

Product management

Product manager Role and position Lecture 3

Product management

- **Product (or service) management** includes a wide range of management activities, ranging from
 - the time that there's a new idea for a product
 - to eventually providing ongoing support to customers who have purchased the new product.
- Every organization conducts product management, whether it's done intentionally or unintentionally.

Product related decision proces as content of scientific interest

In literature are for product related decisions used different terms:

- **Product policy**, (popular in German literature i.e. Brockoff) as all activities using product as instrument of odbytového hospodárstva
- **Product marketing** (in German represented by Koppelman, in USA i.e. AIPMM) is quality oriented part of marketing model aimed to develop succesful development and commercialization of firm products.

Product related decision proces as content of scientific interest

- New product development (NPD) is the term used to describe the complete process of bringing a new product or service to market.
- Brand management is the application of marketing techniques to a specific product, product line or brand. It seeks to increase a product's perceived value to the customer and thereby increase brand franchise and brand equity

Product management

- According to the existing literature, product/brand management is a system developed in 1927 by P&G, or maybe earlier. It took root mainly in the multiple products consumer goods companies.
- The product management approach has long been one of the most widely used structural systems to organize the marketing effort and to assign responsibility to one person for the management of a product line or brand.
- The product management system operates in the majority of all consumer packaged goods industries. A study indicates that 72% of consumer firms and 52% of the industrial firms were satisfied with the way the product management concept was working.

Category management

- Procter and Gamble utilizes **category management**, an organizational form whereby several product managers are replaced with a single category manager. The category manager is placed in charge of an entire group of products, thereby forming mini profit centers with decisionmaking authority that allows the category manager to improve cost reduction and profitability of the full line of products, as well as get closer to both retail customers and end consumers.

Product management

Product management organisation

Lecture 2

Why Have a Structure?

- All businesses have to organise what they do
- A clear structure makes it easier to see which part of the business does what
- There are many ways to structure a business

Some Key Terms

- Flat or tall structure
- Span of control
- Chain of command
- Hierarchy
- Delegation
- Empowerment

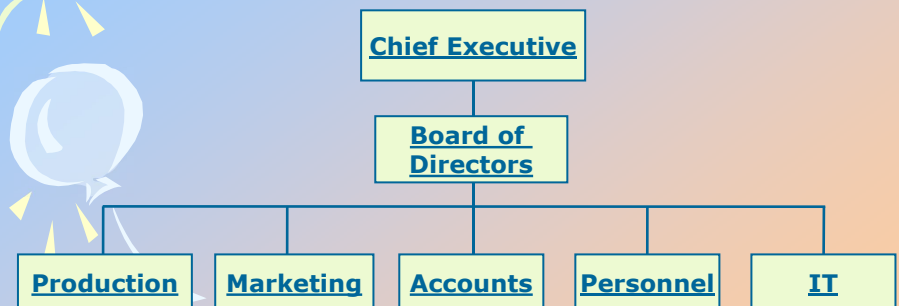
Ways to Structure a Business

- By function: arranging the business according to what each section or department does
- By product or activity: organising according to the different products made
- By area: geographical or regional structure

Ways to Structure a Business

- By customer: where different customer groups have different needs
- By process: where products have to go through stages as they are made
- What are the advantages/disadvantages of different types of business structure?

Functional Structure



Functional Structure

Advantages

- Specialisation – each department focuses on its own work
- Accountability – someone is responsible for the section
- Clarity – know your and others' roles

Disadvantages

- Closed communication could lead to lack of focus
- Departments can become resistant to change
- Coordination may take too long
- Gap between top and bottom

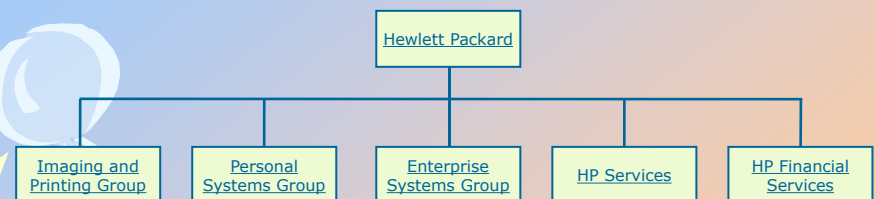
Functional Structure- Comments:

1. Specialisation by function is more efficient. Employees get experienced in and competent at one particular job.
2. Accountability is clear i.e. whose responsibility is it to do what.
3. Clarity is improved i.e. it is clear who does what.
4. Communication is weakened by a lack of communication across and between functions. HRM may be doing things Marketing need to know about.

