



DECA

SCHOOL-BASED ENTERPRISE

SCHOOL-BASED ENTERPRISE INSTRUCTIONAL UNITS

PRODUCT/SERVICE MANAGEMENT



EMERGING LEADERS AND ENTREPRENEURS

IN MARKETING, FINANCE, HOSPITALITY AND MANAGEMENT



SCHOOL-BASED ENTERPRISE INSTRUCTIONAL UNITS

TOPIC: PRODUCT/SERVICE MANAGEMENT

Many considerations comprise the marketing function known as product/service management. **Product planning** refers to identifying product features and methods that will contribute to product sales. While it may seem somewhat vague, the concept of product planning is actually well illustrated through a discussion of product mix. **Product mix** refers to the collective group of different products produced by a manufacturer or sold by an intermediary/retailer. Your SBE's product mix may include sweatshirts, T-shirts, water bottles, pencils, and notebooks, among other items.

Deciding on the mix of products it will offer is one of the most crucial decisions a business will make. Let's talk about why this is true. Consider your SBE; regardless of what you sell, you most likely have some competition. If your SBE sells snack food and lunch entrées, you compete with the school's cafeteria and vending machines, as well as any local restaurants where students can dine on their lunch break (if your school has an open lunch policy). If you sell school supplies, you compete with local grocery and office supply stores. And if you sell apparel like T-shirts or sweatshirts, you compete with local businesses selling those same items.

How, then, do you ensure that your potential customers will choose your SBE over your competition? The answer lies not only in the convenience and value of your business, but also in your business's product mix. A wide selection of snack food and lunch entrées will encourage students to purchase food from your SBE instead of from other competitors, just as quality apparel featuring your school's logo will distinguish your clothing lines from those of the competition. Simply put, deciding on a product mix that somehow differs from the competition and meets the needs of your clientele will entice customers to patronize your business.

Different product lines comprise a business's product mix. A **product line** is a group of related products produced by a manufacturer or sold by a business. Perhaps your SBE sells beverages. Bottled water, soda, and coffee drinks would each represent a different product line. Within the line of products are the individual product items—the individual "models" of products defined by brand, size, etc. Consider bottled water. If you sell two different brands of bottled water, each brand represents a unique product item.

Product mix is further defined by its width and depth. **Product width** is the number of product lines within a product mix. If your SBE is a coffee bar that sells only espresso beverages, smoothies, and bottled water, the width of your product lines is three. **Product depth** is the number of products within a product line. Let's continue with the coffee bar example. If the espresso beverages you offer include lattes, cappuccinos, and plain espresso, the depth of that line of products is three, as well.

In addition to product mix, a discussion of the product life cycle can also aid in your understanding of product planning. The **product life cycle** includes four stages—introduction, growth, maturity, and decline.

The **introduction** of a new product is the most expensive stage of the cycle. A business will spend a significant amount of money on advertising in order to inform its target market about the new product. It may also run special promotions to entice customers to come in and purchase the product. Let's return to the SBE coffee bar example. Maybe you recently added the smoothie line. You undoubtedly worked to inform students and faculty of the new smoothies coming to your SBE through

WHY PRODUCT/SERVICE MANAGEMENT?

Product/service management refers to all decisions made by a business about what to sell and how to position those products/services in the marketplace. Your business needs to choose the right products to carry, otherwise the products won't sell and generate revenue.



OBJECTIVES

- Select mix of brands.
- Plan merchandise assortment (e.g., styling, sizes, quantities, colors).
- Determine when to buy/reorder.

posters or announcements. You probably had costs tied up in acquiring the proper equipment and packaging for the smoothies, as well.

Next comes the **growth** stage of the product life cycle. Growth is marked by increased sales and profits, brought about by widespread knowledge of the product throughout the target market. The new smoothies, after their initial introduction and promotion, are very popular with students and faculty at your school and generate significant profits for your SBE. Businesses with products in the growth stage need to be vigilant, however, as competitors will catch on to the success of the new product and introduce versions of their own.

The **maturity** stage of a product is characterized by slowing sales, as the target market is saturated with knowledge of the product. People either have the product, or so many competitive options to the product exist that they inevitably know about it. In terms of the smoothies, perhaps their novelty has worn off as nearly everyone in school has tried and enjoyed them. Maybe a smoothie shop opened just down the street from your school, and students want to sample their offerings. As a result, your SBE sees a leveling off or downward trend in smoothie sales.

Sales continue to slow in the **decline** stage, but they eventually reach the point where they are not generating enough profits to cover costs. At this stage, the business must decide if it should eliminate the product from its offerings or employ a strategy to boost sales of the product. Such strategies include selling or licensing the product, recommitting to the product line, discounting the product, regionalizing the product, or updating or altering the product. Your SBE could choose to eliminate the smoothies in favor of another product, or it could choose to keep the smoothies around. As a small business, though, not all strategies of boosting sales of a product in the decline stage would work for you. Your SBE may see most success in discounting the smoothies or updating/altering them. Maybe you sell smoothies for 50 cents off the normal price for an hour after school, or maybe you decide to update your smoothie flavors.

