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The more obvious inference of Product Management is making sure that the development, introduction, ongoing maintenance and perhaps then discardment of products is carried out with due care and attention.

A typical lifecycle of a product begins at the planning stage. You have an idea of a new product and test how feasible it would be to produce as well as its likely reception in the market place. If the figures stack up and the new product appears to have a sound business case, the next stage is to introduce the product.

In this introduction stage the product is developed, the production line is geared up along with the involvement of all affected teams and the product is then launched with whatever fanfares were considered as a necessary part of product launch success.

Cashflow during these two stages is out more than in, with much of it spent in the development activities. It is not until launch that the cashflow reverses to a positive one (hopefully!).

Stage three happens after the launch. The production facilities need to be maintained, but it is not now simply a question of conveyor-belt production. Bear in mind that there are few products that are so unique to the company that no-one else can make them or a viable alternative. There is therefore a need to continuously monitor the offerings of competitors as well as listening to customers – what do they have to say about how the product can be improved, for example. Stage three also includes the time when it is apparent that the product has been superseded by other things and should no longer be produced.

Not all companies manufacture products; increasingly in the UK the products of many companies are services. The principles of Product Management apply in exactly the same way, and it is valid to consider window-cleaning to be as much a product as the squeegee, especially for industrial cleaners who offer a range of cleaning services.

Financial Aspects

Cashflow has already been mentioned. For some companies the development costs can be borne out of their own reserves, others may have to secure a line of credit to fund the work. Any interest payments then need to be factored in to the equation.

There are two further key financial aspects. One, obviously, is the price. Setting a feasible price must be influenced by market forces as well as the projected costs incurred in production. The other is profit, also obviously. What is not always obvious, though, is how significant the profit from the product or service is to the bottom line.

Whilst profit in percentage terms per product line may appear satisfactory, its contribution in absolute cash terms may present a different picture. Product Management should take this important distinction into account.

A technique involving the segmentation of the array of products or services (or, in some cases, of client types) is useful in disclosing the relative importance of each product to the business' success. It is not uncommon for impressions as to which is the most profitable product, service or customer to be shown to be false upon analysis.



Transforming Business Performance

Why is it important to carry out the analysis if overall the company is making an acceptable profit? The answer is, control. For example, suppose that Product A is only generating 5% margin on sale and making a 1% contribution to the overall profit of the business. This enables the question to be asked 'Why keep producing the product?' Couldn't the resources it is tying up be more profitably applied to other products? The answer may be yes, let's ditch the product. On the other hand it may be that the product is needed as a gateway to the sale of other more profitable products and is therefore making an important contribution.

Product pricing analysis can also play a significant role in designing a Strategy to increase turnover. Whilst the original price may have been set to compete in the market place, can it be stretched and still compete? Are there any low-cost changes that could be made to the product that would enable a disproportionate price increase?

Customer or Product Segmentation?

At the risk of over-simplification, for Product Management purposes there are four identifiable business types:

1. Producers of bespoke products – items manufactured as one-offs or heavy customisation.
2. Companies with a small to medium size batch-produced product range.
3. Service providers – usually a small range of services.
4. Producers of a large range of low-ticket products, where the products may frequently be variations on a theme.

The analysis of types 1 and 4 may be best performed by segmenting the customers rather than the products, as the number of different products may be too large to be practicably handled.

Types 2 and 3 would certainly allow for segmentation by product line, with type 3 potentially being treated by way of customer or industry segmentation.

Analysing all of these financial aspects is a process that Catalyst Coaching Group place special emphasis on, when helping companies to identify how products or customer type segmentation can be used to drive the business forward.

In Summary

- Product Management includes the product life cycle:
 - Planning
 - Introduction
 - Maintenance
 - Discardment
- Product Management also includes assessing:
- Product contribution to profit in absolute terms.
- Product percentage profit.
- Product profit contribution as a percentage of the business profit.
- Product Management may involve segmentation of customers rather than segmentation of products

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