

Product Management

{ Unit III- Dr.S.Manoharan

Developing Product Strategy

3 Questions to be answered

1. Where are we headed? (Growth Vs Profit)
2. How will we get there? (STP)
3. What will we do ? (Tactics on core strategy, 4P's)

Benefits of Strategy

- ◆ It enhances coordination among the functional areas of the organization (also within marketing)
- ◆ It helps in resource allocation
- ◆ It leads to superior market position

A sensible product strategy has one of the four main characteristics

- ◆ It is something a competitor cannot do
- ◆ It is something a competitor will choose not to do
- ◆ Competitors will be at a disadvantage
- ◆ It causes us to gain if the competitor does it

Market leader- Challenger- Follower- Niche

Elements of a Product Strategy

1. Statement of objective the product should attain
2. Selection of strategic alternatives
3. Selection of customer targets
4. Choice of competitor targets
5. Statement of Core strategy
6. Description of the supporting marketing mix
7. Description of supporting functional programs

Hierarchy of objectives

◆ Level 0- Company Mission /Vision



◆ Level 1- Corporate objectives



Corporate Strategies

◆ Level 2- Divisional objectives



Divisional strategies

◆ Level 3- product/brand objectives (focus will be on growth & profitability)



brand strategies

◆ Level 4 – Program objectives



Tactics

Good Objectives

- ◆ Should have quantified standards of performance
- ◆ Challenging enough but not unrealistic
- ◆ Timeframe to achieve the objective
- ◆ SMART
- ◆ Should create a link between enabling objectives and economic objective

Selection of Strategic Alternatives

Market development strategies	Market penetration strategies	Decreasing Inputs	Increasing outputs
New segments	Existing customers (SOW/VAS/Up selling/Cross selling)	Reduce cost (MR, Advtg, selling)	Increase price
Convert non-users	Competitors customers (acquisition)	Improve asset utilization	Improve sales mix (80/20)

Positioning: Selection of customer targets

3 Key considerations

- ◇ Size and growth of the segment- which customer group is growing? How fast?
- ◇ Opportunities for obtaining competitive advantage- competitor analysis/ competitive advantage/ future marketing strategies
- ◇ Resources available- self analysis of competition analysis

Positioning: Choice of the Competitor Targets

- ◆ Identify which competitors are the primary targets (don't communicate explicitly)
- ◆ Penetration strategy (valuable and easily pried away – competitors customers)
- ◆ Direct and Indirect competitors (strengths and weaknesses)
- ◆ Market leaders take defensive steps
- ◆ Strong second uses offensive warfare and target the leader
- ◆ Weak followers avoid competition and try niche

Positioning : Core strategy

Product positioning

Cost/Price differential advantage	Difference based on product offerings/ service features
Value	Quality
Non price strategy	Status & Image
Total Product concept (Levitt 1986)	Branding
	Convenience & service
	Distribution

Product Strategy over the Life Cycle

PLC will be the basis for developing

1. Core strategies
 2. Tactics
- ◆ It varies across all stages

Introduction Stage

- ◆ Mainly focuses on new products
- ◆ Few competitors/ perhaps one
- ◆ Sales volume increases slowly
- ◆ Initial ads focus on selling generic product
- ◆ Challenge in securing distribution
- ◆ Core Strategy- **Skimming/ Penetration**

Growth Strategies

- ◆ Early Growth/ Late Growth
- ◆ Competition increases
- ◆ Holding distribution channels (challenge)
- ◆ Communication (ads) – superiority of the product
- ◆ Price pressure
- ◆ Market Leader- Fight or Flee (Exit is an option)
- ◆ Follower – Many options- strength of the leader/ own strength/ market conditions/ diversity/ leapfrogging (risky)

Maturity Strategies

- ◆ Product Categories- fierce battles- market share/ dist channels/ trade/consumer promotion/ aggressive pricing
- ◆ Focus on intangibles- image (brand)
- ◆ General Strategies- similar to growth strategies
- ◆ Cashing out
- ◆ harvesting

Decline Strategies

- ◆ Sales are dropping (with less competitors)
- ◆ Technological obsolescence
- ◆ Strategy- To be last in the market (monopoly) can charge high prices

Product Modifications

Termed as continuous quality improvement/ redesign/ updated styling

3 types

- ◆ Clearly better (an upgrade)
- ◆ Different (styling or ingredient)
- ◆ Inferior (substitution of less expensive ingredient)

Product Modifications Task

- ◇ Assess the no. of loyal customers
- ◇ Assess the no. of occasional customers
- ◇ Assess the no. of non customers
- ◇ Trial rate
- ◇ Trial reactions (3 types)
- ◇ Preferring new version
- ◇ Like the new version about the same as the old
- ◇ Do not like the new version
- ◇ Cost and profit Considerations
- ◇ Implications on other 4P's + Packaging

Getting Ideas for New products

1. Cost analysis- usage need analysis
 - surveys of attitudes/ attributes
 - focus group discussions, conjoint analysis
2. Competitor analysis
3. Active search- on other areas to incorporate it in company's own product
4. Category analysis- Examining changes in social trends and technologies
5. Brain storming – Heuristic Ideation techniques (HIT)- Tauber 1972

Testing slightly New Products

- ◆ **Concept testing** - choose most promising from a set of alternatives
 - get an initial notion of the commercial prospects
 - find out who is most interested in the concept
 - indicate which direction further development should take

Samples are from community groups, employees & central locations (malls , shopping centers)

Data Collection - surveys Large samples for projection purposes (attitudes/ uniqueness/ relevance , buying intention

Focus groups- Diagnostic power, small sample sizes

Demonstration - Gather consumers and present them a story

- record their reactions

Product Tests

- ◆ Uncover product shortcomings
- ◆ Evaluate commercial prospects
- ◆ Evaluate alternative formulations
- ◆ Uncover product appeal to different segments

Discrimination & Preference Testing

- ◇ It is the ability to correctly identify the differences from the product above
- ◇ It is to check if there is any detectable difference among two or more products “ sensory analysis”
- ◇ Statistical principle- H_0 & H_A
- ◇ Customer reactions

Market Tests

- ◇ Redirecting sales & profits from major product launch
- ◇ Practices- marketing/ distribution/ production skills are developed before commercialization

Decisions on Market Tests

- ◇ Actions standards
- ◇ Where to test?
- ◇ What to do?
- ◇ How Long?
- ◇ Cost
- ◇ Information Gathering- actual sales/ AAU/ panels- trial, actual sales, repeat sales