

EXERCISES

The exercises are designed to help you to look at your product or service range in three different ways:

1. As a 'package' of benefits (Exercise 5.1)
2. From the point of view of their lifecycles (Exercise 5.2)
3. The final exercise in this section invites you to construct and interpret a directional policy matrix for your own company (Exercise 5.3).

Exercise 5.1 Benefit package analysis

It has been shown that customers buy products and services for many reasons. Different people look for different types of benefits from the product to satisfy their needs. Here are some typical sources of customer benefits:

1. Good comparative price
2. Well-known product/service
3. Good after-sales service
4. Reputable company image
5. Low after-sales costs
6. Prompt delivery
7. Efficient performance
8. Well-designed product
9. Fashionable
10. Ease of purchase
11. Good quality
12. Reliability
13. Safety factors.

Obviously, the better one's products/services provide benefits to customers and match their needs, the more competitive they are going to be in the marketplace. The following process is designed to help you complete a benefit analysis on your products or services.

By doing this you will discover or confirm which items of your range are the strongest on the market when compared to your competitors'. It should also provide you with insights about where attention might be paid to your products or services, either to improve existing customer benefits or to put emphasis on new ones.

Proceed as follows:

1. Study the customer benefits list above. Are these typical of the reasons why people buy your products or services? If you can think of others that are more pertinent to your particular business, write them down in the spaces provided.
2. Taking into account the market segments with which you do business, look at the customer benefits list and decide which are the three most important benefits demanded by your most important segment(s). Make a note of these.

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3. Now identify the next three most important benefits demanded by these customers, and also make a note of these.
4. Finally, tick any other benefits on the list that are relevant to these customers.
5. Repeat this exercise for other important segments.
6. You are now asked to transpose this information on to Worksheet 1 (an example of a completed sheet is provided in Worksheet 2). Proceed as follows:

Step 1 In column 1 list the products or services you supply. No particular order is required.

Step 2 Take the three most important benefits that you selected above and use them as headings for columns 2, 3 and 4 on the worksheet, so that column 2 represents one benefit, column 3 another and column 4 the third.

Step 3 Fill in columns 2, 3 and 4 as follows. Starting with column 2, look at the benefit heading and work down your list of products or services scoring each one on a 1 to 10 point scale: 1 will show that the product barely supplies this particular benefit to the customer and compares badly with competitors' performance, whereas a 10 score would demonstrate very high meeting of customer needs, superior to that provided by competitors. For example, if the benefit heading was 'Delivery' and, working down the list of products, the first product had a good delivery record, as good as any in the trade, then it could be allocated 9 or 10 points. If the next product on the list had a very patchy record on meeting delivery, and we knew several competitors were better, then we might only allocate 4 or 5 points, and so on. Follow the same procedure for columns 3 and 4. Note that the 1–10 scoring scale is only used on columns 2, 3 and 4 because these represent the major benefits to your customers and thus need to be weighted accordingly.

Step 4 Now take the second three most important benefits and use these as headings for columns 5, 6 and 7.

Step 5 As before rate each of your products or services against each heading, in comparison with competitor performance, but this time only use a *scoring scale of 1–6*, where again 1 point represents low provision of the benefit and 6 high. The 1–6 scoring scale is in recognition of the reduced importance these benefits have for customers.

Step 6 Finally take any other benefits you ticked above and use these as headings for column 8 and onwards as far as required.

Step 7 Again work through your list of products or services comparing them against how well they meet the benefit heading of each column, but this time only use a *1–3 points scoring scale*. The reduced scale reflects the reduced level of importance of the customer benefits in this last group.

Step 8 Aggregate the scores you have allocated to each product or service and enter the result in the Total column.

