributes? Tangible attributes are those that a consumer's five senses can perceive. For example, Apple's iPad can be touched and its features can be seen and heard. So, these are the tangible attribute.

Now, a good may also have some intangible attributes consisting of its delivery or warranties and embody more abstract concepts such as becoming healthier or wealthier. Now a good can have tangible and intangible attributes that is one, another categorization is that this goods can be divided into non-durable goods and durable goods.

(Refer Slide Time: 08:00)

WHAT ARE PRODUCTS AND SERVICES?
A LOOK AT GOODS, SERVICES OR IDEAS

→ tangible
→ intangible

- **Goods** also can be divided into
 - 1 - Nondurable goods
 - 2 - Durable goods
- A *nondurable good* is an item consumed in one or a few uses, such as food products and fuel. A *durable good* is one that usually lasts over many uses, such as appliances, cars, and mobile phones.
- This classification method also provides direction for marketing actions. Example, nondurable goods rely heavily on consumer advertising. While, costly durable goods generally emphasize personal selling.

IT ROOKEE | NPTEL ONLINE CERTIFICATION COURSE | 11

So, on the one hand every good will have tangible and intangible attribute and on the other hand goods can be non-durable and durable a non-durable good is an item consumed in one or a few uses such as food products and fuel. While a durable good is one that usually last over many years such as appliances like your refrigerators and washing machines, cars and mobile phones.

Now, this classification method also provides direction for marketing actions. For example, non-durable goods rely heavily on consumer advertising; because they have limited shelf life because they survive only few uses so that is why they rely heavily on consumer advertising while, costly durable goods generally emphasize personal selling.

(Refer Slide Time: 09:16)

WHAT ARE PRODUCTS AND SERVICES?
A LOOK AT GOODS, SERVICES OR IDEAS

- **Services** are intangible activities or benefits that an organization provides to satisfy consumers' needs in exchange for money or something else of value.
- Services are ¹intangible, ²inseparable, ³variable, and ⁴perishable products that normally require more quality control, supplier credibility, and adaptability. Examples include haircuts, legal advice, and appliance repairs.
- Services have become a significant part of the Indian economy, exceeding 40 percent of its gross domestic product.

IT ROOKEE | NPTEL ONLINE CERTIFICATION COURSE | 12

Now, let us look at what are services? Services are intangible activities or benefits these are intangible activities or benefits that an organization provides to satisfy consumer needs in exchange for money or something else of value. Services are intangible, inseparable, variable and perishable products.

So, these are the four things that are there in services that normally requires more quality, control, supplier credibility and adaptability. For example that includes haircuts, legal advices and appliance repairs. Services have become a significant part of Indian economy, exceeding 40 percent of its Gross Domestic Product that is GDP.

Finally, in marketing, an idea is a thought that leads to a product or action such as a concept for a new invention or getting people out to vote. Now, throughout our discussion, products generally include not only physical goods, but services and ideas also. When product is used in its narrower meaning of “goods” it should be clear from the example or the sentence.

(Refer Slide Time: 10:47)

PRODUCT LEVELS: THE CUSTOMER-VALUE HIERARCHY

- In planning its market offering, the marketer needs to address five product levels (see Figure 19.1) namely core benefit, basic product, expected product, augmented product and potential product.
- Each level adds more customer value, and together the five constitute a customer-value hierarchy.
- The fundamental level is the core benefit: the service or benefit the customer is really buying. A hotel guest is buying rest and sleep. The purchaser of a drill is buying holes.
- Marketers must see themselves as benefit providers.

IIT ROORKEE NPTEL ONLINE CERTIFICATION COURSE 14

So, now let us look at the product level, the various products level from the perspective of the customer value hierarchy. In planning its market offerings so an offering is anything that is tangible and intangible that can be offered to the target segments for satisfying their needs and wants.

So, in planning its market offering a marketer need to address five product levels. So, that we will see in one of the upcoming slides that is figure 19.1. Now, these five levels are the core benefit, the basic product, expected product, augmented product and the potential product. So, these are the five product levels.

Each level adds more customer value and together the five constitute a customer value hierarchy. So, these are various levels starting from core benefits and going up to potential product and this is called as a customer value hierarchy at each level some kind of value; customer value is being added.

The fundamental level is the core benefit, the service or benefit the customer is really buying for example, a hotel guest is buying rest and sleep, the purchaser of a drill machine is buying holes. So, marketers must see themselves as benefit providers.

(Refer Slide Time: 12:31)

PRODUCT LEVELS: THE CUSTOMER-VALUE HIERARCHY

- At the second level, the marketer must turn the core benefit into a basic product. Thus a hotel room includes a bed, bathroom, towels, desk, dresser, and closet.
- At the third level, the marketer prepares an expected product, a set of attributes and conditions buyers normally expect when they purchase this product. Hotel guests minimally expect a clean bed, fresh towels, working lamps, and a relative degree of quiet. *y quietness*

IIT ROORKEE NPTEL ONLINE CERTIFICATION COURSE 15

At the next the second level the marketers must turn the core benefit into some basic products. Thus, a hotel room includes a bed, a bathroom, a towel, desk, dresser and a closet. At the third level the marketers prepare an expected product, a set of attributes and conditions buyer normally expects when they purchase this product.

So, in the case of hotel guests they minimally expect a clean bed, fresh towels, working lamps and a relative degree of quiet or quietness so that they can easily sleep.

(Refer Slide Time: 13:13)

PRODUCT LEVELS: THE CUSTOMER-VALUE HIERARCHY

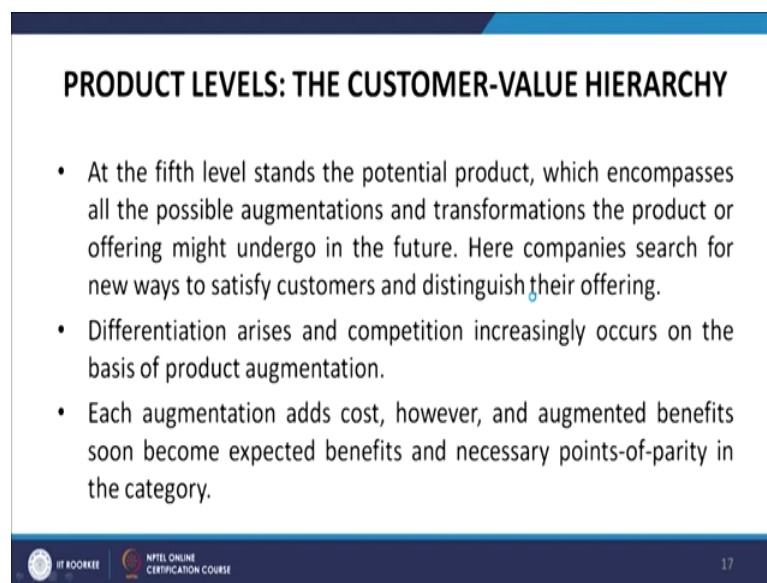
- At the fourth level, the marketer prepares an augmented product that exceeds customer expectations.
 - In developed countries, brand positioning and competition take place at this level.
 - In developing and emerging markets such as India and Brazil, however, competition takes place mostly at the expected product level.

