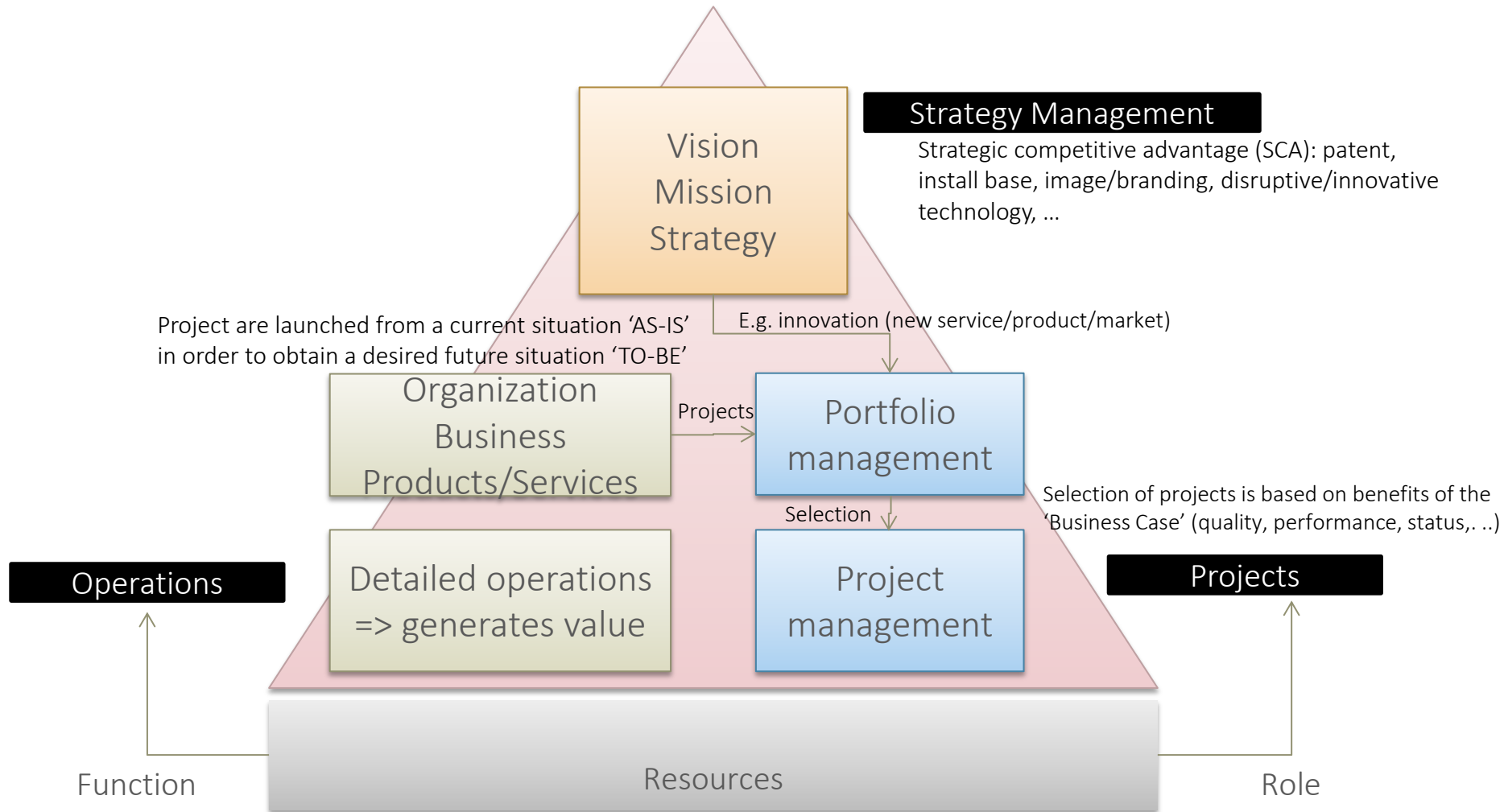


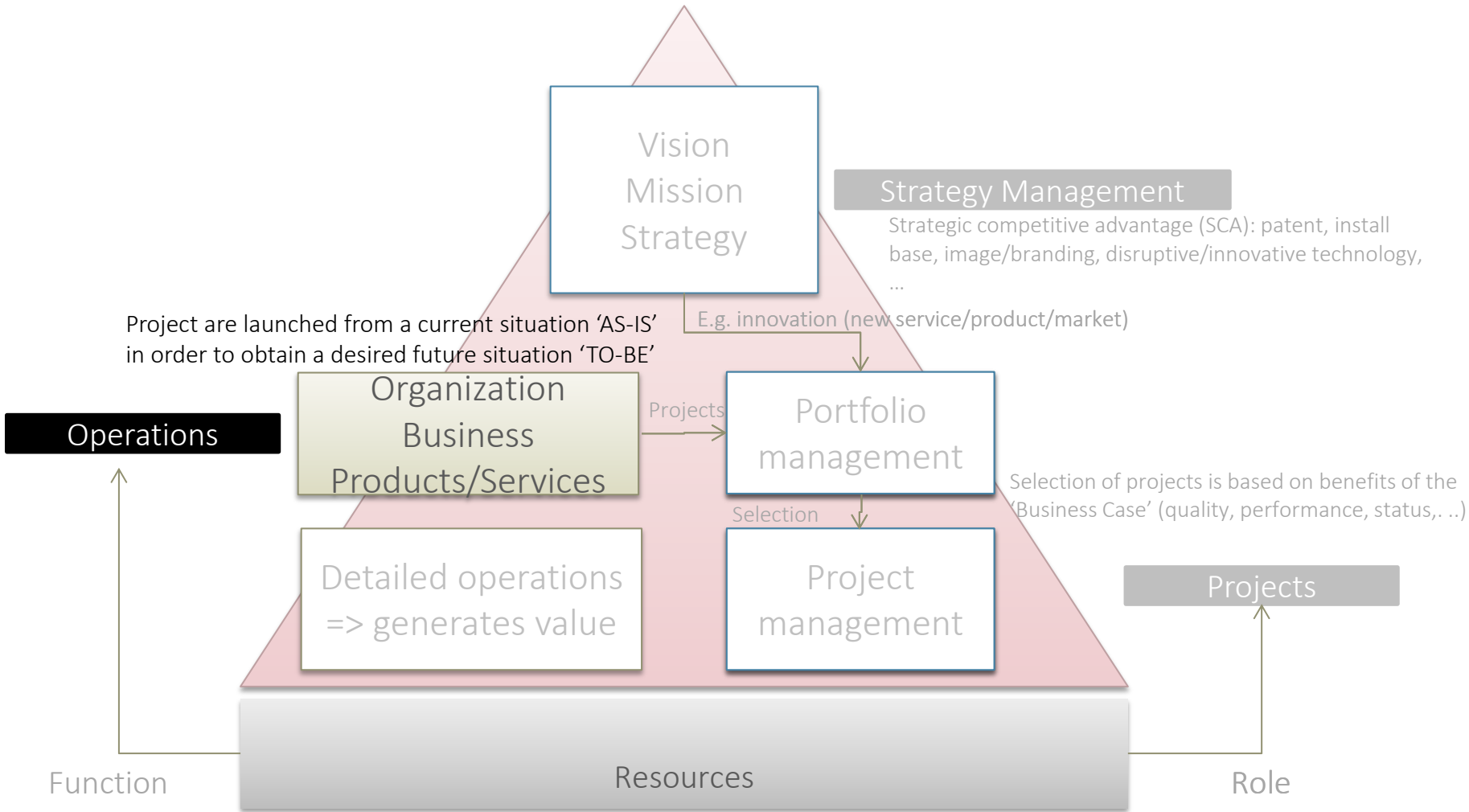


Operational Excellence Consulting

Toolbox: Business fundamentals

