



# ***Product Management***

***A brief , practical, perspective***

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# What is a Product?

A product, in the context of this overview, refers to both a physical entity and a service; for simplicity, the term 'product' will be used to mean both. Every business has a product to sell; even charitable organisations are trying to encourage donations through a 'product'; in this case the product is the effect of the donation (or lack of donation!). In some respects, this product can be considered as an 'idea' or 'emotion'.

Every transaction of a business is mediated through a product! Hence, products have enormous importance for the continued well-being of an Organisation. The role of the Product Management function is simple in principle: To optimise this 'well-being' of a business, by the proper husbanding of the product portfolio.

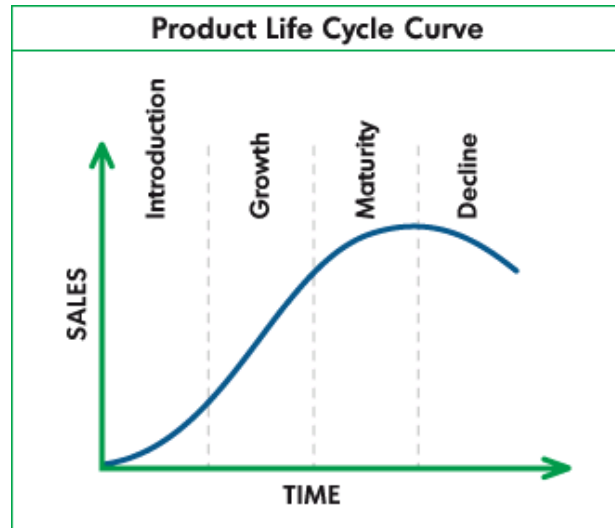


# Key Objectives

- To develop revenue/profit streams through New Product Introduction (NPI)
- To enhance revenue/profit by maintaining the product portfolio (Product Lifecycle Management)
- To maintain the price position for the portfolio
- To provide product benefits training
- To support commercial colleagues in cost maintenance
- To develop and support sales collateral production



# Product Life Cycle Management

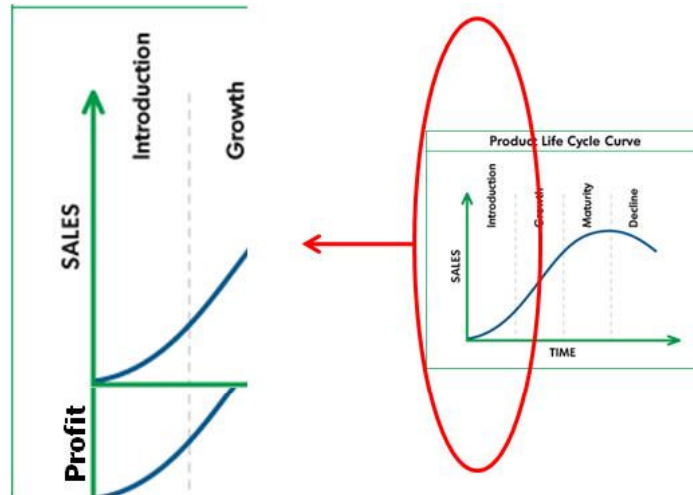


Life cycle is a very apt description; like a being, a product is 'born', it 'lives', then 'dies'. The cycle is driven by "market forces":- What other products can satisfy the need; who else can supply the product; what are the changing trends; is the identity of the end user changing. As with decisions in life, a Product Manager must monitor performance and make *decisions* about the products she/he manages, dependent on the answers to questions like those above. This responsibility is the real benefit of the Life Cycle model; it is almost impossible to use as a 'predictive' tool.

As the product is impacted by varying "market forces" and moves through its cycle, the Product Manager can develop the product attributes, vary the price, select different distribution channels, modify promotions and communications, all to optimise the sales and profitability of the product. Clearly, it is vital that the Product Manager has a good grasp of both external influences and internal constraints.



# New Product Introduction



New Product Introduction (NPI) is the start of a products life cycle. It assumes importance as some evidence suggests that 'being first' infers market leadership. However, there are also risks; as can be seen, at the start of life, a product is loss making due to all the costs of development, production and marketing, so there must be good

intelligence to give confidence of later returns; this is even more critical for short life products. A thorough process from idea generation, filtering, idea development, analysis through to commercialisation is required to reduce risk. Product Management must be central to this process, bringing together their knowledge of the market with the ability of the business to produce and/or support new concepts. In this way, the Function is a 'change agent' for a business, ensuring that a business stays abreast of or, where appropriate, leads a market.



# Pricing

Whilst tactical price decisions must be made throughout a products life cycle, there are also more strategic decisions to be made regarding price positioning.

Where does the business wish to position itself relative to its Competition? In a premium position, mid-competitive or as price leader?

Is this positioning consistent with how other elements of the offer are viewed by Customers? In other words, will the price decision confuse or reinforce Customers views.

To make these decisions requires a high degree of knowledge of the Competitive (pricing) landscape. In turn this means that one must understand the *totality* of who are Competitors. Don't forget, a customers needs may be met by products other than those identical to yours! A biscuit *and* a bag of crisps can both serve as a snack.

Pricing consistency, across the portfolio, is another issue that often requires attention in a business; particularly for those that do not have pricing as an active agenda item in their business discussions.



# Benefits Training

This is an area where it is possible for Product Managers to bore Sales colleagues into a coma! In fact, we have witnessed many presentations where the Product Manager drones on and on about the product attributes – for example, colour, size, features - but doesn't translate these into what the product can *do* for a Customer that a Competitors *can't*. In other words, what are the **benefits** of using this product. Don't forget, the Sales colleague needs to go out and persuade a Customer that *your* product is *better* at fulfilling their needs. Otherwise *why* was it introduced or developed in the first place!

As an example, consider a product with a developed feature – a redesign of a handle with curvature. The new design has good aesthetics, but its real *benefit* is ergonomic – it reduces the risk of Repetitive Strain Injury. This is a far more powerful sales introduction than an 'attractive design'.



# The Product Manager

- Key Attributes
  - Knowledge of Product
    - 'Technical' and applications comfort
  - Knowledge of Market
    - External and internal sources
  - Commercially aware and focused
  - Inclusive and engaging





# Organisational Positioning

- Product Management should develop and own the Product Strategy
  - Increasingly cross-cultural
- Usually, stand-alone function
  - Can be unique Department, reporting at Board
    - OR
  - Report through Commercial Department
    - Often alongside Procurement and Supply Chain