IIT ROORKEE NPTEL ONLINE CERTIFICATION COURSE 16

At the next that is the fourth level, the marketers prepare an augmented product that exceeds customer expectations. So, at this level we are talking of customer expectations, at the next level now the marketers prepare an augmented product that exceeds customer expectations.

So, in developed countries brand positioning and competition takes place at this level. In developing and emerging markets such as India and Brazil competition takes place mostly at the expected product level.

(Refer Slide Time: 13:47)



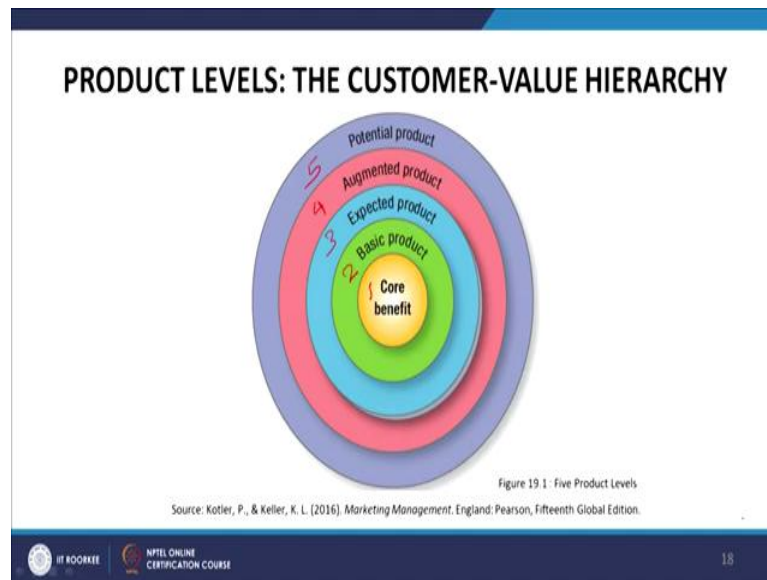
PRODUCT LEVELS: THE CUSTOMER-VALUE HIERARCHY

- At the fifth level stands the potential product, which encompasses all the possible augmentations and transformations the product or offering might undergo in the future. Here companies search for new ways to satisfy customers and distinguish their offering.
- Differentiation arises and competition increasingly occurs on the basis of product augmentation.
- Each augmentation adds cost, however, and augmented benefits soon become expected benefits and necessary points-of-parity in the category.

IT ROOBERE NPTEL ONLINE CERTIFICATION COURSE 17

At the fifth level stands the potential product which encompasses all the possible augmentation and transformation the product or offering might undergo in the future. Here companies search for new ways to satisfy customers and distinguish their offerings. Differentiation arises and competition increasingly occurs on the basis of product augmentation. Each augmentation adds cost; however, an augmented benefits soon become expected benefits and necessary point - of - parity in this category.

(Refer Slide Time: 14:25)



Now, these are the five levels that we were talking about. That is the core benefit, then company makes a basic product, then someone comes up with an expected product, augmented product and the potential product. So, these are the five levels of customer value hierarchy.

(Refer Slide Time: 14:42)

CLASSIFYING PRODUCTS

- Two broad categories of products widely used in marketing relate to the type of user:
 - 1 – Consumer Products
 - 2 – Business Products
- **Consumer products** are products purchased by the ultimate consumer. *→ do consume*
- **Business products** (also called B2B products or industrial products) are products organizations buy that assist in providing other products for resale.

19

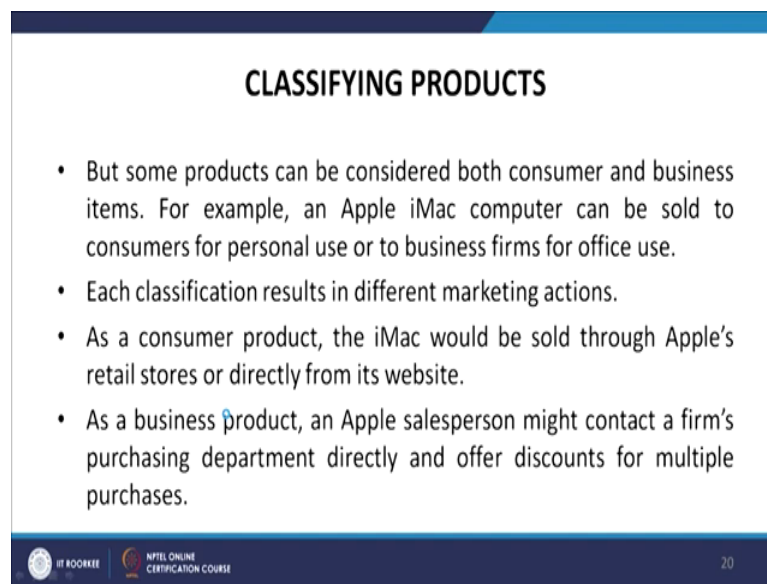
Another classification of product is that, there are two broad categories of product widely used in marketing relate to the type of user who is using this product. So, according to

this there are two categories, the first is consumer product and the second is the business products.

Now, let us look at what are these different types of products. So, consumer products are products purchased by the ultimate consumer who is buying it to consume. What are business products? They are also called as B2B products or industrial products these are products organizations buy that assist in providing other products for resale.

So, here the idea is to resale here the idea is to consume.

(Refer Slide Time: 15:36)



CLASSIFYING PRODUCTS

- But some products can be considered both consumer and business items. For example, an Apple iMac computer can be sold to consumers for personal use or to business firms for office use.
- Each classification results in different marketing actions.
- As a consumer product, the iMac would be sold through Apple's retail stores or directly from its website.
- As a business product, an Apple salesperson might contact a firm's purchasing department directly and offer discounts for multiple purchases.

IT ROOBERE | NPTEL ONLINE CERTIFICATION COURSE | 20

But some products can be considered both consumer and business items. For example, an Apple iMac computer can be sold to consumers for personal use or to business firms for office use. So, it is not that only consumers will buy it or only businesses will buy it both the both of them can buy it. Each classification results in different marketing actions.

As a consumer product the iMac would be sold through Apple's retail stores or directly from its website, but as a business product an Apple salesman or salesperson might contact a firm's purchasing department directly and offer discounts for multiple purchases. So, now, this tells us how selling in both these cases is different from each other.

