



How good is your product line?



Today, product managers need to tackle issues in product management through a judicious mix of creativity and market intelligence.

A group of closely-related products constitutes a product line. Managing multiple product lines involves more than just complementing resources for existing products. Product managers must help maintain a full pipeline of new products and product enhancements. For product managers, managing various product lines and the overall product mix of the company calls for creativity and market intelligence. Product management raises many issues and to solve those issues, product managers need to juggle the product portfolio wisely.

Hindustan Unilever Ltd., for so many years, while playing in the high price slot of the detergent market with Surf priced at Rs85 to fight the competition from the low price brands like Sasa detergent, has down stretched its detergent line by introducing low priced detergents, such as Wheel. For many companies, this part of the process is driven internally, with a focus purely on allocating

resources, ROI, and risk/return. But, the increasing pace of business change and increasingly higher expectations from customers is forcing companies to re-think how they manage their collection of offerings.

One of the many reasons Google consistently brings innovative, world-changing products to the market is because of their collaborative efforts in product management. They are constantly focussing on the future and their team works closely with creative and industrious engineers to design and develop technologies that improve access to the world's information. Google takes the responsibility for guiding products throughout the execution cycle, focusing specifically on analyzing, positioning, packaging, promoting and tailoring products to all the markets where Google does business.

Appraisal of each product line is a non-stop process in progressive organizations. These organizations are high on market intelligence. A constant monitoring of the



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product line helps organizations in line stretching, line pruning, line filling, brand/line extensions, brand rejuvenations, brand re-launches, portfolio restructuring, product quality up-gradation, packaging innovation, etc.

All said and done, when managing ideas for building an expandable portfolio, projects and products, it is difficult to know which opportunities show true promise and which should be fixed or cancelled. That is why it is imperative that product portfolio management be integral with the tools that product development teams use to collaboratively create products and execute the project plan.

One of the major challenges Indian pharma companies are facing today is of handling diverse product lines; the reason why they are unable to handle flexibility in diverse product lines is that their profit margins do not reflect the constantly increasing investment in drug development. Frost & Sullivan, the famous market research company reports that the low returns on investment coupled with various regulatory issues account for the declining focus on research and innovation in the pharmaceutical industry in India.

Since product line involves a collection of related products, sometimes, it may so happen that a particular product line adversely affect the sales of a product in the line, instead of being complimentary to it. Hindustan Unilever Ltd., controls about 60 percent of the soap market with brands that include Lifebuoy, Lux, Rexona, Breeze, Jai, Moti, Hamam, Liril, Breeze, Dove, and Pears. The brands compete with one another on the shelves and experience brand cannibalization to a great extent. Many of these take a beating from their sibling brands.

Line filling

In today's markets, various products, ranged from tires to clothes, are becoming increasingly value-centered. More and more buyers are turning from status and luxury to lower-cost brands that deliver satisfactory quality and features. To fight this trend or to take advantage of it,

firms are offering minor versions of their traditional brand-product package. Firms like HUL, P&G, Dabur, Goderej...everybody is forced to offer a variety of products in a products line which suits each segment in the market.

Cannibalization starts as soon as the consumer exhibits brand switching behaviour, or even before that. It starts manifesting itself when the manufacturer asks the retailer to stock the new product. The new product launch gets a priority and is, at times, stocked even at the expense of other brands. But, companies need to take a balanced view on cannibalization while line filling.

Firms like Videocon have done line filling fruitfully to plug certain gaps in a range. The intention of the firm was to be seen as a 'full line' company and customers find a full basket of the products under one roof. In its product line of room air conditioners, Videocon initially had just two or three models. However, within two years of entry, Videocon introduced a dozen models. The offers included three models in split ACs, two models in window ACs with rotary compressor and six models in split ACs with reciprocity compressor. By doing this, Videocon rapidly improved its market standing and rose from the position of a new entrant to a company offering relatively full line products.

Line pruning

Global marketer, P&G, feels it is better to get rid of complexities and maintain simpler lines. The company





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firmly believes that whenever it can apply an existing product formula, or package to a new market, it can save a lot of resources and can also move faster. It is a well-known fact that this company, in the 1990s, slashed the number of items to almost half; fewer shapes, fewer sizes and package formulae. P&G had 31 versions of Head & Shoulder shampoos and 52 versions of Crest toothpaste. The Head & Shoulder brand was pruned to less than half, to 15 variants. The number of Crest was also pruned substantially.

In Japan, P&G cut the number of Max Factor brand of mascara and foundation items from 1,385 to 828; the cut took place during the course of just one year, but the sales went up by six percent. P&G also withdrew brands from the market in which it could not be leaders. In the product line of soaps and cleaning materials, it withdrew 11 brands, like Lest Household cleaner and Lava soap. P&G's pruning exercise is an excellent example of harmonizing the product basket.

Stretching down the line

At times, a company which has initially taken its position in the high price-slot, stretches the product line downwards by offering products in the same line for lower markets. For the TTK group, pressure cookers are one major product line and Prestige is one of their well-known brands in the line. Prestige enjoyed 26 percent market share in the 1990s. Its major competitor being Hawkins, TTK decided to expand the reach of Prestige to the lower-end markets also. The company launched Prestige Popular. It was designed as an economy model and offered to the price sensitive segment. Through this down stretching, Prestige increased its market share sizably.

Similarly, Parker pens was operating in the high price slot of the pen market for several decades. To reach the mass market, Parker pens decided to down stretch its line by offering low-priced models which the masses could afford, which has worked wonders for the company.

Stretching up the line

This happens when a company is initially positioned for the lower-end markets and decides to make higher-priced offers for the top slots, called stretching up. The firm moves up its original posture and makes higher-priced offers from its stable. Earlier, Philips was synonymous with low-priced two-in-ones, with its wide offers in the Rs1,000-2,000 price range. The company soon found that to become a worthwhile player in the market, it had to stretch up its line for the richer customers. Philips stretched up the line by bringing its powerhouse range in 1991, which ranged between Rs6, 000-Rs9,000. In 1993, Philips also climbed the ladder by offering Power Play range to cater to the top and middle-ends of the market. The Power Play was priced from Rs15,000- Rs25,000. Philips doubled its profits by stretching up the line and became a household name for the higher-end markets too.

Companies should, however, resolve product conflicts within the product line. A company's marketing strategy can keep the products in a line, alive and grow. A company can add new brands, prune some, rejuvenate others or come up with new lines. The results of efficient product lines depends on formulating elastic lines that, in turn, is based upon specific organizational and environmental conditions. They should include overall company strategy, the length, width and depth of a product line, market orientation, top management attitude toward line pruning, austerity of the regulatory context, and rate of technological change. To conclude, successful organizations are those which are customer-sensitive and flexible to modify. ■



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