Functional Structure- Comments:

5. Inertia may set in where departments become over-focussed on their own agendas and lose sight of the overall business objectives. In extreme case the team-spirit may degenerate into tribalism where departments are 'at war' with each other and are more concerned with 'winning' this war than attending to the overall business objectives.
6. This system can become overly bureaucratic where flexibility is lost because things have to be done 'by the book'.
7. This system may not be suitable for large businesses with many different markets and/or products.

An Example of Organisation by Product/Activity



Product/Activity Organisation Comments:

1. This structure gives focus on individual products, which may be especially appropriate if different products have different problems and concerns. The issue of focus is important because it determines the priorities people will have, and the way they think about those priorities.
2. Each group can be run as a separate profit centre. This way, healthy competition and rivalry can develop between 'teams' which can help motivation and productivity. It is also flexible in that poorly performing groups can be closed down without too much disruption to the rest of the organisation.

Product/Activity Organisation Comments:

3. Co-operation between teams will improve where it is in the interests of both teams to do so.
4. There is a danger of duplication of resource use if each team has a Marketing department, a Finance department and so on.
5. Rivalry can get out of hand and become destructive.
6. Individual teams can get out of overall management control, especially if headed by a very ambitious person.

Organisation by Product/Activity

Advantages

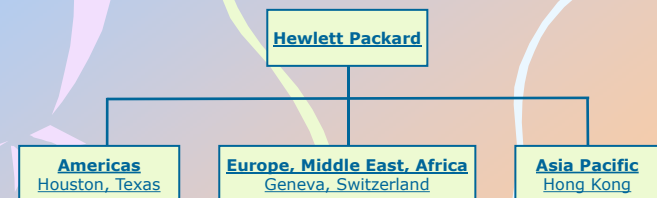
- Clear focus on market segment helps meet customers' needs
- Positive competition between divisions
- Better control as each division can act as separate profit centre

Disadvantages

- Duplication of functions (e.g. different sales force for each division)
- Negative effects of competition
- Lack of central control over each separate division

Organisation by Area

Hewlett-Packard's Headquarters Worldwide



Organisation by Area

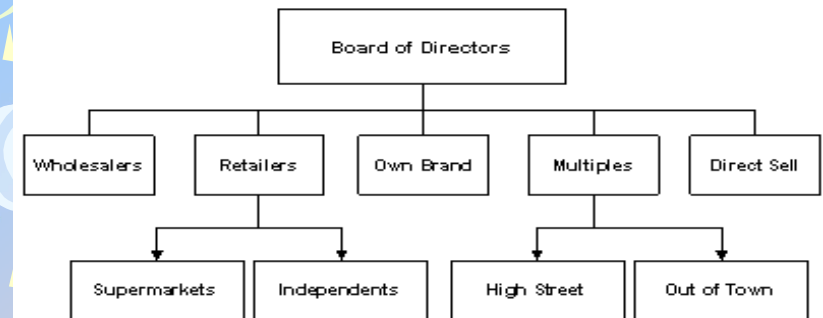
Advantages

- Serve local needs better
- Positive competition
- More effective communication between firm and local customers

Disadvantages

- Conflict between local and central management
- Duplication of resources and functions

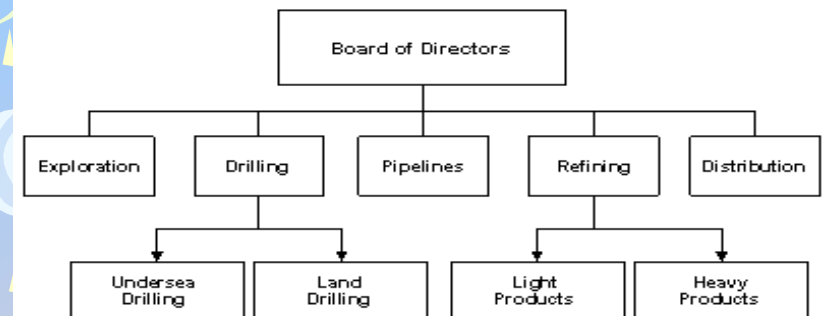
Organisation by Customer/Customer Type



Organisation by Customer Comments:

1. Better response to and focus on local customer needs.
2. Better communication within the locally-based department.
3. Rivalry between departments.
4. Duplication of resource use.
5. Conflict and lack of co-operation between departments.

