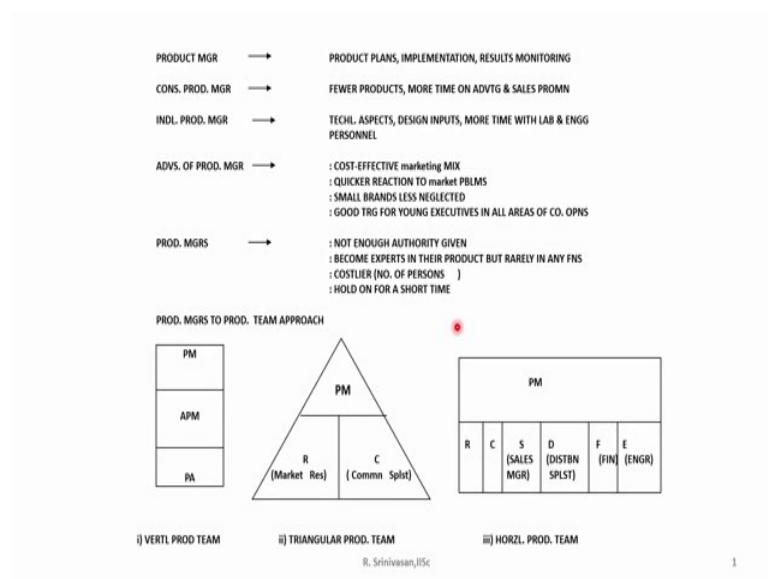


Integrated Marketing Management
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Lecture – 27
Role of Product Manager, Industrial Buying

Welcome to this class just recapping some of the points which we mentioned about product manager.

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The product manager does plan products, that is the product planning he takes care of, then implementation then results monitoring. In other words, he does the planning for the product introduction, then implementation then he also deserves the monitoring, whether the product launch has been successful or not successful what corrective actions required to be taken.

Suppose, he is a consumer product manager he will be dealing with fewer products then he will have more time on advertising and sales promotion. This is required very strongly with respect to a consumer product because many times you may have to give incentives impromptu to promote sales. The job of the consumer product manager is to constantly monitor what is happening to the sales and take immediate actions as maybe called for.

Suppose, he is an industrial product manager then his job concerns mainly to go into technical aspects of the product, then the design inputs. He has to spend more time with the lab and engineering personnel, that is what I mentioned the job of the product manager is highly challenging, it also affords the person an opportunity to interact with many departments. He has the access to any department in the company he can ask for information from any department, but he cannot dictate the line functions how it should be done as I said earlier.

He can ask for information get the information from the different departments, but does not have authority to change the course of action of the functional areas. The advantage of having a product manager as I said earlier could be to get a cost-effective marketing mix. You have your 4 P's this person can do a cost-effective job of those 4 P's. He can provide a quicker reaction to market problems because he is day in and day out concentrating on those products and also he is addressing those market problems.

He is grappling with them day in and day out; if it he calls for immediate action on sales promotion, he can do that provide incentives to increase sales, if it calls for inputs from the lab and engineering personnel he can again interact with them to get that. The great advantage of having is product manager is your small brands become less neglected, so that they do not get neglected. Suppose, you are a young executive who is entering the company this is a wonderful opportunity for him to get trained in all the areas of company operations.

Many youngsters especially the MBA's coming out from reputed institutions, they would aspire to become product managers in companies because they can get a wonderful training in all the areas of the company operations. But, there are some minuses also with respect to the product manager which we have discussed, but again a recap. They are not given enough authority they cannot change the course of functioning of a functional area, they can for information, but no authority given to them to change the course of action in a functional area.

They become experts in their product, but rarely in any functions, that is they become experts with respect to their products, they do product planning, they do implementation, they do results monitoring, but in any of the functional areas their role is limited to getting information only kindly note that.

For an organization, they become a costly exercise because the greater number of product managers you have, the more expensive it becomes you have to incur considerable cost on them. Now, because they get training in all areas of company operations, they are sought after in the market the result is that they hold on for a short time, they may jump from one job to the other fast.

In order to provide a buffer against all this attrition if you want to call that way, many organizations go from product managers to product team approach. There you can have a vertical product team where you have the product manager at the top, you can have one more person under him as an assistant product manager, then a project product assistant at under him.

You have three people working in this vertical product team if the product manager wants to jump from your organization to some other organization still you have the buffer of the two other people. You can also follow what is called the triangular product team approach where you have the product manager at the top of this triangle, under him you have a market research person and a communication specialist very closely working with him. So, again used as a buffer till a new product manager is brought in.

If you have this type of buffers, it reduces the impact of leaving of this product managers in a short time. You can adopt the other approach of the horizontal product team where you have the product manager one compartment here under him you have the research, you have the communication, you have the sales manager, you have the distribution specialist, you have the finance man, you have the engineering persons.

All these are to what do you call withstands; the sudden shocks if the product manager were to hop from your organization to some other organization so as they say, in seeking greener pastures suppose he wants to do that. There is very good possibility he may do it because, he is young, he may be having ambitions and when he has ambitions, he always looks for greener pastures. Nothing wrong with the whole list thing from his point of view; from the organizations point of view, when he wants to exit the organization he should be prepared for that scenario by creating buffers.