(Refer Slide Time: 16:27)

**CLASSIFYING PRODUCTS:
CONSUMER PRODUCTS**

- There are four types of Consumer Products:
 - 1- Convenience products
 - 2- Shopping products
 - 3- Specialty products
 - 4- Unsought products
- These differ in terms of (1) the effort the consumer spends on the decision, (2) the attributes used in making the purchase decision, and (3) the frequency of purchase.

IT ROORKEE | NPTEL ONLINE CERTIFICATION COURSE 21

And now let us look at how to classify consumer products. So, there are four types of consumer products, one is convenience product, second is the shopping products, followed by a specialty products and unsought products. So, these are the four categories of consumer products.

Now, these four types of consumer products, they differ in terms of one is the efforts the consumer spends on making this purchase decision. The second is the attributes used in making the purchase decision and the third is the frequency of this purchase.

(Refer Slide Time: 17:09)

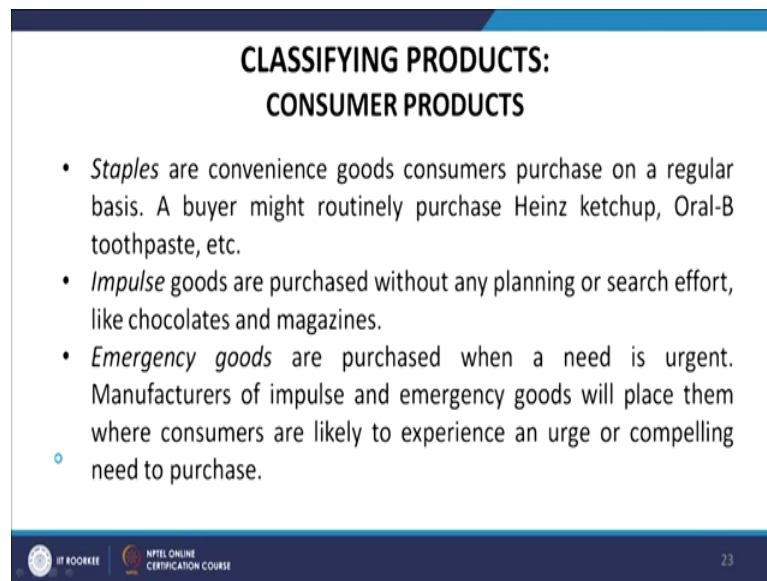
**CLASSIFYING PRODUCTS:
CONSUMER PRODUCTS**

- **Convenience products** are items that the consumer purchases frequently, conveniently, and with a minimum of shopping effort. Ex. Soap, newspaper etc.
- Convenience products can be further classified as:
 - a) Staples
 - b) Impulse
 - c) Emergency

IT ROORKEE | NPTEL ONLINE CERTIFICATION COURSE 22

Now, let us look at each one of them in some detail, convenience products are items that the consumer purchase frequently, conveniently and with a minimum of shopping efforts for example, all of us keep on buying soaps and newspapers etcetera. So, convenience product can be further classified as staples, impulse or emergency. So, it will have three more categorization a staples, impulse and emergency.

(Refer Slide Time: 17:43)



**CLASSIFYING PRODUCTS:
CONSUMER PRODUCTS**

- *Staples* are convenience goods consumers purchase on a regular basis. A buyer might routinely purchase Heinz ketchup, Oral-B toothpaste, etc.
- *Impulse* goods are purchased without any planning or search effort, like chocolates and magazines.
- *Emergency goods* are purchased when a need is urgent. Manufacturers of impulse and emergency goods will place them where consumers are likely to experience an urge or compelling need to purchase.

IT ROORKEE NPTEL ONLINE CERTIFICATION COURSE 23

Staples are convenience goods consumer purchase on a regular basis. For example, a buyer might routinely purchase Heinz ketchup, Oral - B toothpaste etcetera. While in impulse goods they are purchased without any planning or such efforts like chocolates and magazines and toffees etcetera etcetera.

The third is the emergency goods they are purchased when a need is urgent. So, manufacturers of impulse and emergency goods will place them where consumers are likely to experience an urge or compelling need to purchase those products. So, in both these cases the purchase is not planned it is at the spur of the moment.

(Refer Slide Time: 18:32)

**CLASSIFYING PRODUCTS:
CONSUMER PRODUCTS**

- **Shopping products** are items for which the consumer compares several alternatives on criteria such as price, quality, suitability or style. Ex. Clothing, furniture and major appliances.
- 1 • *Homogeneous shopping goods* are similar in quality but different enough in price to justify shopping comparisons.
- 2 • *Heterogeneous shopping goods* differ in product features and services that may be more important than price.
- The seller of heterogeneous shopping goods carries a wide assortment to satisfy individual tastes and trains salespeople to inform and advise customers.

UJ ROORKEE | NPTEL ONLINE CERTIFICATION COURSE | 24

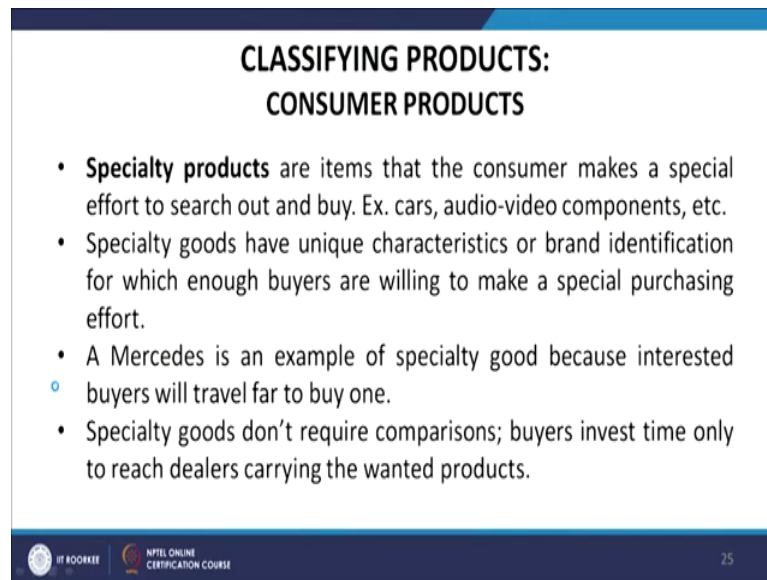
Another categorization is the the shopping products, shopping products are items for which the consumers compares several alternatives on criteria such as price, quality, suitability or style. For example, clothing, furniture and major appliances.

Now, in this we have two further categorization, one is homogeneous shopping goods they are similar in quality, but different enough in price to justify shopping comparison. So, these homogeneous shopping goods they are similar in quality, but they have different prices. So, because of that a comparison has to be carried out.

Another type of shopping good are heterogeneous shopping goods they differ in product features and services that may be more important than price. So, now, the shopping goods are heterogeneous, heterogeneous on the basis of product features and services. So, that is why and in this case the prices are not important.

