ON-LINE MARKETING AND THE CLASSIFICATION OF GOODS THEORY

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Abstract - This paper reviews the classification of goods theory, according to the american marketing association 1948 definition, Criticizes the vagueness of the specialty goods categorization, and demonstrates that on-line marketing may be used profitably for all the classified product categories

Keywords - Classification of Goods, Specialty Goods, Online-Marketing, Internet

I. INTRODUCTION

In 1923, Copeland [1] introduced the well known classification of consumer products into three categories: convenience, shopping and specialty goods. To this day this classification is still dominant in most marketing textbooks (See for example Kotler et al.[2] In 1948 the American Marketing Association (Definition Committee, American Marketing Association [3]) adopted the following definitions: Convenience goods: Those consumers' goods which the customer usually purchases frequently, immediately, and with the minimum of effort. Shopping goods: Those consumers' goods which the customer, in the process of selection and purchase, characteristically compares on such bases as suitability, quality, price and style. Specialty goods:

Those consumers' goods on which a significant group of buyers characteristically insists and for which they are willing to make a special purchasing effort. Those definitions remained basically the same (with very marginal changes made by the A.M.A in 1960), until today, although the classification was subjected to numerous criticisms. Holton [4] criticized the official classification in arguing that, since specialty goods overlap the two other groups and proposed that "Specialty goods are the convenience or shopping goods which face such limited market that outlets are relatively few, necessitating a special purchasing effort on the parts of the buyers".

Holton then seemed to deny the existence of product categories that would be specialty goods, only brands of the two other types of goods could be labeled that way. Bucklin [5] suggested refining the definitions on the basis of customers' preference maps. Groenveld [6], proposed the abandonment of the Copeland classification system, in order to adopt a new model based on the "spectrum of consumer buying intent". Aspinwall [7] offered a Colour classification of goods (red, orange, yellow), based on five product's characteristics: Replacement Rate, Gross Margin, Adjustment, Time of Consumption, and Search Time. That categorization was aimed at improving the evaluation of a marketer's distribution strategy Miracle [8] extended Aspinwall's classification of product based on nine characteristics: Unit value, significance of each individual purchase to the consumer, time and effort spent purchasing by consumers, rate of technological change, technical complexity, consumer need for service, frequency of purchase, rapidity of consumption, extent of usage. On those bases, a product could then be placed into one of five categories. Although Miracle regarded this classification as somehow artificial, considering as more accurate the placing of products on a continuum.

Nevertheless, after more than 95 years, Marketing authors seem to remain faithful to the original Copeland [1] classification. With the development of the Internet rose a renewed interest in the classification of goods, because a possible link between a product characteristics and its marketability through this new medium.

In particular, Peterson et al. [9] offered a few tentative suggestions, among them the division between search and experience goods. Taylor [10] attempted to investigate the relation between the characteristics of particular goods (based on Commodity classification) and their potential success in E-Commerce retail environment. His research did not "conclusively prove the Characteristics of Goods Theory".

The different attempts of classifying products according to their success potential in internet marketing were reviewed by Mityko [11] .In an interesting review Powers (2012) attempted to use marketing historical thought (commodity, functional, regional, institutional perspectives), in order to develop theoretical propositions on internet marketing. The next section will be devoted to present Power's propositions based on the "Commodity" school of thought that was described in this introduction.

II. POWERS'S PROPOSITIONS AND THE COMMODITY APPROACH

Powers [12] in his article presents three propositions that should help to guide a marketer in probing the suitability of his products to electronic marketing, using the "Commodity perspective".

1. If Products require little or no information search and are widely available (convenience goods), then online product comparisons and purchases will be limited."

2. If Products require information search and have limited availability in the local market (shopping goods), then online product comparisons and purchases will be extensive."

3. If product require little or no information search, have limited local availability, and represent a high level of perceived risk to purchase online (specialty goods), then online product comparisons and purchase will be limited."

To summarize those propositions, they suggest that internet marketing is better suited for shopping goods than for convenience and specialty goods

III. ANALYSIS.

Convenience Goods.

Although it is certainly true that for products belonging to that category, the consumer will rarely look for information in the internet; it does not mean that he or she will not purchase those products through it. Here it is important to differentiate between manufactured and natural convenience goods. Also more and more detailers (supermarkets and others) have opened web sites allowing customers to buy online, with home delivery.

For most known manufactured convenience brands, the customer does not have to see the merchandise, and online shopping is perfectly suited for consumers with little time availability or with difficulties carrying home the purchased goods. For natural products (vegetables, fruits, meat…), the risk of disappointment does increase, because they are not standardized. As a consequence, quite a few consumers will buy online manufactured products (especially bulky ones), and go to a nearby store for the natural non standardized ones.

Shopping Goods.

