

MANAGEMENT OF PRODUCT PORTFOLIO DEVELOPMENT OF A GUIDE FOR THE ANALYSIS OF THE PRODUCT PORTFOLIO

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ABSTRACT

The management of the innovation-products portfolio requires a systematic approach and a collection of forethought and ideas that are not always developed by the company. The ease with which a ceramic company will incorporate new products into its catalogue does not always reflect market needs. This often leads to an increase in stock and the premature death of existing products due to cannibalism. The Castellón Marketing Club has considered this situation and subsequently decided to develop a product-innovation guide especially for ceramic companies with the aim of helping their business management and as a result their economic and social performance.

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1. INTRODUCTION

The appropriate development and management of a ceramic company's product portfolio is becoming a key factor in the profitability of the company. Innovation requires a defined strategy, necessary organisational changes and the cooperation of suppliers and customers in the new product development process.

Ceramic companies have stood out over the last decade for establishing product development policies with the aim of reaching high production and sales quotas. However, results show that in spite of significant product-related and process technology development, sales figures have not reflected a similar evolution. This has led to an increase in the general stock of the Spanish ceramic cluster.

Perhaps one of the fundamental reasons for this is that the product portfolio has been created according to the thoughts and influences that were established by a number of particular, diverse agents within companies. On the other hand, it could be due to the lack of creative advisors with coherent ideas regarding the image the company wanted to communicate. Products are sometimes conceived according to suggestions from the company's commercial department and others are the result of the creative ideas from the design department. Nevertheless, it should be noted that the driving forces of design at the moment are the suppliers of frits, glazes and ceramic colours who have learned how to convert product design into the driving force of sales for their main products; frits, glazes and ceramic colours.

For the same reason as outlined above, a company's product portfolio looks like an amalgam of different interests that exist within and outside the company. From a sectoral point of view, the result is that companies present product portfolios that appear very similar with little difference between them. The company's image is often incompatible with the products being offered. Model super-saturation, amongst other factors, hinders any comprehensive seasonal production planning which leads to an excessive delay in product manufacturing periods. Quality customer service for distribution becomes a problem as a result and this extends to the end customer. The knock-on effect is a loss in potential sales and profit which entails an increase in production costs and in the stock management of the unsold merchandise.

The Marketing Club, made up of a group of people from various business backgrounds, as well as university teachers and researchers, has focussed its attention on this need in the sector and developed a practical guide for innovative product development with the intention of helping ceramic companies improve the management of their product portfolio.

2. PRODUCT PORTFOLIO MANAGEMENT

The dynamics of the market today mean that companies are in a permanent phase of constant change and innovation. The market is an absolute dictator. Companies realise this when they start to experience the first symptoms of obsolescence in some of their products. This may be due to a change in fashion or due to the constant advances in technology, improvements in the competitor's products, modifications in materials or simply because of the disappearance of a need the product once fulfilled (Vázquez and Trespalacios, 1998). This dynamic produces the appearance of new products in the

market that are destined to fulfil the needs that arise for the customers whom these companies are targeting in a better or alternative way.

As regards innovation, the key is in remaining conscious of the fact that the innovation mode affects what is innovated. In other words, the combination of strategy, processes, indicators, incentives and leadership determine the type of innovation that a company will develop. Innovation will occur in one way or another, depending on the type of combination employed. One combination could give rise to increasing innovations for already existing products and services. Another way of combining the same elements results in radical innovations with the capacity of redefining the sector.

In reality, the market indicates that generally, the majority of companies lacking a marketing strategy only start to incorporate this when they start to experience serious economic losses and or witness the accumulation of stock in their warehouses. When companies experience this situation they cease being competitive and if a company does not wish to remain this way, they cannot allow these kinds of gaps in their planning strategy. In these situations, it is recommendable to carry-out on-going studies of the profitability and acceptability of the product ranges. The aim is to take progressive steps towards giving their products the best commercial viability possible.

