

Managing Marketing in 21st century

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Based on Noel Capon's book

Chapter 12: Managing the Product Line

Product interrelationships

- Customer side
 - Complementary
 - Substitution
 - Maintenance services
 - replacement parts
- Firm side
 - Firewall products in lower price
 - Separate missions
 - Intra-firm competition
 - Intra-firm collaboration

Product line breadth

- Return on sales: $ROI = \frac{\textit{profit}}{\textit{sales}} \times \frac{\textit{sales}}{\textit{investment}}$ (economy of scale, faster cycles)
- Fill product line gaps
- Different versions of product
 - Time availability
 - Product performance
 - Limitations on access and functionality
- Long tail product lines in online businesses (no shelf space/inventory constraints)
- Market segmentation (same product, different name, distribution, packaging)

Simplifying product line

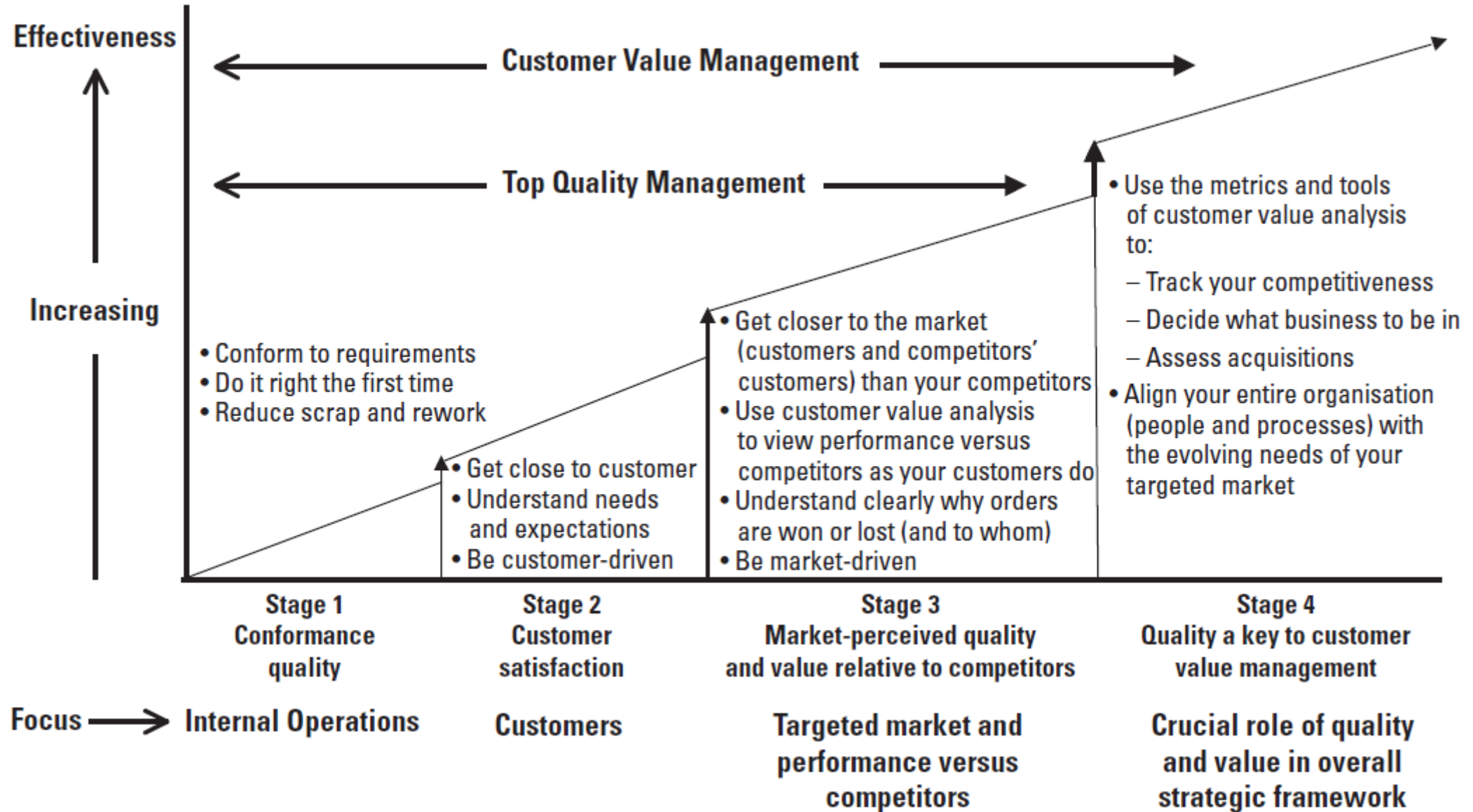
- Availability of new product
 - Component interchangeability
 - Reallocation of executives' and salespeoples' time
 - Contribution to profit center
 - Market potential
 - Likely competitive reaction
 - Reallocation of resources
 - Substitute available
 - Product elimination effect (PEE) on capacity utilisation
 - PEE on firm image
 - PEE on firm sales volume
 - PEE on fixed capital
 - PEE on full-line policy
 - PEE on other products (sales/profits)
 - PEE on overhead recovery
 - PEE on working capital
 - PEE on customer/ distribution
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- **Efficient consumer response** (demand-pull instead of product-push)
- **Direct product profitability** (direct costing to calculate true net margin)
- Eliminating large business lines might increase overhead cost
- Insufficient investment makes rebuilding the brand too difficult for acquirers
- Selling product line to competitors may cause difficulties

Other product line changes

- Extending product life and patents
- Evolving product line
 - Improving product mix (replacing low-margin with high margin products)
 - Product cannibalization
 - Fear of lower profits can immobilize the firm
 - Balancing effect due to higher market share
 - Compare forecast profits *with* the product vs. forecast profits *without* the product
 - Product replacement as a pre-emptive competitive approach

Total Quality Management



Other product remarks

- Mixed bundling
- Counterfeiting
- Secondary market attraction
- Product safety
- Packaging and product disposal

End of Session 15 – thanks.