The sellers of heterogeneous shopping goods carries a wide assortment to satisfy individual taste and trains salespeople to inform and advise customers about which shopping good will be more suitable for their needs and wants.

(Refer Slide Time: 19:57)



**CLASSIFYING PRODUCTS:
CONSUMER PRODUCTS**

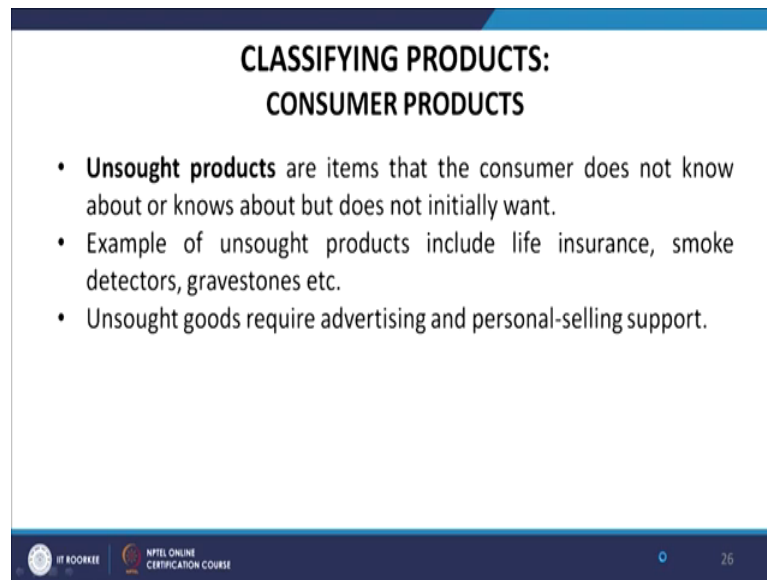
- **Specialty products** are items that the consumer makes a special effort to search out and buy. Ex. cars, audio-video components, etc.
- Specialty goods have unique characteristics or brand identification for which enough buyers are willing to make a special purchasing effort.
- A Mercedes is an example of specialty good because interested buyers will travel far to buy one.
- Specialty goods don't require comparisons; buyers invest time only to reach dealers carrying the wanted products.

UJ SOOKEE | NPTEL ONLINE CERTIFICATION COURSE | 25

Another type of consumer product is the specialty products, they are items that the consumers make a special effort to search out and buy. These are specialty as the name suggests they require some more amount of time and money in making decision for example, cars and audio visual component etcetera.

Specialty goods have unique characteristics or brand identification for which enough buyers are willing to make a special purchasing effort. A Mercedes is an example of specialty good because interested buyers will travel far to buy one of Mercedes. Specialty goods do not require comparisons, buyer invest time only to reach the dealer carrying the wanted products.

(Refer Slide Time: 20:47)



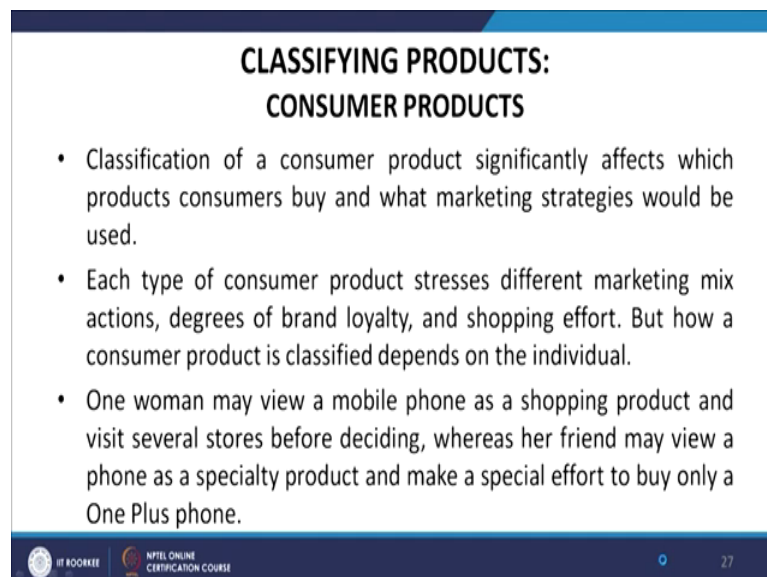
**CLASSIFYING PRODUCTS:
CONSUMER PRODUCTS**

- **Unsought products** are items that the consumer does not know about or knows about but does not initially want.
- Example of unsought products include life insurance, smoke detectors, gravestones etc.
- Unsought goods require advertising and personal-selling support.

IT ROORKEE NPTEL ONLINE CERTIFICATION COURSE 26

Another type of products are called as unsought products, they are items that the consumer does not know about or knows about, but does not initially want. Examples of unsought products include life insurance and smoke detectors and gravestones, unsought goods require advertising and personal - selling support.

(Refer Slide Time: 21:13)



**CLASSIFYING PRODUCTS:
CONSUMER PRODUCTS**

- Classification of a consumer product significantly affects which products consumers buy and what marketing strategies would be used.
- Each type of consumer product stresses different marketing mix actions, degrees of brand loyalty, and shopping effort. But how a consumer product is classified depends on the individual.
- One woman may view a mobile phone as a shopping product and visit several stores before deciding, whereas her friend may view a phone as a specialty product and make a special effort to buy only a One Plus phone.

IT ROORKEE NPTEL ONLINE CERTIFICATION COURSE 27

Now, this classification of a consumer product significantly affects which products consumers buy and what marketing strategies would be used. Each type of consumer

product stresses different marketing mix actions, degrees of brand loyalty and shopping efforts, but how a consumer product is classified depends on the individual.

One woman may view a mobile phone as a shopping product and visit several stores before deciding, whereas her friend may view a phone as a specialty product and make a special effort to buy only a One Plus phone.

(Refer Slide Time: 21:51)



Figure 19.2 : How a consumer product is classified significantly affects which products consumers buy and the marketing strategies used.

Now, this picture shows the various types of consumer products that is the convenience and the shopping and specialty and unsought products and then on the left hand side we have the various basis of comparison. For example, product, price, place, promotion, brand loyalty of consumers and purchase behavior of consumers.

So, let us look at one comparison that is the product. So, in convenience product the convenience products include toothpaste and cake, cake mixes and hand soaps, ATM withdrawals, while unsought products are burial insurance and thesaurus.

Now let us look at how does this brand loyalty of consumers look looks like in convenience product. So, in this case they may be aware of brand, but will accept substitutes, while in shopping product is they prefer specific brands well, but will accept substitutes. In specialty products they are very brand loyal and will not accept substitutes and in unsought products they will accept substitutes.

