Executive Summary

Measuring Product Commodity: Scale Development
By Udo Wagner, Fernanda Sepúlveda Simon, and Margit Enke

Commoditization is defined as a process by which a (tangible or intangible) product achieves the status of a commodity and is thus perceived as interchangeable with other products by the vast majority of consumers despite the former having objectively different characteristics. From a consumer perspective, this results in a reduction of the product’s perceived value and a focus on price competition.

Commoditization can occur in any industry; however, it is particularly common in industries with high levels of competition, low barriers to entry, or where technological advances make it easier to replicate or produce similar products. Many services (e.g., hairdressing, the fast food business) might be examples of the former, appliances, consumer electronics, and bicycles of the latter. Frequently purchased consumer goods also run the risk of being converted into commodities, in particular as product categories mature.

A comprehensive literature review identified a substantial research stream dealing with commoditization from the supply side, at the same time, however, a substantial lack of theoretical and, especially, empirical research addressing commoditization from the demand side. Therefore, this paper adopts a consumer perspective and considers purchasing decisions for (near) commodities for which perceptual differences of attributes decrease but still exist, reflecting a situation which prevails for many categories of products in industrialized economies.

The literature describes commoditization as a multifaced phenomenon encompassing the areas of brand importance, ease of switching, price sensitivity, and product homogeneity. Based on these, and since a respective scale has been missing so far, this research conceptualizes, defines and validates a self-assessment scale that evaluates product commoditization.

In more detail, product commoditization is conceptualized as a hierarchical, four-dimensional reflective construct composed of brand importance, ease of switching, price sensitivity, and product homogeneity. By explicitly considering these four dimensions separately, product commoditization is investigated in its entirety, that is, whether each of the four dimensions makes an independent contribution.
By conducting four empirical studies in different settings and following the prevailing guidelines for scale construction, the proposed scale finally possesses 13 items, making it easy to administer from a practical point of view. Being safeguarded for measurement invariance the scale should be applicable in different research settings.

Regarding managerial implications, the four-dimensional structure contrasts with prevalent unidimensional views, that is, focusing on product homogeneity (the demand side) or price competition (the supply side) only. Investigating which dimension has the strongest impact should help managers to focus their attention appropriately. In this way, this research provides a more general representation and understanding of what constitutes product commoditization and moves away from one-dimensional thinking.