Chapter 9
Product Management and New Product Development

When we speak of product management, essentially what we are talking about is managing the product through its product life cycle, and the strategies associated with where the product is at any point in its life cycle. Products go through four stages in their life cycle:

1. Introductory stage.
2. Rapid growth stage.
3. Mature stage.
4. Decline stage.

Marketing strategies associated with a product change dependent upon where the product is in its life cycle. Different and changing marketing strategies take the product through its life cycle.

Let’s look at that in greater detail. Products have to start somewhere. They have to be introduced to the target markets. This is the introductory stage. Here, marketers are trying to get the product off the ground. It's new, and nobody knows about it. Investment is required to produce the product, get it to market, and promote it. Capturing a substantial market share is unlikely. Marketers are concerned with developing the product to make it attractive to the target markets. They are looking to create product awareness. They are looking for the most attractive price.

If the product does find some success in the introductory stage, it is likely that marketers will gather valuable information related to the customer, where the demand is, who it appeals to, how to reach them, and how to satisfy them. This is all very valuable to them in the growth stage. The marketing strategy must be adjusted in consideration of this information in order to facilitate its growth in this stage of development. We start to see the product become established. We start to capture market share. We see new customers trying our product, and we see repeat purchase. We see how our product is positioned against the competition, and, if we have met with some substantial success, we may even see new competitors entering the market (copy cats). From this, marketers can get some feel of the long-term potential of the product. Marketers need to monitor all of these things closely so that they can adjust the marketing strategy accordingly as environmental conditions change. They will want to maintain the competitive edge that they have found in the market place.

The goal of every marketer is to take the product to the mature stage...and keep it there! When a product reaches the mature stage, that usually means that some of the competitors have fallen out, especially those that are followers or copy cats. We saw this happen in the personal computer industry. We have gained some brand loyalty. We have repeat or loyal customers. Sales may level off, but they remain steady, and the product is able to hold its own in the market place without a great deal of promotion to maintain awareness. It's already there.
Nevertheless, product objectives and the ensuing strategies in the mature stage should not remain constant. The environment changes. The competition is always trying to take our market share. Economy and politics change. Marketers need to remain vigilant to maintain the desired position in the market place and retain market share. This is the mistake that many organizations make. They get complacent and comfortable, while the competition continues to be aggressive. Look at our domestic car market. Look at the personal computer market. Marketers need to continually maintain their position in the market and continually look for positive ways to differentiate the product from the competition. The best example of this is Tide detergent. This product has been around for over 50 years, but Proctor and Gamble marketers continue to find ways to maintain the position in the market, keep it fresh in the consumers’ mind, and differentiate it from the competition. This product continues to enjoy the top position with the most substantial market share, and it has maintained that position for 50 years.

It is true, products go into decline. We have seen technology change rapidly over the years, and not much can be done about it when such things as manual adding machines and transistor radios and 8-track players become outdated by technological advancements. But products can go into decline also, because they become stale in the consumers eye. Competition captures new market share, and they reposition the original product. This is the real challenge of marketers to prevent the product from going this way, and/or to pull it back to mature stage. (Harley-Davidson did it as you will see later.)

Ordinarily, the responsibility to move products through the life cycle is that of the product manager in conjunction with marketing. It is these people who must oversee the development of the product, and plan the appropriate strategies associated with whatever stage of the life cycle the product is in to optimize it success in the market place. Many organizations use this type of arrangement where the product manager has full responsibility of the product and the product line and the movement of the product through is life cycle. Some of the strategies they use to do this are as follows:

1. Modify the product. This involves the changing of some of the characteristics of the product in order to give it more appeal or better satisfy a need. They could change a feature, improve quality or warranty, change the packaging, or simply change the color. The objective here is to give the consumers the idea that the product is different or does something in addition to what it was originally intended to do. Manufacturers of food products are famous for doing this to increase the nutritional value of the product.

2. Modify the market. Marketers may be able to change the market to increase use and usage of the product. They may want to find new customers in a different age group, for example. They may promote a new usage for a product, i.e. marshmallows for cooking and roasting on picnics. The objective here is to enter new markets and/or increase market share.
3. Reposition the product. This would be the last thing the product manager might attempt in moving the product through its life cycle. It may be that they add a new feature to the product, i.e. some lotions that act as an insect repellant. Perhaps the marketer wants to jump onto a new trend such as low-cal items for the increasingly health conscious consumer. Or maybe the marketer would want to change the value of the product, i.e. trade up by adding value in some way, or trade down by reducing it in some way. These things are usually done by tinkering around with price, quality, or some feature.