Branding, packaging, and labeling are other factors of product/service management to consider. A **brand** is simply an identifier of an entity such as a business or product. The identifier may consist of the entity's name, logo, symbol, etc. and serves to distinguish the entity from others. Facebook is a brand. Its logo is a sans serif font in white that spells out the name of the company against a blue background. The simplicity of the name/logo identifier signals to consumers the strength of the Facebook brand as the most successful social network in the world.

There are several components of a brand, however. Among these components are trade name, brand name, brand mark, trade character, and trademark. A **brand name** is the name of a product specific to a business, while a **trade name** is the name of the company that produces the product. For example, Subway is the trade name of the quick-serve sandwich chain, but the Italian B.M.T. sandwich is the brand name of one of its popular menu items. A **brand mark** is the distinctive logo, symbol, or lettering that identifies a particular company or product. The brand mark of John Deere is a deer jumping over the words "John Deere" set against a contrasting background. A **trade character** is, in a way, an extension of a brand mark, in that it is an identifier personified or with humanlike characteristics. Some familiar trade characters are the Lucky Charms leprechaun, the Geico lizard, and Colonel Sanders of Kentucky Fried Chicken. A **trademark** includes all brand elements registered with the federal government. These are designated as registered with the ® symbol.

Packaging and labeling both reinforce brand identity and appeal to a customer's senses. The appearance of a product's package conveys several things to a customer. A damaged or opened package suggests that the product inside is not in perfect shape or has been tampered with. The color and shape of a package also say something about the product inside. A hot pink box or ribbon will catch

KEY TERMS



Product planning
Product mix
Product line
Product width
Product depth
Product life cycle

- Introduction
- Growth
- Maturity
- Decline

Brand

- Trade name
- Brand name
- Brand mark
- Trade character
- Trademark

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someone's eye with its brightness, while a sleek black and white box or bag will appear timeless and elegant. Both a hot pink ribbon and a black and white box have the same goal, however—to attract customers who wish to purchase the products they contain. Labeling provides a great deal of information to the customer. First and foremost, it features the trade name of the business that produced the item. Secondly, it may inform the customer of certain distinguishing features—say, the notes of a perfume, the ingredients in soup, or the size of a pair of shoes.

Knowledge of the product mix, the product life cycle, and product branding is essential to planning what products your business will sell. Only through understanding why customers are drawn to products and how your business can help those products seem appealing and worth customers' money can your business begin to plan how your product mix will set you apart from the competition. Effective planning of product offerings paves the way for efficient management of product issues when they arise.

CLASSROOM ACTIVITY

1. Describe the product mix of your SBE. What is your product width?
2. Choose one product for sale in your SBE. Of what product line is this item a part? How deep is this product line?
3. Describe the stage of the product life cycle you feel the chosen product is currently in. Why do you feel this way? Describe the stages of the life cycle as they relate to this product.
4. When sales of this product begin to decline, what will your SBE do to improve them?
5. Describe the branding of this product. Be sure to discuss trade name, brand name, brand mark, trade character (if applicable), and trademark. How effective do you find this current branding strategy?
6. Describe the packaging and labeling of the product. What does the product's packaging and labeling signify to the customer?

CASE STUDY

It can be difficult to imagine the degree to which the product/service management function affects items we see at the grocery store at every visit or that we use nearly every day. This is true for Kellogg's Nutri-Grain bar—that soft, chewy hybrid of the breakfast pastry and the granola bar. The Nutri-Grain bar is a staple of supermarket shelves, a product so common that it seems to have enjoyed consistent popularity and success since its introduction in 1997.

This is not quite the case, however. The Nutri-Grain bar has recently soared to new success in Britain after a decline in sales approximately ten years ago, a situation that serves as the perfect illustration of the product life cycle stages:

- 1) **Introduction:** Kellogg's Nutri-Grain bar enjoyed great initial success after its launch in 1997. As is the case with many products, the novelty of an item will often encourage customers to purchase it. A number of factors influence whether or not the customer will continue to buy the product in the future, but novelty is very effective in securing initial sales.
- 2) **Growth:** Sales of Nutri-Grain bars continued to grow after a successful launch of the product. Customers who were initially attracted to the novelty of the product continued to purchase it for its taste, value, and convenience. Even more people in the marketplace caught on through positive word-of-mouth and increased promotional efforts on behalf of Kellogg's.
- 3) **Maturity:** Nutri-Grain bars had reached maturity by 2003. Other manufacturers of cereal and granola bars had introduced similar products, and the marketplace became saturated (note that some people refer to "saturation" as a separate stage in the product life cycle). Nutri-Grain bars continued to generate profits for the company, but not to the degree that they did in the introduction or growth phases.
- 4) **Decline:** This period was marked by a noticeable decline in sales of Nutri-Grain bars in 2004. Kellogg's was faced with the decision of how to reinvigorate enthusiasm for a product it didn't want to see eliminated from the market.

The company channeled the most energy and money toward those product variations with the most sales (i.e. the original Nutri-Gain bar and its "Elevenses" version) and reconsidered its promotional strategy for less successful product variations. Kellogg's also focused on new messaging with an emphasis on nutritional value and the dessert-like texture of the Nutri-Grain bar. The result was an increase in sales and a more secure market position for Nutri-Grain.