Organisation by Process



Organisation by Process

Comments:

1. This structure gives focus on production processes which may be appropriate where, as in the example of oil, the processes are quite different with different problems and needs.
2. Otherwise, this is very similar to organisation by function.

Conclusions on organisational structures

All these structures have strengths and weaknesses which a business has to think about before choosing which one to use.

Changing that decision, and re-structuring, is very disruptive and very expensive, so it is better to get it right the first time.

Communications and control are key issues.

Conclusions on organisational structures

The question of focus is also very important, because the structure affects the way employees think about themselves and their own personal objectives e.g. 'I am an accountant' or 'I am a soap-team member' or 'I am a driller'.

It is natural for humans to identify with a group of people (a 'team') and this can be turned to the business' advantage by acting as a motivator and helping to raise productivity.

Conclusions on organisational structures

But it is also an important limiting factor.

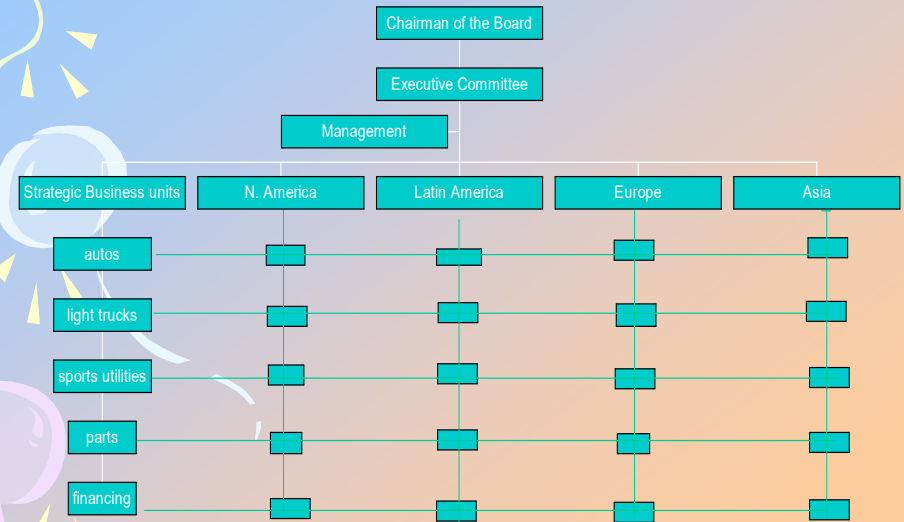
People become very defensive and territorial about the interests of 'their' team and this can get in the way of objective problem-solving.

In the extreme, a business can disintegrate into a bunch of warring tribes where 'revenge' on 'that lot' overrides the business' objectives.

Hybrids Often Emerge to Deal with Problems of Functional and Divisional Forms

- Matrix forms are hybrids
- Some hybrids combine a mostly functional structure with one or more important products or markets, e.g., North America
- Some hybrids combine a mostly divisional structure with one or more important functions, e.g., marketing

Global Matrix Structure



Global Matrix Structure Comments:

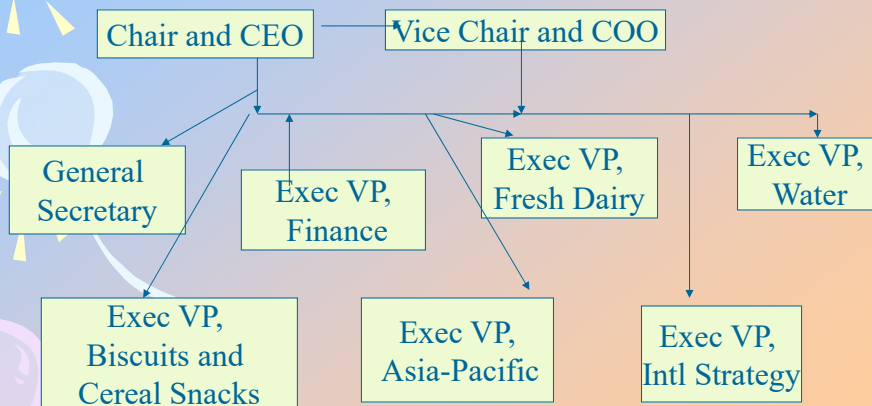
1. This method of organisation promotes focus on customers and their different individual needs. This is a major advantage and helps a business to become market oriented as opposed to the previous product oriented structure.
2. Departments can be organised by market segment which adds to the focus on customer need.
3. It is sometimes difficult to define exactly which group a particular customer belongs to.