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INDL. BUYING	<ul style="list-style-type: none">- INTENTION SURVEYSSALES FORCE OPINIONSEXPERT OPINIONMARKET- TEST METHODTIME SERIES ANALYSIS:-PAST SALES HAS 4 COMPONENTS (MAJOR) <p>: TREND (T) - BASIC DEVPTS IN DOPLN, CAPTL FORMATION, TECHGY; FITTED BY ST. LINE OR CURVED LINE THRO' PAST SALES</p> <p>: CYCLE (C) - DUE TO SWINGS IN GENL ECO. ACTIVITY</p> <p>: SEASON (S) - DUE TO RECURRENT HOURLY, WEEKLY, MONTHLY, QTLY SALES</p> <p>: ERRATIC EVENTS (E) - STRIKES, RIOTS, OTHER DISTURBANCES</p> <p>Ex: INS. CO - SOLD 12,000 POLICIES LAST YR TO PROJECT NEXT YR DEC.'S SALES</p> <p>LONG - TERM TREND - 5% SALES GROWTH</p> <p>- 12,600 (12,000 * 1.05)</p> <p>BUS. RECESSION EXPECTED NEXT YR - ONLY 90% OF TREND - ADJUSTED SALES PROBABLE - 11,340 (= 12,600 * 0.90)</p> <p>IF SALES / MTH WERE SAME, MONTHLY SALES - (11,340 / 12) = 945</p> <p>IN DEC. ABOVE - AVGMONTHLY SALES EXPECTED - AT 1.30 - 1228.5 (= 945 * 1.3)</p> <p>NO ERRATIC EVENTS EXPECTED</p> <p>HENCE, DEC. SALES - <u>1228.5</u></p>
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Let us look at a few points about the industrial buying. When you are looking at industrial buying, you are looking at a few important things; you are surveying the intentions of industrial buying. Why do you want to go in for this industrial buying? The second one is you want to find out from the sales force opinions what is going to be the demand for this industrial product?

Suppose it is a welding machine and you are producing this welding machine, you want to know what will be the type of impact this welding machine can have in the marketplace that is what will be the demand for this welding machine. Now gone are the days where you had welding machines big in size; now, the present-day welding machines are small you do not require an auto to bring that welding machine you can bring it on your motorbike or the two wheelers.

This welding machine its size has come down so drastically that it can be just brought by a two-wheeler to the workplace and then the work done and he goes away with the welding machine which was unthinkable a few years back. This is how technology has developed; the developments in technology they have contributed to terrific improvements in products. This can be witnessed with respect to many of the manufacturing equipments, it can be seen very strongly in the field of electronics, it can be seen very strongly in the field of medical electronics also.

They have developed such a sophisticated catheter in the medical field that it can destroy the blocks without going in for a surgery, and this type of instrument this catheter instrument has come to India also, it is available in the JJ hospital in Bombay, now Mumbai. The result is this is the type of developments which are taking place in products due to changes in our technology or advances in technology.

This big welding machine is now a product of the bygone area, it has become obsolete you do not require such big welding machine now. Suppose you were still in that old times, you are likely to be swamped by the market forces. This is what market does when you are not keeping yourself abreast of what is happening on the technological front.

In order to update yourself on the technological front you must always go in for the expert opinion. In other words, you may be the producer of these industrial products you must go in for expert opinions to find out what is likely to come about that is what are the types of changes that you can expect in the coming days or months or the next few years and how you should be prepared for that. You should try to get yourself advance information.

The very hallmark of a good manager is that he should not get caught unawares, that is he should not get caught unawares by the market developments. He must be able to anticipate what is going to come about and accordingly he should brace himself to the situations.

One very good method of bracing himself to the situations he has to constantly have expert opinions in his field of action that is in his product development field what is going to happen. Besides these expert opinions he must also show some ingenuity that is he must do some market testing, put one product for not into the launch mode, but the trial mode find out what will be how will the market react.

This is what is called the market test method; so, make use of the market test method to find out how the market reacts for the changes in technology resulting in changes in the products which is being offered to the market by the company, put some products even though they may be industrial products for trial in the market.

In other words, you do require some investment to do that and that should be budgeted in the market budget. The marketing budget should provide for some of these types of

expenses. One of the methods of doing these types of market tests method statistically is to go in to a time series analysis, to find out what is likely to be the trends which you can visualize.

If you really see these times series analysis is likely to tell you how your sales is going to get influenced, then only you can understand how the developments in technology are having effect on the sales. The four components of these past sales major components are one the trend. What is the type of developments it may be developments in your say population.

Maybe your product was catering to your particular age group, it might now be catering to that age group might not be interested in your product for some reason that is a market age group might have really shifted away from your product. Maybe it is due to the developments in technology that has taken place and the technology developments that has taken place has given rise to new products which are launched by your competitors all those types of things. Then the result is you are not able to keep abreast of all these things which are happening in the market since you are not having adequate capital let us say that is this capital formation ability is not that strong in the company.