(Refer Slide Time: 23:02)

**CLASSIFYING PRODUCTS :
BUSINESS PRODUCTS**

- A major characteristic of business products is that their sales are often the result of derived demand; that is, sales of business products frequently result (or are derived) from the sale of consumer products.
- For example, as consumer demand for Ford cars (a consumer product) increases, the company may increase its demand for paint spraying equipment (a business product).
- Business products are also termed as Industrial goods.

IIT ROORKEE NPTEL ONLINE CERTIFICATION COURSE 29

Now, let us look at this classification of business product, a major characteristics of business product is that their sales are often the results of a derived demand; that is, sales of business products frequently result or are derived from the sales of consumer products.

For example, as consumer demand for ford cars (a consumer product) increases, the company may increase its demand for paint spraying equipment that is a business product. So, business products are also terms termed as industrial goods.

(Refer Slide Time: 23:35)

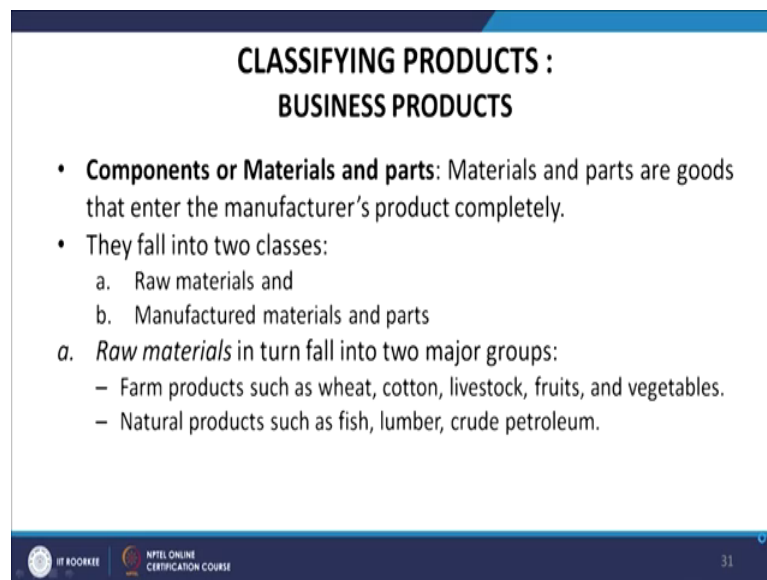
**CLASSIFYING PRODUCTS :
BUSINESS PRODUCTS**

- Business products are classified in terms of their relative cost and the way they enter the production process.
- These products may be classified as:
 1. Components (Materials and Parts)
 2. Support products, which could further be classified into-
 1. Capital Items
 2. Supplies and Business Services

IIT ROORKEE NPTEL ONLINE CERTIFICATION COURSE 30

Now, business products are classified in terms of relative cost and the way they enter the production process. These products may be classified as, one components that is material in parts and second is support products which could further be classified into capital items and supplies and business services.

(Refer Slide Time: 23:58)



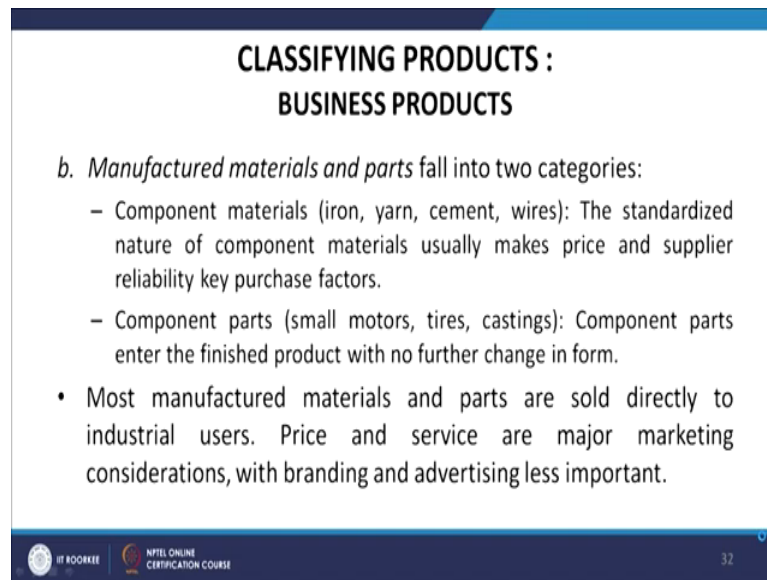
CLASSIFYING PRODUCTS :
BUSINESS PRODUCTS

- **Components or Materials and parts:** Materials and parts are goods that enter the manufacturer's product completely.
- They fall into two classes:
 - a. Raw materials and
 - b. Manufactured materials and parts
- a. *Raw materials* in turn fall into two major groups:
 - Farm products such as wheat, cotton, livestock, fruits, and vegetables.
 - Natural products such as fish, lumber, crude petroleum.

IT ROORKEE | NPTEL ONLINE CERTIFICATION COURSE 31

Now, let us look at each one of them. So, what are components or material and parts, materials and parts are goods that enter the manufacturing product completely. Now they fall in two classes, raw materials and manufactured materials and parts. Raw material in turn fall into two categories, farm products such as wheat, cotton, livestock, fruits and vegetables while there are natural products such as fish, lumber, crude, petroleum etcetera.

(Refer Slide Time: 24:31)



CLASSIFYING PRODUCTS :
BUSINESS PRODUCTS

b. Manufactured materials and parts fall into two categories:

- Component materials (iron, yarn, cement, wires): The standardized nature of component materials usually makes price and supplier reliability key purchase factors.
- Component parts (small motors, tires, castings): Component parts enter the finished product with no further change in form.
- Most manufactured materials and parts are sold directly to industrial users. Price and service are major marketing considerations, with branding and advertising less important.

IT ROOKEE | NPTEL ONLINE CERTIFICATION COURSE 32

So, and this manufactured material and part fall into two category one is component material for example, iron, yarn, cement and wires. The standardized nature of component material usually makes price and suppliers reliability key purchase factors.

The second type is the component parts for example, small motors, tires, castings. So, component parts enter the finish products with no further change in form.

Most manufactured material and parts are sold directly to industrial users. Price and service are major marketing consideration while branding and advertising are less important.

(Refer Slide Time: 25:15)

**CLASSIFYING PRODUCTS :
BUSINESS PRODUCTS**

- **Support products:** These are items used to assist in producing other products and services.
- 1. **Capital items** are long-lasting goods that facilitate developing or managing the finished product.
 - They fall into two groups:
 - a. Installations
 - b. Equipment

IT ROORKEE NPTEL ONLINE CERTIFICATION COURSE 33

The support is another type of a product, the support products these are items used to assist in producing other products and services. So, the first of that is the capital items, they are long - lasting goods that facilitate developing or managing the finished products and they fall into two groups; one is installations and another is equipment.