Global Matrix Structure Comments:

4. Some customer groups may be small and so individual departments may be inefficient.
5. There will be duplication of resources.
6. Individual departments may escape from proper overall management control.

Combined Functional and Divisional Structure

Danone Group, 2003



Product decision integration into organisation processes main criteria

- **Working time** – is product related decision process main working activity or supplementary activity
- **Time space** for decision process – is product related decision process timely limited or it is ongoing process
- **Position in organization** – on which management level are decision about product made
- **Character of organization** – which size has the organization

On the base of this criteria identified Brockoff working position representing product management related jobs

Product decision integration into organization

Time consuming	Time restriction	Decision making level	Size of company	Name of job position
Full time duties	No time restriction	Management	Small	New product planner
			Big	New product department
		Department	Big	New product group
	Time – limited	Executive level	Big	New product manager, planner
		Management	Small	Project manager
			Big	Venture team
Part time duties	No time restriction	Department	Big	Project manager
		Executive level	Big	Project manager
		Management	Malý	Management
			Big	Permanent new product committee
		Department	Big	Permanent new product committee
		Executive level	Big	Product manager
	Time – limited	Management	Malý	Management
			Big	Ad hoc Permanent new product committee (coordination group)
		Department	Big	
		Executive level	Big	

Product management integration into marketing process

Organization level	Competences	
	Decision support	Decision making
Inside marketing department	Product officer, planner	New product and market manager
Broader as marketing department	Product co-ordinator	Product manager




Product management

Product manager position Lecture 2



Product Manager:

- The person assigned responsibility for overseeing all of the various activities that concern a particular product. Sometimes called a brand manager in consumer packaged goods firms.
- Within an organisation, a person assigned responsibility for overseeing all of the various functional activities
 - (such as manufacturing, pricing, and research) that concerns a particular product.
 - Actual responsibility varies widely, but the common feature is a narrow, product focus on the part of the manager. In some industries, the term brand manager is used in place of product manager.



A product manager's key role is strategic, not tactical



Product manager's key responsibilities

- **Managing the entire product line life cycle** from strategic planning to tactical activities
- **Specifying market requirements** for current and future products by conducting market research supported by on-going visits to customers and non-customers.
- **Driving a solution set across development teams** (primarily Development/Engineering, and Marketing Communications) through market requirements, product contract, and positioning.
- Developing and implementing a company-wide go-to-market plan, working with all departments to execute.
- Analyzing potential partner relationships for the product.

The Role of a Brand or Product Manager

- Prepare Marketing Plan
- Develop Copy, Programs, and Campaigns
- Stimulate Sales and Distribution
- Market Intelligence
- Product Improvements

The Role of a Brand or Product Manager

• Pluses

- Cost effective mix, quick market reaction, attention for small brands, good training for executives

• Minuses

- Conflict and frustration (responsibility and no authority), administrative work with executive expectations, learns products not functions, short horizon, costs of associates and assistants

Main areas of the brand manager's job

- **Market analysis.** Acting as the information centres for their brands, they collect and synthesise all available market data concerning these brands and maintain consistent and complete records of all marketing activities, together with market information and research.

Main areas of the brand manager's job

- **Planning.** Developing proposals concerning the future plans of their brands is one of their major responsibilities. They may participate in the decision-making process, be strongly influential or take a pole position, but do not appear to be the sole decision makers. Their role in long-term strategic planning seems to be less important than their role in short-term planning.
- **Implementing and co-ordinating.** Enacting the brand plans, including brand development and differentiation, is their main role.

Main areas of the brand manager's job

- **Evaluation and control.** Brand managers must also ensure that their brands have the marketing mix to obtain the best outcome and that the budget at their disposal is well invested, with emphasis on the communication aspects of the marketing mix. They may be accountable for the brand's profitability, or the brand's sales achievements against the plan, as they develop the main bulk of the brand's programmes. It has been reported that they may have to evaluate the brand's outcome themselves, but their report may be subjective, as they will have to assess their own performance.