This is a reason for keeping strong reserve base. This reserve basis you should cash upon depending on what the market is wanting to come about. If it wants you to invest in technology to develop new products you should fall back on your reserves and see how our R and D can be braced to meet this situation.

This trend can be fitted by a straight line or a curved line through past sales, you can fit this through a straight line or a curved line through past sales. If it is a straight line it becomes linear, if it is curved line also still it can be analyzed without very strong problems.

The next one is what is happening in the economic activities so sometimes you may find that the economy is booming, sometimes you find that the economy is under recession if you really see this is a debate which is going on with respect to the Indian economy now. Day in and day out if you see the media channels they are highlighting the effect of this economic activities so many people saying that economies is an a downward trend, your GDP estimates are revised.

First, it was that a country's GDP estimates were revised first by the RBI then it has been lately revised by the international monetary fund also. India wanted to grow at more than 7 percent; now, the latest figures which the IMF predicts for the country is just about 6.1 percent. The RBI was saying that it will be about 6.8 percent, the IMF has trimmed it down again to 6.1 percent.

This swing in economic activity maybe due to so many reasons, if you really see in the Indian scenario, the type of reasons that are being given, one is a markets' sluggish. This is especially the reason with respect to the automobile market, if you really see the sales of automobiles over the last so many months, it has been constantly dipping. And even a very strong player a market leader like the Maruti's sales has also dipped.

The result is many of these companies are not able to have full production schedules. You are not for going to produce to stock the products that is a stock you are automobiles that will be a very dangerous precedent. Many times you may have the car of 19 that is you are likely to run into November very shortly.

You produce the car in November you are not able to sell the car even by December, then what will happen you may be able to sell that car in February of next. When you sell the car in February of next your registration gets done for 2020, but the model of the car is 2019.

The model of the car is 2019 before it has come to your hand itself it has got depreciated, kindly note that. Suppose you want to sell your car your model goes has 2019 model, it does not go has 2020 model. Before you can think of selling this car you be prepared for nearly between 10 to 20 percent cut on this value which you are paid for the car. Then the third impacting event could be the seasons it can be due to recurrent hourly, weekly, monthly, quarterly sales.

The job of the marketing man is to keep get reports from the sales team on a continuous basis, it can be with respect to your consumer products he gets his reports on an hour to hour basis what does happen, you can see big outlets. Like, your reliance fresh or big bazaar there the sales managers job is to keep on constantly getting this outputs. How is the sale going this hour, next hour like that so by the end of the day he would like to have a firm opinion on what will be the next day going to be how much stock of which product to be in increased to be reduced all those types of things.

After these are some things under the control of the firm, the fourth one is not under the control of the firm; this is what is called the erratic events. Suppose there is a strike you do not know when there will be a strike. Sometimes the strike can disrupt the economy in a very harsh manner, there can be riots also or some other issue. Some people antisocial elements take advantage of the issue cause riots so, in political parties also come made into the trouble. The result is your business gets hit; your business gets maybe hit other than this strikes and riots due to other disturbances these are all some things beyond your control.

Many times' you find that in a place like Japan earthquake itself is unpredictable today you may be having a normal day, tomorrow all of us sudden you may find that economic activity has suffered due to these certain earthquakes in the region. And this tsunami, the tsunamis can really impact the economy or your first your business then the economy itself drastically.

These are the types of things over which company does not have any control. If it is a strike in your company maybe you may try to avoid it by having discussion or dialogue or trying to have negotiations with the employees, suppose it is getting affected due to some other strikes then you do not have any control.

These are the four components which are likely to impact the past sales, you can just get an idea of how your new products or the changes in products are likely to come about in the next two seasons due to this, that is the trend, the cycle, the season and the erratic events. I would just illustrate to you all this by taking an example of an insurance company.

Suppose these insurance companies sold 12000 policies last year and your job is to project the next years December sales. Then, the long-term trend some indicators are given to you the long term trends are just, let us say there will be a 5 percent sales growth in policies that is in the sale of the policies. If you had sold 12000 policies last year, you can expect 12600 policies to be sold this year, but you are also getting inputs that the economy is going into recession next year. Recession has already set in; the result is the predictions suggest that only 90 percent of the trend adjusted sales probably. You are not likely to have 5 percent over the sales growth, but only 90 percent of the trend adjusted sales possible that is 12600 into 0.9 giving you 11340.

Now, suppose you want to get this monthly sales keeping the sales per month to be the same over the entire year, every month you should get 945 sales of the each policies, but normally an insurance company finds that in December above average monthly sales can be expected, that is you can expect a 30 percent rise in December. So, at that rate you are likely to get 1.3 that is 945 into 1.3 giving you 1228.5 as the policies that may be sold.

Suppose, there are no erratic events expected that is your strikes riots or this other types of disturbances, then you can predict your December sales to be around 1228.5 or 1229 as the case may be, but this is subject to this last trend that is that fourth trend this erratic event does not come about. If it does not come about you can say the number of sales policies that are likely to be sold in next December will be 1228 or 1229.

We stop here, we will continue in the next class.