Nevertheless, from the point of view of experience, it is important to recognise that the decision to abandon a certain product is a difficult and complicated task. There are cases where emotional and rational aspects are mixed with the marketing process. In other cases the company has been linked with a certain product for a long time. And of course there are situations where the product we are considering eliminating has been the star product and cornerstone of company consolidation. In cases like these, the marketing department will try various different ways to extend the life of the product over time. Taking Kotler (2006) as an example for what happens in these situations, *"they start to invent processes to hide its weakness, sales personnel step up their efforts and the product succeeds in being delivered to the business warehouses despite the fact that the customer is not particularly attracted to it."* However, this situation cannot be maintained indefinitely and the product will eventually fail.

Companies with an eye on the future are obliged to contemplate the necessity to carry-out a systematic analysis of their product portfolio. The analysis should not just be applied to tangible aspects such as the profitability of the products, but rather the intangible aspects like the corporate image or the brand image of the company should be kept in mind. The definitive reasons why a product or a series will remain in the catalogue are various. However, generally speaking, a product will be dropped when it has ceased to generate a profit. Nevertheless, it is recommendable in these cases not to remove the product immediately as a series of internal conflicts in the company itself may be influencing its economic viability.

Therefore, before taking the final phase in the elimination of a product, it is necessary to bear in mind the following points:

- *The obsolescence of the production processes.* Profitability failure for many products on many occasions is the result of the low levels of competitiveness

in the existing manufacturing systems. In circumstances like these, the solution to obtaining competitive costs is to renovate the production processes before eliminating the product. The other solution is to sell the company to a multinational or to big financial groups.

- *Management Professionalism.* In too many situations the low profitability of a product is the result of bad product, brand or general sales management. In other cases, it is accompanied by terrible distribution and low marketing activity. In these situations, it is necessary to maximise activity through training and/or the incorporation of better qualified personnel.
- *Collaboration with third parties or subcontracting.* The situation may be that companies have a good marketing team, have a good product and a good market but their production processes are not competitive and they decide to abandon a product because of lack of profitability. In these situations the possibility of employing a third party for production may be viable while companies focus on their strong points. This strategy is characteristic of multi-nationals. The foundation unit of innovation is not the individual; it is rather the networks of people that operate within the company, R&D, marketing, production and also outside it, the customers, suppliers and strategic partners. These must work in an efficient, fast and effective way in order to achieve investment profitability.
- *Specialisation:* As with the previous case, the companies should be capable of discerning what they do well as opposed to what may be improved, either through third parties or simply by recognising that something is not worth developing and that this activity should be carried out by another company. Specialisation does not have to be synonymous with non-competitiveness, rather the opposite. Recognising how to focus the company on what it is capable of doing well in a different way while maintaining market value is synonymous with rationality and the know-how to competently manage the businesses resources.
- *Excessive imitation:* Companies that don't possess any ability to generate new products always resort to the imitation of or copying successful products. Occasionally, some well-known companies have been known to fall into the temptation of imitating or literally copying competing companies' products. These situations often lead to the company having over-sized product portfolios of products that already exist, saturating the market, and thereby increasing the stocks of these companies. Generally, imitations are just this and are barely bring any added value to the company, not to mention profitability. That is to say, if they do not have a negative effect on the corporate image that affects the rest of the company's products.

In any case, once a detailed analysis has been carried out and product elimination is still deemed appropriate, a series of actions prior to this should be contemplated before the final elimination:

- Consider the effects on the collaborators involved, whether should they be restructured or terminated.
- Determine the time duration of service guarantees in effect.

- Establish a convenient minimum stock in warehouses in order to deal with possible future repairs and maintenance.
- What happens to basic material and its stocks used for the manufacture of the product?
- Establish a protocol for the communication to customers and suppliers of the product's phases of elimination.
- Assign the machinery and installations used for the manufacture of the product with an appropriate use, if possible.
- Decide when the final deadline is and who is responsible for carrying out the ultimate elimination of the product. The effective programme should be followed rigorously.