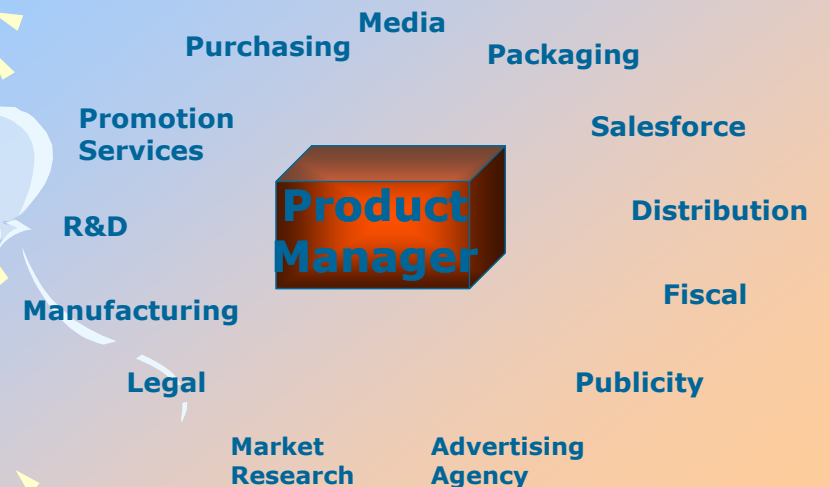
Main areas of the brand manager's job

- **Training.** They must supervise the work of their assistants and may have to contribute, or even to take a leading role in their training. In addition, brand managers may have an involvement in the training and development of sales personnel, or even other colleagues, in issues that are related to their brands. They argue that the time they allocate to personnel recruitment and training is not always enough. Their training role is not investigated in depth in previous research.

Brand Management Prognostications

- **Future of brand management**
 - Customer management vs. product management
 - Cuts across brands and products
 - Managers organized by portfolios of customers

Brand Management Issues



Interfaces of the product/brand manager

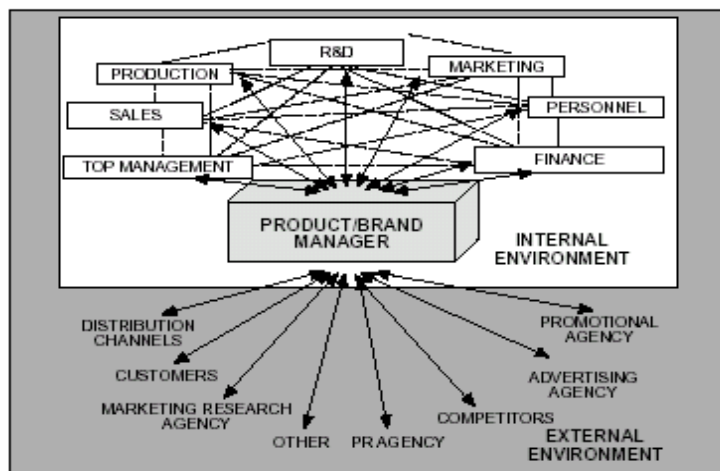


Figure 1. Interfaces of the product/brand manager

Product Management Roles & Salary Industry Compensation Benchmark for 2003

- Each year Pragmatic Marketing conducts a survey of product managers, marketing managers, and other marketing professionals. Our objective is to provide Pragmatic Marketing clients with industry information about compensation as well as the most common responsibilities for product managers and other marketing professionals.
- The survey was mailed to 5000 marketing professionals with 560 responses.

2008 Annual Product Management and Marketing Survey

- Each year Pragmatic Marketing conducts a survey of product managers and marketing professionals.
- Over 1,100 responded to the survey, which was conducted from November 3 through November 26, 2008 using **Vovici's EFM Feedback**.
- Note: When making decisions, remember this report describes **typical** practices, not **best** practices. For best practices in product management and marketing, attend a [Pragmatic Marketing seminar](#).

Product Management Roles & Salary Industry Compensation Benchmark for 2003

- **Profile of a product manager**
 - The average Product Manager is 36 years old; 84% claim to be "somewhat" or "very" technical; 94% have completed college, 56% have some MBA classes, and 47% have completed a masters program; 30% are female, 70% are male.
 - The typical product manager has responsibility for three products.

Product Management Roles & Salary Industry Compensation Benchmark for 2008

- ***Profile of a product manager***

- ***Average age is 37***

Responsible for 3 products

***89% claim to be "somewhat" or
"very" technical***

34% are female, 66% are male

***95% have completed college and
44% have completed a masters
program, rofile of a product manager***

Product Management Roles & Salary Industry Compensation Benchmark for 2003

- ***Impacts on Productivity***

- Product managers receive 65 emails a day and send about 33.