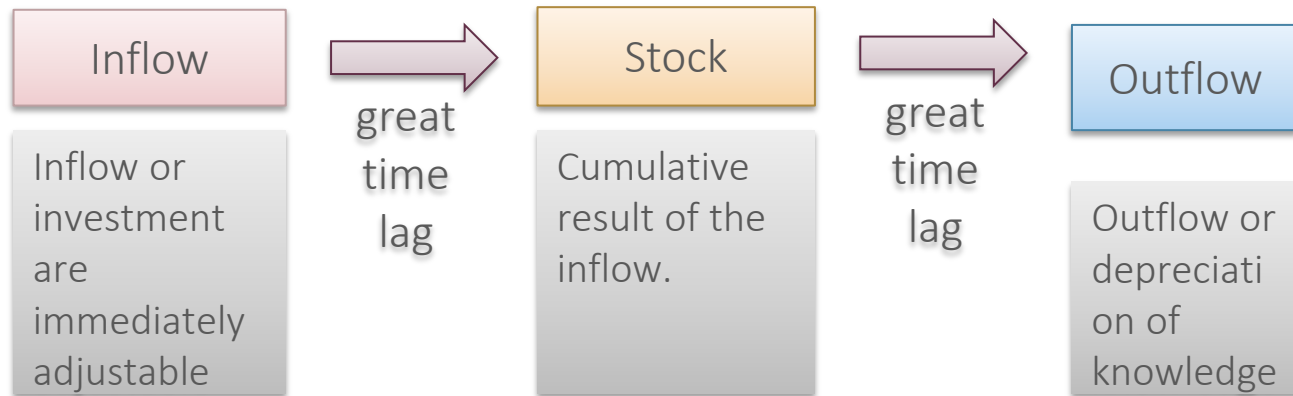
Product management





Strategic Marketing : Advertising is a strategic investment. Continuity of advertising is key.