(Refer Slide Time: 25:40)

**CLASSIFYING PRODUCTS :
BUSINESS PRODUCTS**

- a. **Installations** consist of buildings (factories, offices) and heavy equipment (generators, drill presses, mainframe computers, elevators).
 - Installations are major purchases. They are usually bought directly from the producer, whose sales force includes technical staff, and a long negotiation precedes the typical sale.
 - Producers must be willing to design to specification and to supply post-sale services.
 - Advertising is much less important than personal selling.

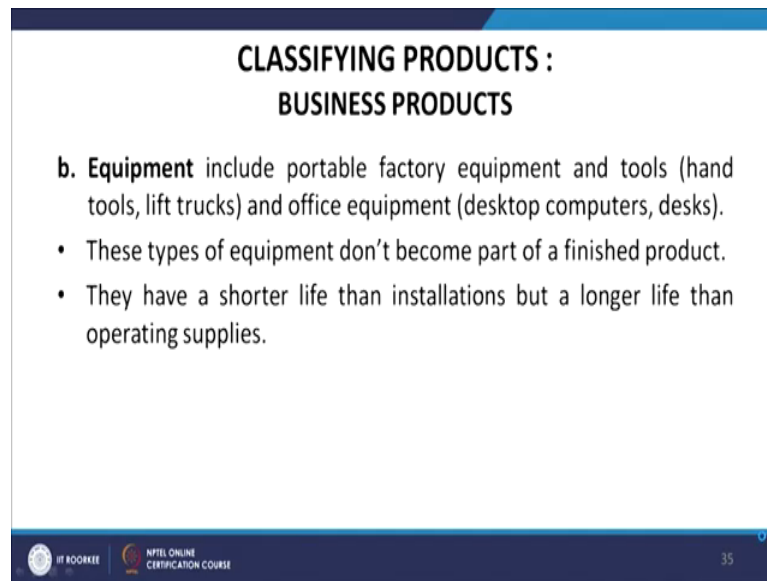
IT ROORKEE NPTEL ONLINE CERTIFICATION COURSE 34

Installations consist of buildings for example, factories and offices and heavy equipment for example, generators and drill presses, mainframe computers, elevators etcetera. Installations are major purchases, they are usually bought directly from the producer,

whose sales force include technical staff and the long negotiation precedes the typical sales.

Producers must be willing to design to specifications and to supply post-sale services, advertising is much less important than personal selling.

(Refer Slide Time: 26:13)



CLASSIFYING PRODUCTS :
BUSINESS PRODUCTS

b. Equipment include 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.

IT ROORKEE | NPTEL ONLINE CERTIFICATION COURSE 35

Now, equipment includes portable factory equipments and tools, hand tools, lift trucks and office equipment's desktop computers, desks and chairs etcetera. These types of equipment do not become part of a finished product. They have a shorter life then installations, but a longer life then operating supplies.

(Refer Slide Time: 26:45)

CLASSIFYING PRODUCTS :
BUSINESS PRODUCTS

b. Equipment:

- Although some equipment manufacturers sell direct, more often they use intermediaries because the market is geographically dispersed, buyers are numerous, and orders are small.
- Quality, features, price, and service are major considerations.
- The sales force tends to be more important than advertising, although advertising can be used effectively.

IT ROORKEE | NPTEL ONLINE CERTIFICATION COURSE 36

Now, let us look at equipment although some equipment manufacturers sell directly, more often they use intermediaries because the market is geographically dispersed, buyers are numerous and orders are small. Quality, features, price and services are some major consideration. The sales force tends to be more important than advertising although advertising can also be used effectively.

(Refer Slide Time: 27:01)

CLASSIFYING PRODUCTS :
BUSINESS PRODUCTS

2. Supplies and business services are short-term goods and services that facilitate developing or managing the finished product.

- **Supplies** are of two kinds:
 - a. *Maintenance and Repair* items (paint, nails, brooms) and
 - b. *Operating* supplies (lubricants, coal, writing paper, pencils).
 - Together, they go under the name of MRO goods.

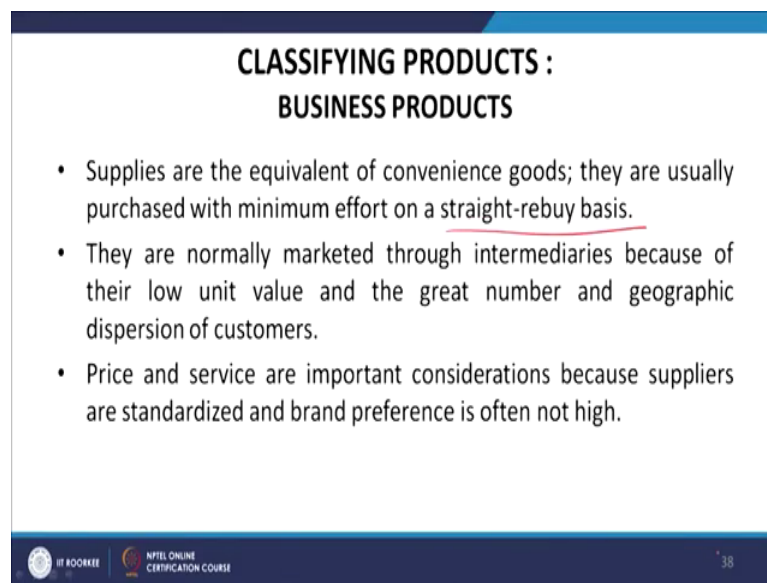
IT ROORKEE | NPTEL ONLINE CERTIFICATION COURSE 37

The supplies and business services are short - term goods and services that facilitate developing or managing the finished products. Now supplies are of two types,

maintenance and repair items for example, paints, nail, broom etcetera and operating supplies like lubricants, coal, writing paper, pencil. And together they go under the name of MRO goods, maintenance and repair operating supplies goods.

Supplies are the equivalent of consumer goods they are usually purchased with minimum effort on a straight - rebuy basis.

(Refer Slide Time: 27:42)



CLASSIFYING PRODUCTS :
BUSINESS PRODUCTS

- Supplies are the equivalent of convenience goods; they are usually purchased with minimum effort on a straight-rebuy basis.
- They are normally marketed through intermediaries because of their low unit value and the great number and geographic dispersion of customers.
- Price and service are important considerations because suppliers are standardized and brand preference is often not high.

IIT ROORKEE NPTEL ONLINE CERTIFICATION COURSE 38

So, we have talked about the various types of buying situations earlier in one of those modules. They are normally marketed through intermediaries because of their low unit value and great number and geographic dispersion of customers.

Price and services are important considerations; because suppliers are standardized and brand preference is often not high.

(Refer Slide Time: 28:03)

CLASSIFYING PRODUCTS :
BUSINESS PRODUCTS

- **Business services** include:
 - *Maintenance and repair services* (window cleaning, copier repair): These are usually supplied under contract by small producers or from the manufacturers of the original equipment.
 - *Business advisory services* (legal, management consulting, advertising): These services are usually purchased on the basis of the supplier's reputation and staff.