The Spanish ceramic sector, due to its own idiosyncrasy, demonstrates a series of characteristics that particularly accentuate the need for effective management of product portfolios. The main reasons for this being:

- An obvious tendency to over-enlarge the product portfolio due to the non-existence of a product, brand or company image policy.
- A lack of definition in the objectives of the company, either from a commercial or social perspective, means that too often there is an over-abundance of products.
- The lack of knowledge, credibility or inexperience in the management of intangible aspects gives rise to the non-existence of integration between the corporate image, brand and the management of the product portfolio.
- A consequence of the last point is the non-existence of product creativity criteria. Companies should be able to ask themselves questions like, why do we create a new product? What can we really introduce to the market? Does the company make products for sale or does the company manufacture what the market needs?
- Lack of business leadership is also a phenomenon that can become an incompatible element with the company quality or with a large part of the company shares. The lack of clear business leadership leads to the existence of differing points of view in the company regarding what products are included in their product portfolio or catalogue. It should not be forgotten that companies can manage the innovation process and that innovation requires more operational experience and leadership than luck.
- The result of this lack of leadership and a clear company policy causes a subversive or open internal conflict between different departments, between staff members on differing perceptions of the real company image. This leads to the existence of differing types of opinion or simply the existence of objectives that become incompatible or conflictive in the achievement of a goal and result in internal confrontations that impede operations and waste resources through internal battles. This will diminish or limit growth and reduces production. In general, these situations affect

other parts of the company, most of all image, economic, business and social performance.

- This situation arises more frequently than is desired and the consequence of some of these factors previously mentioned is a clear inadequacy between the internal needs and the needs of the market. Apart from very few exceptions, the sector shows a greater tendency towards focussing on production and the product instead of a marketing strategy designed for the customer and the market demands.
- This lack of foresight leads to a situation where it is not clear who should be involved in the product committee. The subsequent error is to create a committee with an obvious technical component and not a multi-disciplinarian and eclectic committee with a wider perspective on the internal and external situation.
- As a result of the previous situation, there is no consensus about the functions to be developed by the product committee. This causes committees to become formal but barely operative instruments with no real value for the company.
- Given the result of this situation it would be appropriate to pose some questions. Within the committee: Is there dialogue or dictatorship? Does the involvement of certain personnel facilitate or impede the final decisions? Who really decides what is to be done and why?
- Finally, another important question should be considered, one which is not always approached with the necessary gravity. In any sector there is an increasing importance for using the product as a communicative element of the company in order to integrate the public personality of the brand. If the company has internal problems this will be clearly reflected in the dimension and compassion of the catalogue. Bear in mind that, at times, the product portfolio, its graphic expression and public catalogue serves as a clear reflection of the soul of the business.

3. PHASES FOR THE CORRECT MANAGEMENT OF A PRODUCT PORTFOLIO

The previous consideration was the main reason for developing a product portfolio management plan and it is clearly adaptable to the ceramic sector. In its development certain internal and external industrial characteristics had to be analysed. Furthermore, the work group is made up of different people from various sectors and industries including the automobile, real estate, consulting, furniture, university and of course, ceramic sectors.

In order to develop the plan/model, various sessions were organised where the different aspects were discussed in depth during personalised sessions and work groups. Given that the creation of a product-innovation committee in accordance with the company size was always the aim, the size of the company was kept in mind during the entire development of the plan. For this reason the optimum size is indicated in the previous phase. The work was carried out between the months of February and September 2007. Finally there were 9 phases, including a preliminary phase which we will now develop further.

3.1. PRELIMINARY PHASE

The objective of this phase is to establish the top company decision-taking organism within the scope of product-innovation. This means creating a product committee whose members incorporate the philosophy and ability outlined previously. A work group should be formed bearing in mind these characteristics. The group should be chosen by the management committee. If this does not exist, the general management of the company should establish who they consider appropriate for the role.