Worksheet 2 Benefit package analysis (Exercise 5.1)

Col. nos.1	Major benefits			Medium benefits			Lesser benefits						Total	Ranking	Notes, Observations, Qualifying comments, Strengths, etc.						
	Low score	High score	Low score	High score	Low High score																
	1	10	1	6	1			3													
	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18				
Customer benefits																					
Prods or services	Price	Quality	Delivery	Design	Safety	Reliability	Our image	After-sales service	Packaging	Comprehensive range											
Water butts	5	8	5	3	6	6	1	1	2	2									39	4	Check costing and deliveries
Containers	8	8	7	5	6	3	3	2	3	2									47	1	Again business difficult to improve except on delivery and reliability
Toy (compts)	3	8	9	5	6	5	1	1	2	2									42	2	Doesn't always mix with other work
Cones for road works, etc.	7	8	6	4	6	5	1	1	3	1									42	2	Work at price and delivery. Also need to improve designs and range

Personal notes

Exercise 5.2 Lifecycle analysis

It is universally accepted that all products or services go through a lifecycle of five stages – introduction, growth, maturity, saturation and, ultimately, decline.

Depending upon the nature of the particular product and its market, the lifecycle can be of short or long duration. Similarly, different products will have different levels of sales. Nevertheless, allowing for these differences in 'width' and 'height', product lifecycle curves all have a remarkably similar and consistent shape. It is because of consistency of the lifecycle curve that this aspect of the product audit becomes such a powerful analytical tool.

The following exercise is designed to help you construct a lifecycle analysis for your company's products or services. By doing this it will help to focus on information that will be used in setting marketing objectives and strategies.

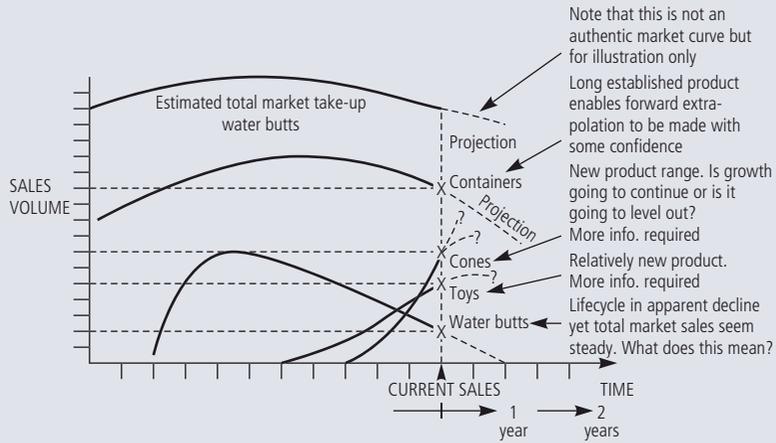
1. Using Worksheet 1, invent a suitable scale for the sales volume axis, i.e. one that will encompass the sales peaks you have had or are likely to experience in your business.
2. At the position marked 'Current sales', record the levels of sales volume for your products or services. You will have to select the timescale you use. If your products are short-lived, perhaps you might have to calculate sales figures in terms of days or weeks. For longer-lived products, perhaps annual sales figures will be more appropriate.
3. Taking each product in turn, plot a lifecycle curve based upon the historical data at your disposal, e.g. if in 2 above you decided that a monthly sales analysis would be necessary to capture the movement on the lifecycle curves, then check back through your sales records and plot the sales volume for each product at monthly intervals.
4. From the lifecycle curves you have drawn, extend those into the future where extrapolation looks feasible, i.e. where a distinct pattern exists. You should finish up with a worksheet looking something like Worksheet 2.
5. Make notes about your key findings from this exercise in the space below.
6. So far you have only looked at your products in isolation. Now on a separate piece of paper (or on the same worksheet if it doesn't cause too much confusion), compare each lifecycle pattern of your major products or services with the total market lifecycle for each one. Do your product patterns mirror the market lifecycle? Are your sales falling, while the total market sales are steady or increasing? Is the reverse happening? Many outcomes will be possible, but whatever they are, you are asked to explain them and to write in the space below what these comparisons between the total market and your sales tell you about your product/service range and its future prospects. If you find it difficult to establish total market lifecycles then refer to the 'Guide to market maturity', later in this exercise.
7. Finally, and to demonstrate that this examination of product lifecycles is not just an intellectual exercise, prepare a short presentation for one of your senior colleagues, or, better still, your boss, following the instructions given on the 'Special project brief', at the end of this exercise.