It is certainly true that, in many circumstances, electronic marketing is a proper channel for shopping goods. Nevertheless it is necessary to qualify Powers's proposition P2.First, there are two types of shopping goods: non-standard and standard products. Non-standardized products (dresses, furniture, etc.) are goods that are manufactured in small series, and often need to be seen or even tried physically before purchase. Many consumers are reluctant to buy suits, shoes, dresses or mattresses, before seeing them, or putting them on to assess their fitness. For that type of products, many producers will favor a "push" communication strategy (Kotler , 2012, 449-450), and rely on retailers to promote them. The particular type of dress, tie or armchair a customer saw in a particular store will not necessarily be available in similar type of outlets in a defined geographical area. For those reasons, e-commerce might have a limited potential for non-standard shopping goods. Standard products (computers, electric shavers, smartphones, dishwashers etc..) are generally manufactured in large series, with a particular model number added to the Brand name). Often, when the need arises, and if the consumer is relatively unfamiliar with the different brands alternative, he or she will begin his research by going to a couple of stores offering this type of products, receive information from the salespeople, in order to increase his or her knowledge on the different available options, without necessarily making a purchase. Then, the consumer may often use the internet in order to examine more options, and complete information gathering. However, the role of Internet does not stop here. Once the consumer has decided what model best for him or her, the next step will often be a search in shopping comparisons websites, to find out which outlet offers the desired model at the best price. Sometimes the result of this search might be that a direct purchase from the manufacturer, or from large distributing companies (E-Bay, Amazon, etc..) is even more advantageous. The spread of this type of buying phenomenon often pushes to some kind pf price alignment practices among different competing retailers. This seems to suggest that for standard products, electronic marketing plays a major (although not exclusive) role.

Specialty Goods.

Powers proposition on the limited potential of online marketing for specialty goods is problematic, although it is probably due to the vagueness of the definition of that category of goods in Copeland classification. As mentioned above, the American Marketing Association (AMA) defines specialty goods as "Those consumers' goods on which a significant group of buyers characteristically insists and for which they are willing to make a special purchasing effort". Although this definition is very wide, most authors (Kotler et al.2012) have illustrated the specialty goods with premium or luxury brands, while in fact this category of goods includes both product types, and brands of products that otherwise are considered as shopping or convenience goods. This creates some confusion that should be addressed and possibly corrected. Indeed there are product classes that are specialty goods irrespective of the specificity of their particular brand name. This is the

case for products like yachts, caviar, champagne, small size jets (for private use), orchids, mink coats, truffles etc… All those examples are instances of luxury products. However there are other products that are do not belong to the premium category but nevertheless are targeted toward a group of customers that characteristically insists on this particular product and "for which they are willing to make a special purchasing effort". This would be the case for a new edition of a book by a roman author in Latin, rarely used musical instruments, a syriac-english dictionary, magazines targeted toward people with very specific and not widely spread interests etc…

For those products with limited and very geographically spread demand, E-Commerce might not just be a useful marketing channel, but could even be the only way to market them profitably, since few retailers (outside, may be big metropolises) would take the risk to stock them. Actually, thanks to online marketing, the manufacturing of certain products with a limited widespread market has been made possible. Therefore on that regard this author disagrees with Powers's P3 proposition.As was mentioned before, the A.M.A definition of specialty goods does not , unfortunately, differentiates between product types, that are always specialty goods, and expensive brands of products that are generally considered shopping or convenience goods (for example, Roche-Bobois for furniture, Rolls-Royce for automobile, Christian Dior for dresses, Rolex for watches, Delafee for chocolates, Chateau-Lafite Rothschild wine, L'Occitane for soaps, Duerr's for marmalade).Sometimes a specialty brand could be part of a specialty product category (Dom Perignon for Champagne, Ferrari for sports cars etc..) As a matter of fact many of those specialty brands are available on the internet, and as opposed to Powers's assertion, it is precisely because their purchasers know exactly what brand they want, that makes buying them over the net much easier. A Company like Paneco specializes in on-line marketing of expensive alcohol brands. Rolex watches are regularly purchased over the internet in sites like Chronest. As opposed to Powers's assertion, the potential for E-Shopping might be the biggest in the specialty brands category both because their customers know exactly what they want and do not need any assistance from retailers' sales force, and because, due to the expensive nature of those brands, even a minor price percentage difference between a concrete and an outline outlet might create substantial savings to the client. So, as far as specialty product types and brands are concerned, it is believed that E-Commerce has a great potential. Obviously, this conclusion is based on the widely accepted premise (also shared by Powers), that Online marketing is not restricted to information search, but includes the purchasing stage. Different outcomes might be reached if a study would only focus on the information gathering stage of the buying process. In such a case, the intensity of the online information search might well vary among goods categories, and possibly be greater, as suggested by Powers, for shopping goods

IV. CONCLUSION

This paper has attempted to verify whether the potential for E-Marketing varies among the different product classes of the classical Copeland Classification of goods theory (Convenience, Shopping, and Specialty goods). The difficulty associated with the definition of specialty goods was pointed out, with the suggestion to divide this category into specialty product types and specialty brands. The analysis indicates that, as opposed to previous theory, online marketing is widely practiced in each one of those categories, although, its intensity might differ if only considering the information search stage of the buying process.

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