I think the bridge from the external environment analysis to the internal environmental analysis involves decisions related to product strategy. This holds true, because once you find the formula for success to compete, then you need to assess the company’s ability to support the strategy. Considerations of product strategy include:

1. product objectives
2. who the product is targeted to
3. who the competitors are
4. the associated marketing mix
5. how the product strategy is to be supported… financially and organizationally

You also start thinking about differentiation and positioning strategies. That’s really a lot of what product strategy is. We can get into that in more detail, but first, let’s set the stage for how things might really happen in an organization, related to product objectives. Say for example, you are on the board of directors of a large company and the marketing team presents marketing strategy to you. You should be looking for product executives right off. Look at how they fit with the overall objectives of the company. Do they fit with and support the position of our company in the market place? The next thing you should do is begin to assess the proposal for these product objectives against the ability of the company to provide the resources for them. What increases are necessary? Promotion and advertising? An increased sales force? Or will the support of these product objectives reduce profit margins, especially if price reductions are involved? This is a strategy that is normally associated with new product introduction or when the organization is attempting to penetrate new markets. Beyond this, how do these product objectives fit with the current plant capacity and technical capability? All of this is nothing more than a general assessment from a cost/revenue perspective. Marketers may come up with all kinds of attractive sounding product objectives, but it is at the corporate level that we must compare those objectives with who we are and what it will cost, and it could be these aggressive objectives will get “shot down” at the corporate level. But that’s okay! Both the marketing function and the corporate level are doing their job. You can see why the organization must be coordinated at all functional levels; it is the job of corporate leaders to ensure that they are.

Now, with this in mind, that is, once we get the marketing objectives settled on and agreed to, we can then go to the crux of what the product strategy will be: differentiation
and positioning. When positioning and differentiating a product or service, marketers realize they have to do it on the basis of customer needs, and the ability to distinguish it from competing products. Positioning and differentiation, in very simple terms, is drawn from the customer's tendency to develop a mental map of a product against a competitor's product. All of us have a tendency to rank, categorize, and compare just about everything on the basis of some characteristic or impression that we have of it. Marketers know this, and they give a lot of attention to help us form those rankings and differentiating opinions. Consider some of the things that are thrown at us about products (and services) on a daily basis, i.e. quality, features, price, service after the purchase, reputation, status, brand, on and on. Their attempts to influence our image of a product can be based on most anything. We do it anyway, so why not try to help us form our opinions and images against the competition?

So, now perhaps, you get a good idea of what I mean when I say that product strategy is the bridge from the external analysis to internal analysis. When we do our external analysis, we look closely at our target markets, and segment by needs such as product benefits, by price sensitivity, by product availability, by quality, by brand, etc. By doing this, we get a better idea of the things that are most important to customers, and that is what helps to shape our strategies. In other words, the things we look at to differentiate products and services, and position them among the competition, become fairly apparent, as we develop this information. Then, we go back into our organizations and assess our strengths and weaknesses in order to measure our ability to be able to do it, considering technical, financial, plant, and sales capability.

One of the things that I have found many times over is the tendency for companies to try to differentiate themselves on the basis of price and price alone. That was the mistake the trucking industry made in the 1980’s after significant regulatory reform of that industry during the Carter administration. When that happens, it becomes survival of the fittest resulting in many companies cutting corners on such things as safety and guarantees and/or falling out completely. In this industry, as in many others, they fail to realize that there are others ways to differentiate and position other than price. As it related to trucking, shippers were looking for service as much, if not more, than a cheap price. Service can be a core competency that companies can build on, and do very well with, in the trucking industry, as in many others. Quality may be another one. Consider warranties, guarantees, special product features, and many others dependent upon the nature of the product and the customer. Again, there are other ways to differentiate and position a product other than price.

One of the classic examples related to positioning and differentiating is the story of Harley-Davidson. Harley-Davidson was pioneer in the American motor cycle industry. For years, they built motor cycles, and had almost a lock on the motor cycle industry in this country. But then, things started to go bad. They let quality go. Foreign competitors began to take big chunks of market share. They almost went out of business. However, they made a miraculous turnaround led largely by a masterful marketing plan. They identified their core competencies, and built an entirely new product strategy around them. Their model for recovery could be used by many:
1. They knew their market...the motorcycle market. They knew the needs of their target markets. They wanted quality, performance, and reliability.

2. They had access to technical resources in the industry, and they put them to work to build a better product. In short, they rebuilt and reinvented the company based on what made them successful to begin with.

3. They assembled a top-notch marketing team that recognized what the customers wanted, and they set out to differentiate themselves by satisfying those needs better than any of their competitors. As such, they were able to reposition and differentiate themselves, again, as an industry leader.

4. They changed the way that their product was made available to their target markets. They set up Harley Outlet Stores, making certain to ensure expertise in the sales effort and service after the purchase.

All of us know the Harley-Davidson story by now. They built a tremendous brand loyalty based on quality, performance, reliability, and service. On the contrary, their products are expensive, which supports the image of quality and brand that they desire. It’s chic to own a Harley! From this complete marketing strategy came spin-offs from the basic product form using the now high end Harley brand itself, i.e. clothing, boots, and motorcycle accessories.

Harleys and the Harley-Davidson brand are now a superior product with a distinguishable image, and it satisfies the needs of a quality conscious, status conscious target market, and it wasn’t done based on a purchase decision considering price. It was an historical marketing effort to differentiate their product among the competition as an industry leader, largely on the ability to recognize core competencies, and build on them.