– Stock-Flow diagram :

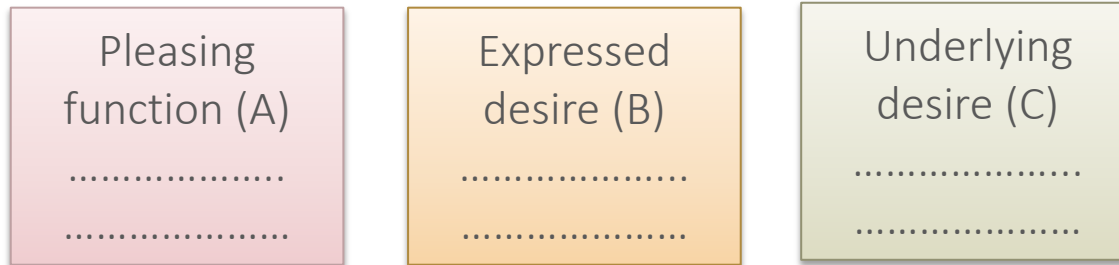


How ?

1. Attract consumers from top market leaders and develop them into your loyal customers.
2. Client relation marketing in order to become the best structural partner of the client.
However the top 20 % best clients are not always the most loyal clients (perhaps they are also big clients at competition as well).
3. Positioning of the product/service happens in the “mind” of the consumer.
4. Differentiation strategy of the product/service (that is **perceived** as “unique” by the consumer) by making certain “**associations**” of the product/service

Those **associations** that are made in the “mind” of the consumer, are appealing to **deeper motifs of the consumer** : For example certain social objectives (like getting in touch with other people), a certain self-image (like a luxury lifestyle), certain values (like healthy or environmental issues) ,...

Voice of Customer → identify client's needs : reactive via complaints or proactive via benchmarking



What is the **perception** of the product/service by the customer. For each feature ask the customer 2 questions :

- How would they feel if a feature (or association) “Was present”
- How would they feel if a feature (or association) “Was Not present”

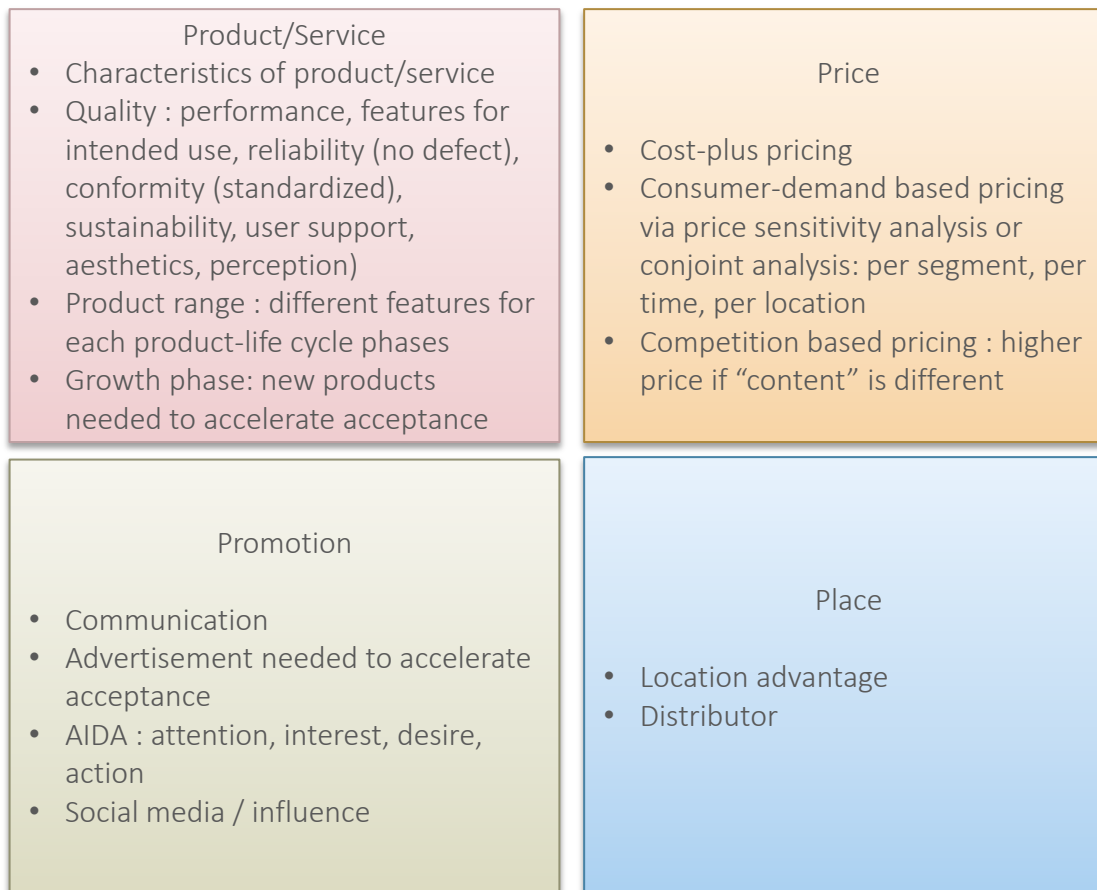
4. Market segmentation:

- Consumers group that generates high profits (at the introduction phase of the life-cycle)
- Consumers group that are committed on the long run (at the growth phase of the life-cycle)
- Consumers group that have low switching costs (=low stickiness) and easily change their buying habit (at the maturity phase of the life-cycle)
- Consumers group that have influence on others (at the decline phase of the life-cycle)

Market segmentation into “groups of consumers” :

- Based per characteristics of the consumer or the lifestyle of the consumer
- Based per characteristics of the product/service

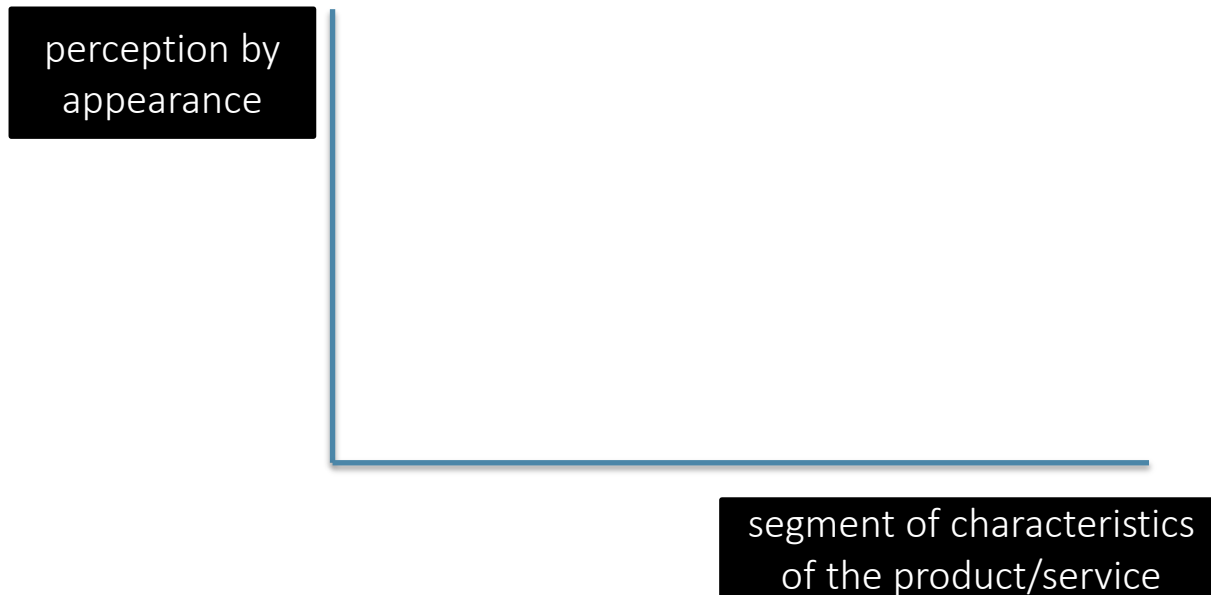
Marketing mix “the 4 P’s”



How ?

Positioning of product/service happens versus (1) other market segments and versus (2) other competitors within the same segment.

Positioning is done by cluster analysis with 2 axis : “perception by appearance” versus “segment of characteristics of the product/service”



Re-positioning is needed when there is a “subjective brand image”. Objective is then to change this “belief” of the consumer.

How to get the maximum from a customer ?

