



So What?

Think about the last product you purchased. Was it a new game for your Nintendo Wii? An oil change for your car? A candy bar on your way out of a store? Have you ever thought about who's responsible for those products and what their job duties entail?

Managing products and services effectively is vital to the success of any business or organization. Products don't just appear on the market overnight—



- Chick-fil-A, a regional fast-food restaurant, spent six years developing a chicken sandwich that costs less than \$4.
- Chick-fil-A's focus on customer service is a key factor in its success.
- Chick-fil-A's commitment to giving back (one day a year!) took over three years to develop.

And that just describes the *beginning* of a product's life! Products also must be well managed through the stages of growth, maturity, and decline. Learn more about product/service management and how it applies to *your* business.

Objectives

- 1 Describe the product/service management function.
- 2 Discuss the phases of product/service management.

You Can Manage: The Product/Service Management Function

No matter what type of business you have, managing your products and services well is a *must* if you want to be successful. **Product/service management** is a marketing function that involves obtaining, developing, maintaining, and improving a product or service mix in response to market opportunities. To understand product/service management better, you should start with a clear understanding of what products and services are.

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Products and services

A **product** can be either a good or a service. A **good** is a tangible object that can be manufactured and produced for resale, along with its associated benefits. Examples of goods include a desk chair, a truck, or a rose bush for your garden. A benefit associated with a desk chair would be having a comfortable place to sit while you work. A **service** is an intangible activity performed by other people in exchange for payment, along with its associated benefits. Examples of services include a manicure, an Internet connection, or an employee search conducted by an outside agency that your business hires. A benefit associated with an Internet connection is being able to check your e-mail any time.

There are two different types of services a business may perform. The first is a **product-related service**, which means that the service is attached to some sort of tangible good. Product-related services may include instruction, maintenance, delivery, credit, or repair. For instance, the connection service you receive from a company such as Verizon when you purchase one of their cell phones is a product-related service. You may even pay one price for the entire good-service package, known as a **bundle**.



Not all new products need test marketing. In some cases, it may not be used because it's costly, delays entry into the full market, may not give an accurate picture of performance, provides no guarantee of actual success, and gives competitors an opportunity to copy the idea while it is being tested.

Commercialization. If a product has made it through every other stage in the new-product development process, it is finally ready for **commercialization**. This is the point at which the product goes into full-scale production, a marketing plan is put in place, service and sales training are conducted, and the product's life cycle begins.

Monitoring existing products

Existing products are those that are already on the market. It's important for product/service managers to keep a close eye on existing products and monitor them in terms of sales, profit, market share, and how well they're meeting company goals and expectations.

Product/service managers may decide an existing product is performing well and needs no modifications. Or, they may choose to add new features or change the design or packaging in some way. Making changes in an existing product often follows steps similar to those used in new-product development. Managers may reposition the product by changing the marketing strategy. Or, they may decide to eliminate the product altogether.

Eliminating weak products

This is also known as **product discontinuation**. Weak products are those with declining sales and profitability. Product discontinuation must be planned carefully to prevent damaging the company's image. Some products can be dropped immediately, but some are withdrawn from the market over a period of time. Some companies eliminate a weak product slowly so that customers have time to find replacements, or they may continue

to provide service for a discontinued product for a certain period of time to retain customer goodwill. Product/service managers *must* weed out weak products, however, because of their costs to the company. Remember, product/service management is all about making the most profitable product-mix decisions possible.

Summary

The three main phases of product/service management are new-product development, monitoring of existing products, and elimination of weak products. New-product development involves idea generation and screening, concept testing, feasibility analysis, product development, test marketing, and commercialization.



1. What are the three main phases of product/service management?
2. How do businesses obtain new products?
3. What are the steps of internal product development?
4. What decisions do product/service managers make when monitoring existing products?
5. Why would a company discontinue a product? How do product/service managers complete this task?



The courses offered by schools are...

these educational institutions. What service... institution? What internal and external... product/service management affect the institution's overall... the institution's current activities in terms of product development, monitoring of existing products, and elimination of weak products?

SAMPLE PAGE

Make It Pay!