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INDUSTRY TRENDS
**CONTROLLING POTENTIAL
PRODUCT CANNIBALIZATION**

Controlling Potential Product Cannibalization

Written by Dean West, FASAE, the Association Laboratory

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Today's modern association is creating more complex product strategies than ever before. Unfortunately, this creates a difficult problem for associations. As new products are created, they cannibalize existing products and services. The cannibalization rate is the extent to which the new product takes business away from the association's existing product line. Picture each individual product market as a circle. Where two different market circles overlap represents product cannibalization. By coordinating your product line strategy with market demand and market needs you can avoid cannibalization and lost revenue and sales.

The key to integrating your product strategies is to view your association with a holistic approach. You must focus on combining individual products and services in a manner that benefit the entire organization while minimizing cannibalization between individual product lines. Many associations are organized into individual product silos. Department staff attempt to maximize sales and net income for their individual departments based on tactical program and budgetary goals. Often, this is done at the expense of the overall financial and marketing success of the association.

In order to make decisions regarding product and pricing strategies necessary to avoid cannibalization, you must proceed through the following steps:

- Identify specific product markets and their needs
- Assess the demand for potential new products by each market
- Identify preferred product features
- Prioritize individual product markets
- Assess competition
- Balance vital criteria to identify the optimal product marketing strategy
 - How many people will be served?
 - How much net income will the association collect?
 - How many staff hours will the association need to produce and market this product?

Identify Specific Product Markets

The first step in building an integrated approach to product strategy is to specifically identify the individual markets for each product. The purpose of this step is to create a detailed and unique profile of each particular market currently served by the association. You must first understand who you are serving before you can make decisions on potential new markets.

A detailed market profile may include some or all the following information:

- Individual characteristics of person who specifically purchases product
 - Title
 - Education
 - Etc.
- Organizational characteristics of the company where the individual is employed
 - Geographic location
 - Gross revenue
 - Etc.

What problem does my product solve?

Identify how each market uses the association's product line to solve their individual problem. For example, some individuals may prefer to attend a conference to receive educational information while others may prefer to download this information from the Internet. Is the problem solved by your product unique to this market, or is it common throughout all your associations markets?

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At the end of this step, you want to be able to specifically define the individual markets for each product. You should be able to create a detailed description of the individuals and organizations that purchase each product and the characteristics that make this market unique.

Assess Market Demand

The next step is to analyze your existing potential net income resulting from sales. While a particular product line may generate more units in sales than other products produced by the association, it may be an inferior choice if another product generates more net income for the association's use. By estimating demand, you'll be able to compare different markets and their relative value in terms of sales and revenue. You can begin to assess how valuable each particular product market may be to the association.

Identify Preferred Product Features

What are the features of each product solution? What features are unique to each product vs. common to all products? A unique feature is one that can only be realistically characteristic of a single product. For example, only web-based products allow for 24/7 access. Only conferences allow face-to-face interaction between content experts and attendees. Each individual product market will prefer an individual set of features unique to their desired solution. For example, an individual who prefers to attend a conference may prefer face-to-face interaction with content experts. An individual who prefers to download information from the Internet may prefer the convenience of 24-hour access to information.

There may be characteristics that are common among all product lines, for example, specificity of information to professional needs. As you compare different products to assess cannibalization, the more these individual products share common features, the greater potential for cannibalization. As a result, you want to focus on promoting the unique product features to the most relevant market. Furthermore, you want to create new products that deliver a unique set of product features so that the different markets can easily distinguish them. When you are able to specifically identify individual product markets and assess the characteristics that are most important to each market you will be able to see where individual product markets overlap with each other. In this manner, you can make assumptions on the level of cannibalization that might occur.

Prioritize the Value of Each Individual Market

You have now completed the following steps:

- Profiled each individual market and assessed their product needs.
- Assessed the potential demand for individual products.
- Identified common and unique features to each individual product line.

You can now prioritize individual markets in a manner that allows you to minimize potential product cannibalization. This analysis allows you to assess the relative pros and cons of producing and marketing a particular new or extended product line.

Assess Competition

Who is my competition?

In order to effectively market any product you must understand the relative strengths, weaknesses and capabilities of your competition. This allows you to create a positioning strategy. A positioning strategy is designed to specifically compare your products' strengths to the identified weaknesses of your competition. This allows your target market to view your particular product in the most favorable light, and thus, improve sales.

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Attempt to answer the following questions:

- Who are my most direct competitors?
- What are the strengths of my competition?
- What are the weaknesses of my competition?
- What are the capabilities of my competition?
 - Marketing capabilities
 - Financial resources
 - Historical performance
 - Staff competence

If your product extension or new product introduction is to be successful it must be positioned appropriately against existing and potential competitors.

Evaluate Different Product Marketing Strategies

Now that you understand the relative value behind marketing different product lines you can identify which product marketing strategy delivers the best investment for the association. If you picture each product market as a circle representing potential net income, the area where two market circles overlap represents potential cannibalization. If one circle is significantly larger, then this particular product strategy is superior.

As an executive, you must constantly evaluate which particular product will deliver the best value to the association. Assess the following criteria:

- Which market represents the larger potential for sales?
- Which individual product delivers the greatest potential net income to the association?
- Which specific product is the association most capable of effectively marketing?
- Which specific product is easiest for the association to produce?
- Which specific product represents the greatest long-term growth potential?

You'll want to introduce or continue products that balance three criteria:

- How many people are served?
- How much net income is produced?
- How many staff hours are required to produce this product?

Only by identifying and assessing the size and relative financial and marketing value with different product markets can you make the important decisions necessary to prioritize which specific product line to promote and minimize potential cannibalization between product lines.

About the Author

Association Laboratory is a national consulting firm that specializes in the research and development of marketing and organizational strategy, including professional development, for associations.