IT ROORKEE | NPTEL ONLINE CERTIFICATION COURSE 39

Business services include maintenance and repair services for example, window cleaning, copier repair these are usually supplied under contract by a small producers or from the manufacturers of the original equipment.

Business advisory services for example, legal services, management consultancies and advertising these services are usually purchased on the basis of the supplier's reputation and staff.

(Refer Slide Time: 28:37)

CLASSIFYING SERVICES

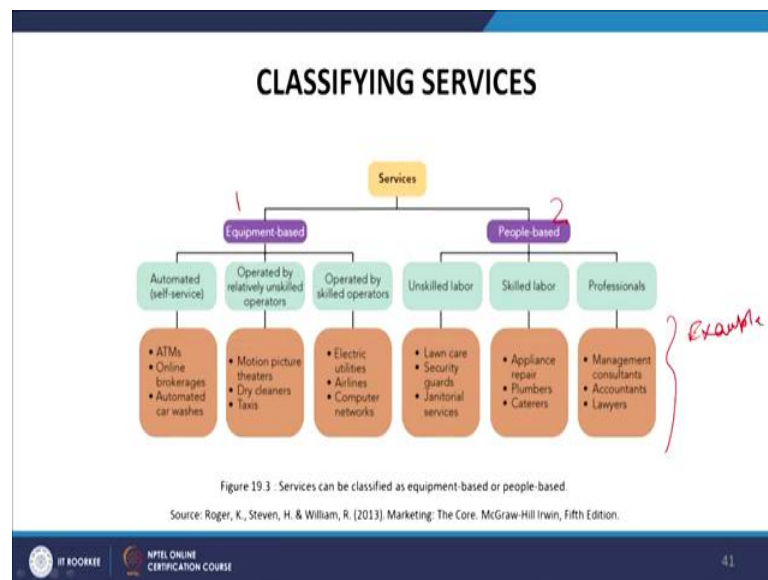
- Services can be classified according to whether they are delivered by:
 - 1 – People or equipment,
 - 2 – Business firms or nonprofit organizations, or
 - 3 – Government agencies
- Organizations in each of these categories often use significantly different kinds of market-mix strategies to promote their services.

IT ROORKEE | NPTEL ONLINE CERTIFICATION COURSE 40

Now, let us classify services: Services can be classified according to whether they are delivered by people or equipment. So, there are services that are delivered by people or equipment, then business firms or nonprofit organizations or the third is the government agencies.

Organizations in each of these categories often use significantly different kinds of market-mix strategies to promote their services.

(Refer Slide Time: 28:57)



Now, these are the various types of services, these are equipment based and these are people based. Equipment based includes automated that is self-service, then operated by a relatively unskilled operator and then operated by skilled operators while people based can be unskilled labor, skilled labor and professionals and examples are given here.

Now, let us look at when the delivery of a service is by people or equipment. So, people based professional services include those offered by advertising agencies or medical doctors.

(Refer Slide Time: 29:37)

CLASSIFYING SERVICES

- **Delivery by People or Equipment**
- *People-based professional services* include those offered by advertising agencies or medical doctors.
- Urban Company (earlier known as Urban Clap) utilizes skilled labor to offer appliances & electronic repair, cleaning, salon services at home.
- The quality of all these people-based services can vary significantly depending on the abilities of the person delivering the service.

IT ROOBBEE | NPTEL ONLINE CERTIFICATION COURSE | 42

Urban company earlier known as Urban Clap utilizes skilled labor to offer appliances and electronic repair, cleaning, salon services at home.

The quality of these people – based services can vary significantly depending on the abilities of the person delivering the service.

(Refer Slide Time: 29:56)

CLASSIFYING SERVICES

- **Delivery by People or Equipment**
- *Equipment-based services* do not have the marketing concern of inconsistent quality because employees do not have direct contact when providing the service to consumers.
- Instead, consumers receive these automated services without interacting with any service employees, such as doing self check-in at Airlines, watching a movie at a local theater, or using Karvy's online stock trading.

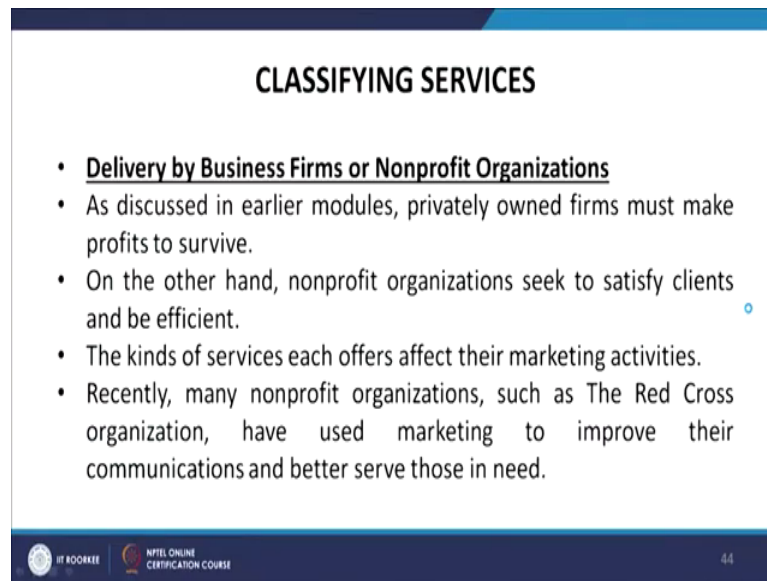
IT ROOBBEE | NPTEL ONLINE CERTIFICATION COURSE | 43

Then there are some equipment - based services they do not have the marketing concern of inconsistent quality because employees do not have direct contact when providing the services to the consumers. Instead, consumers receive these automated services without

interacting with any service employee such as doing self check-in at Airlines at airports, watching a movie at a local theater or using Karvy's online stock trading platform.

Now, another classification is when the deliveries by business firms or nonprofit organizations.