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Worksheet 1 Lifecycle analysis (Exercise 5.2)



Worksheet 2 Lifecycle analysis (Exercise 5.2) – a plastics processing company



Personal notes

Guide to market maturity

The following checklist is used by one major company to help it determine where its markets are on the lifecycle (repeated from page 165).

Factor	Maturity stage			
	Embryonic	Growth	Mature	Declining
1. Growth rate	Normally much greater than GNP (on small base)	Sustained growth above GNP. New customers. New suppliers. Rate decelerates towards end of stage	Approximately equals GNP	Declining demand. Market shrinks as users' needs change
2. Predictability of growth potential	Hard to define accurately. Small portion of demand being satisfied. Market forecasts differ widely	Greater percentage of demand is met and upper limits of demand becoming clearer. Discontinuities such as price reductions based on economies of scale may occur	Potential well defined. Competition specialized to satisfy needs of specific segments	Known and limited
3. Product line proliferation	Specialized lines to meet needs of early customers	Rapid expansion	Proliferation slows or ceases	Lines narrow as unprofitable products dropped
4. Number of competitors	Unpredictable	Reaches maximum. New entrants attracted by growth and high margins. Some consolidation begins toward end of stage	Entrenched positions established. Further shakeout of marginal competitors	New entrants unlikely. Competitors continue to decline
5. Market share distribution	Unstable. Shares react unpredictably to entrepreneurial insights and timing	Increasing stability. Typically, a few competitors emerging as strong	Stable, with a few companies often controlling much of the industry	Highly concentrated or fragmented as industry segments and/or is localized
6. Customer stability	Trial usage with little customer loyalty	Some loyalty. Repeat usage with many seeking alternative suppliers	Well-developed buying patterns, with customer loyalty. Competitors understand purchase dynamics and it is difficult for a new supplier to win over accounts	Extremely stable. Suppliers dwindle and customers less motivated to seek alternatives

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Factor	Maturity stage			
	Embryonic	Growth	Mature	Declining
7. Ease of entry	Normally easy. No one dominates. Customers' expectations uncertain. If barriers exist they are usually technology, capital or fear of the unknown	More difficult. Market franchises and/or economies of scale may exist, yet new business is still available without directly confronting competition	Difficult. Market leaders established. New business must be 'won' from others	Little or no incentive to enter
8. Technology	Plays an important role in matching product characteristics to market needs. Frequent product changes	Product technology vital early, while process technology more important later in this stage	Process and material substitution focus. Product requirements well known and relatively undemanding. May be a thrust to renew the industry via new technology	Technological content is known, stable and accessible

Special project brief

Product lifecycles

Take any product you know well and prepare a short presentation (say 10 minutes) which covers the following areas/questions:

1. Brief product description – your definition of the market it serves
2. Your estimates of the product's current point in the lifecycle curve
3. Your reasons for believing it is at this point
4. Your estimate of the length and shape of this lifecycle
5. Your reasons for this estimate
6. Your predictions of the prospects for this product over the next three years
7. Your reasons for these predictions.

Exercise 5.3 Applying the directional policy matrix to your own organization

Follow these instructions:

1. Choose a product (or group of products) that is bought by many different markets (or segments).
2. List no more than eight of these markets (or segments).

3. Develop a set of criteria for judging:

Market attractiveness

Your strength in these markets.

4. Develop a scoring and weighting system for these criteria.
5. Evaluate the markets you have chosen, using these criteria.
6. Locate the point of each of these markets on a four-box directional policy matrix.
7. Using an approximate scale of your own choice, make the circle diameter proportional to your current turnover.
8. Comment on the current portfolio.
9. Indicate approximately the size and position of each circle in three years' time.
10. Outline (briefly) the strategies you would pursue to achieve these objectives.