– “Acquisition” of a customer → ask existing costumers to “recommend a friend”

Also, software like “Salesforce” or advertising “from communication to conversation” : “paid advertising” is towards strangers, “owned advertising” is with customers and “earned advertising” is with fans or ambassadors

– “Satisfaction” and “retention” of a customer → maximize by asking to use a loyalty card

Also deliver additional services or deliver a product/service that answer the customers’ needs

– 100 % “Share of Wallet” → a customer is completely loyal to a business and does not spend any € with any competition brand

“people also bought these related products”

Upselling : Induce customer to purchase more expensive items, upgrades, or other add-ons in an attempt to make a more profitable sale. Can also be simply exposing the customer to other options that were perhaps not considered previously.

Cross selling : related products or additional complement products

Segment Migration : e.g. retail product to professional product

Product bundling

Cannibalization

– Win Back a customer → “How can I win my ex-customer back”

Maximize by “promotion or reduction” when customer comes back

– Unhappy customer → “Understand why I loose customer and try to control this flow”

– Missed opportunities → “Why does some customer prefer my competitors?”

Some marketing trends:

- Trend towards nice moments and enjoyable experience in a specific and enjoyable setting : e.g. coffee on San Marco Square in Venice
- Trend towards internet of things and wearable's
- Gamification : Customer engagement by “application of game elements” (like challenges, missions, competition, reward, badges and leader boards) to non-game contexts. These game elements leverage our love of competition and reward, and use it to encourage certain actions.
- Example of encouraging safe driving style : Lottery to win a cash prize which is paid from the fines from people that don't keep to the speed limit.
- Example in companies : Manager can give for specific behavior points. Employee compete for trophies and badges.
- Example in marketing : a personalized dashboard for consumers displaying bonus rewards for completing an action (social media share or paying with their registered loyalty cards).

Some market trends:

- Concentration effects (even monopolies in some industries like Amazon)
- Entry barriers to access the **users** of a platform (which is the target market)
- Retaining a ‘consumer habit’ by controlling online traffic

Big tech companies like Google or Facebook are increasingly becoming gatekeepers. Other small companies need to pay “a toll” in order to access the users of a network of the big tech company and thus the market.

Due to changing lifestyles, habits, competition,... the role of the **product manager** is important :

- Being the messenger of the market, delivering information to the departments that need market facts to make decisions.
- Serves as a customer representative in planning and requirements definition (i.e. come up with a valuable proposition for the customer that fits target's expectations of functionality, pricing, accessibility, etc.... of a product).

How ?

Creating a “Product brief” :

- Defining the what and detailing the target audience
- Giving context on market positioning (product/service may create an entirely new market segment, but most of the time it will compete against other, similar products within an existing segment)
- Indicating success criteria : when can we say that we have reached our goal : e.g. brand impact, sales, downloads, engagement, etc.
- Build a minimum feature set that brings a valuable proposition to life and allows testing it with customers and partners. The concept allows to efficiently test the interest in a product before building it entirely (pilot project, prototype of alternative valuable propositions, defining scenarios)

Before starting a project, a “**Business case**” needs to be made for decision making :

A Business Case captures the reasoning for initiating a project or support decisions to invest in a service/product (a project/initiative of a new product/service or its improvement)

➔ Business Case determines if the project(s) should be undertaken

The logic of the business case is that, whenever resources such as money or effort are consumed, they should be in support of a specific business need.

Build a business case to evaluate options, not justify a position.

How?

- Define the costs and expected benefits of the project(s)
- Reasonable set of alternatives to realize the opportunity if project not undertaken
- What are the objectives with current characteristics and future trends?
- Data search: internal (product positioning, cost drivers) & external (market trends, ...)
- Financial analysis : Revenue streams
- Implementation and ongoing cost : operational expenditures (OpEx), capital expenditures (CaPex)
- Describe the risks

– Calculations :

(+) Revenues

(-) Operating Expenses

= EBITDA (Earnings before interests and taxes, depreciation and amortization)

(-) Amortization (of CapEx)

= EBIT (Earnings before interests and taxes)

Revenues stream assumptions → market share x price (price per click, royalties, ...)

Costs stream assumptions → cost of goods sold in the future, and “infrastructure or maintenance costs” for keeping the lights on

Understand that there are many uncertainties about the future :

- Use of “Scenario analysis” with early warning system.
- Identify “risks” and write a mitigation plan

– Evaluation :

Which is the present value of the investment? → Net Present Value (NPV)

When do I reach the breakeven point? → Pay Back period

Is the investment worth doing? → Internal Rate of Return (IRR) or Return on the Investment (ROI)