- Product managers spend roughly two days a week in internal meetings (14 meetings/week).
But 30% are going to 15 meetings or more each week and 25% attend 19 or more meetings!

Product Management Roles & Salary Industry Compensation Benchmark for 2008

- ***Impacts on Productivity***

- Product managers receive 50 e-mails a day and send 25.

- Product managers spend roughly two days a week in internal meetings (15 meetings/week). But 55% are going to 15 meetings or more each week, and 35% attend 20 or more meetings!

- Product managers typically work 50 hours per week.

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Responsibilities of product manager

Strategic Activities



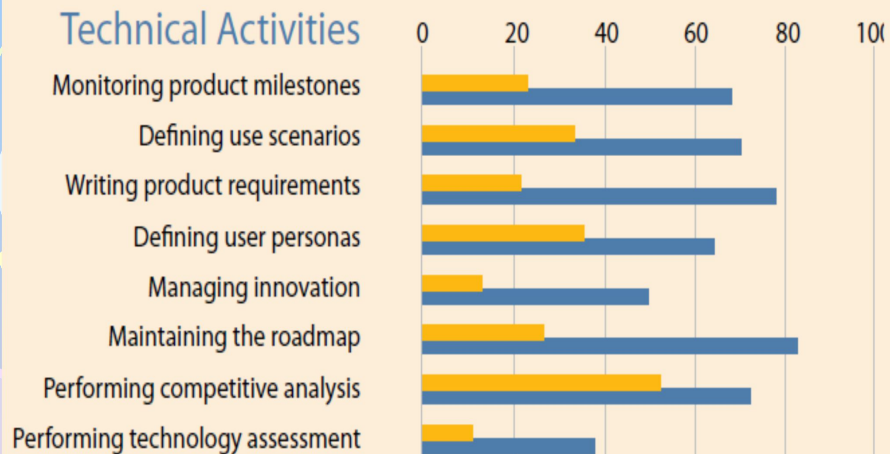
Responsibilities of product manager

Marketing Activities



Responsibilities of product manager

Technical Activities



Responsibilities of product manager

Sales Activities



Product Management Roles & Salary Industry Compensation Benchmark for 2003

- **Working with requirements**

- The majority of product managers are researching market needs, writing requirements, and monitoring development projects.

- 72% researching market needs
- 55% preparing business case
- 24% performing win/loss analysis
- 85% monitoring development projects
- 79% writing requirements
- 50% writing specifications

Product Management Roles & Salary Industry Compensation Benchmark for 2003

- **Working with marcom and sales**

- Product managers also spend time providing technical content for marcom and sales.
- 49% writing promotional copy
- 38% proofing promotional communications
- 38% talking to press and analysts
- 53% training sales people
- 35% going on sales calls

- **Compensation**

- Average product management compensation is **\$91,650** salary plus **\$11,363** annual bonus (as in 2002, 78% of product managers get a bonus)

Product Management Roles & Salary Industry Compensation Benchmark for 2008

- **Compensation**

- Average US product management compensation is **\$100,341** salary plus **\$12,467** annual bonus. 79% of product managers get a bonus (multiple responses were permitted):

- 64% based on company profit
- 24% based on product revenue
- 36% based on quarterly objectives (MBOs)
- 29% say **bonus does not motivate at all** and 16% say bonus motivates a lot.

Product Management Roles & Salary Industry Compensation Benchmark for 2008

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Product Management Roles & Salary Industry Compensation Benchmark for 2003

- **Organization** - the typical product manager reports to a director in the marketing department.
- 43% report to a director
- 33% to VP
- 27% report directly to the CEO
- 23% are in the Marketing department
- 15% are in Development or Engineering
- 10% are in the Product Management department
- 10% are in a sales department

Product Management Roles & Salary Industry Compensation Benchmark for 2008

- The typical product manager reports to a director in the product management department.
- 45% report to a director
- 29% report to a vice president
- 17% report to a manager
- 9% to CEO
- Reporting Department
- 23% report directly to the CEO or COO
- 22% are in the Product Management department
- 19% are in the Marketing department
- 11% are in Development/Engineering
- 7% are in Sales
- 4% are in the Product Marketing department