(Refer Slide Time: 30:40)



CLASSIFYING SERVICES

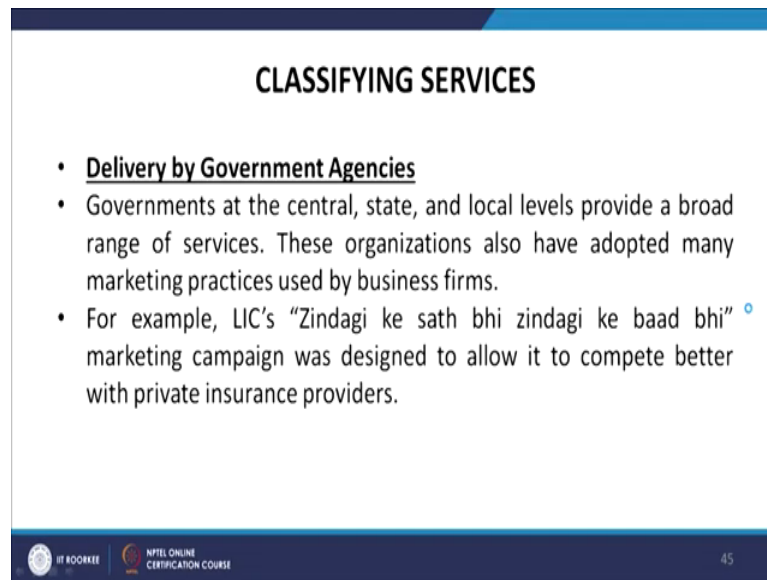
- **Delivery by Business Firms or Nonprofit Organizations**
- As discussed in earlier modules, privately owned firms must make profits to survive.
- On the other hand, nonprofit organizations seek to satisfy clients and be efficient.
- The kinds of services each offers affect their marketing activities.
- Recently, many nonprofit organizations, such as The Red Cross organization, have used marketing to improve their communications and better serve those in need.

IT ROORKEE | NPTEL ONLINE CERTIFICATION COURSE | 44

Now, as discussed in one of the earlier modules, privately owned firms must make profits to survive. On the other hand, nonprofit organizations seek to satisfy clients and be efficient.

The kinds of services each offers affect their marketing activities. Recently many nonprofit organizations, such as The Red Cross organization have used marketing to improve their communication and better serve those in need.

(Refer Slide Time: 31:01)



CLASSIFYING SERVICES

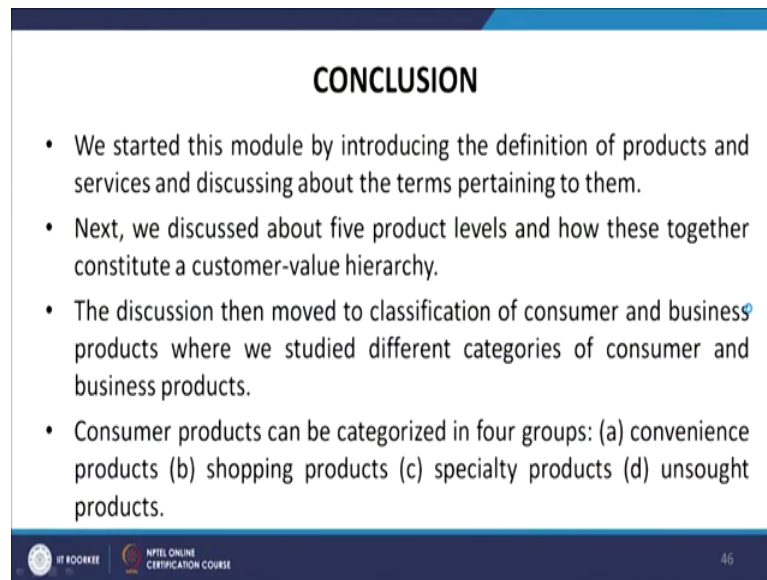
- **Delivery by Government Agencies**
- Governments at the central, state, and local levels provide a broad range of services. These organizations also have adopted many marketing practices used by business firms.
- For example, LIC's "Zindagi ke sath bhi zindagi ke baad bhi" marketing campaign was designed to allow it to compete better with private insurance providers.

IT ROORKEE | NPTEL ONLINE CERTIFICATION COURSE 45

Delivery by government agencies, like the central, state or the local level they provide a broad range of services, these organizations also have adopted many marketing practices used by business firms. For examples, LIC's "Zindagi ke sath bhi zindagi ke baad bhi" marketing campaign was designed to allow it to compete better with private insurance providers.

To conclude we had started this module by introducing the definition of products and services and discussing about the terms pertaining to them. Next we have discussed about five product levels and how these together constitute a customer value hierarchy.

(Refer Slide Time: 31:42)



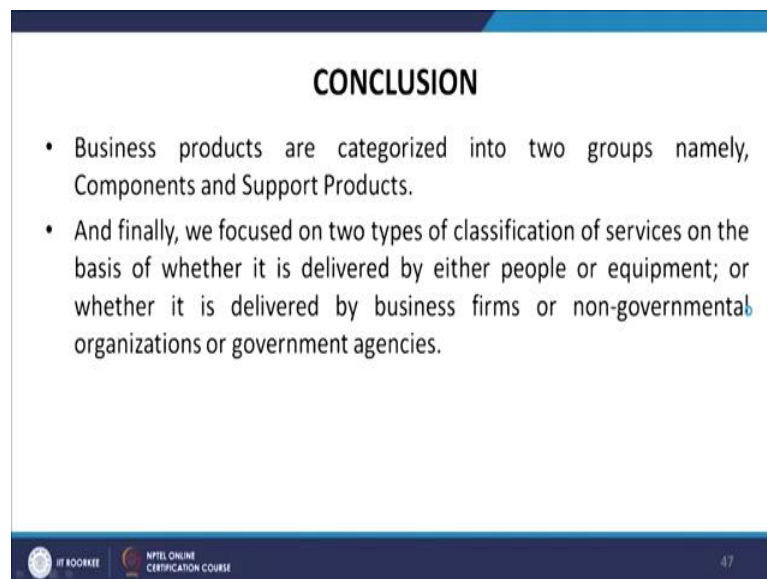
CONCLUSION

- We started this module by introducing the definition of products and services and discussing about the terms pertaining to them.
- Next, we discussed about five product levels and how these together constitute a customer-value hierarchy.
- The discussion then moved to classification of consumer and business products where we studied different categories of consumer and business products.
- Consumer products can be categorized in four groups: (a) convenience products (b) shopping products (c) specialty products (d) unsought products.

IIT ROORKEE NPTEL ONLINE CERTIFICATION COURSE 46

The discussion then moved to classification of consumers and business products where we studied different categories of consumers and business products. And then we have talked about consumer products that can be categorized into four groups that is convenience products, shopping products, specialty products and unsought goods.

(Refer Slide Time: 32:02)



CONCLUSION

- Business products are categorized into two groups namely, Components and Support Products.
- And finally, we focused on two types of classification of services on the basis of whether it is delivered by either people or equipment; or whether it is delivered by business firms or non-governmental organizations or government agencies.

IIT ROORKEE NPTEL ONLINE CERTIFICATION COURSE 47

Now, business products are further categorized into two groups namely, the components and support products. And finally, we had focused on two types of classification of services on the basis of whether it is delivered by either people or equipment or whether

it is delivered by business firms or non-government organizations or government agencies.

(Refer Slide Time: 32:22)



These are the three books from which the material for this module was taken.

Thank you.