An analysis of the global and competitive environment should be carried out in this phase. The aim is to analyse the entire structure of the company, both the immediate scope (micro-environment) as well as the wider scope (macro-environment). An analysis will be made of direct and indirect competitors, the market, demand, customers, distributors and suppliers and other intermediaries that participate in the distribution process as well as a readjustment of the product towards the end consumer. During the analysis of the micro-environment other aspects will be included such as the legal-political, economic, socio-demographic, technological, and socio-ethic environment.

The analysis is also carried out from an internal point of view. This will include; the production capacity of the company, the internal organisation, human resources, inter-departmental relations, technological capacity, application of processes and products, economics and finance, price and charges policy, the marketing strategy and the product portfolio. Incentive and bonus schemes should be analysed at this point, given that they could be applied to the members of the product innovation committee. It should be done in the style appropriate to its functions and possible repercussions as well as the efficient functioning and future results of the company.

In order to achieve this, the company could and should support new information technologies and in new software tools designed for this purpose. For example, the usual CRM's (Customer Relationship Management), CVM's (Customer Value Management) and ERP's (Enterprise Resource Planning).

The quantified objectives for priority business should be established during this stage. The objectives of the company will be formulated in a quantitative manner, i.e. clear, understandable and attainable. Objective priorities for the company and their numeric results are determined. In the establishment of these objectives it is important to include the participation of all members of the committee given that its implicit and explicit acceptance will facilitate its quick integration and execution.

Moreover, a competitive strategy will be established for the company and the competitive advantage(s) on which it is based. In other words, strategies will be developed that the company should follow to reach its priority objectives marked out and established based on the competitive advantages that are achieved within the company through its development and achievement. It should not be forgotten that the company's competitive advantages reduce its capacity to learn more about its competitors (Urban and Hauser, 1980).

Lastly, the central elements of the company's strategy should be finalised. This means the areas of primary performance where the most general results are ascertained and where in the long term the company will want to build a future through its product portfolio. In order to carry out this task, the company's level of commitment will be established through the product portfolio, the customer and employee need to

bear in mind the social environment around the company. Minimum profit margins that the company should achieve in crisis periods will also be established in order to ensure survival. Finally, a process will be created for the continual improvement of the management team.

In addition to all that has been previously outlined, the goal that is pursued in the previous phase is the strategically guided and organised briefing that the committee should implement. The initial briefing is defined by the strategic approach and is defined and written by the committee itself. As previously stated, the product-innovation committee should be represented by all the main departments of the company.

It is highly important that this phase is developed in a coordinated and correct manner given that the rest of the phases and activities depend on it and, by extension, the economic, social and environmental achievements of the company in the future.

Bearing in mind what has been previously established, chronologically this phase should be determined within approximately three months of the start of the fiscal year.

3.2. PHASE 1: THE CREATION OF THE PRODUCT-INNOVATION COMMITTEE.

Once the previous stage has been outlined along with the establishment of rules, conditions and objectives that will appropriately regulate the functioning of the product-innovation committee we will move on to the next phase, which is the creation of this committee. During this phase the most important thing is to define the multidisciplinary element and the extent of representation of jobs, ideas and functions as was established earlier. As regards the size, we believe the optimum number of people on the committee should be 3-6 in small and medium companies and 5-8 for bigger enterprises.

To restore the level of representation, the company's core strategy should be considered, since the critical areas of the company should be defined from these. All areas should be represented by the committee and members can come from inside or outside the company.

Based on the previous deliberations, we have outlined some suggestions as regards the minimum representation, figures to be considered, and roles to be represented on the committee:

- *Leader:* an administrator or revitalising element of the group who does not necessarily have to know what the workgroup is going to undertake. The role of this person lies more in being the functional instigator of the group, as a motivator and coordinator of ideas than a technician, in the content and aim of this role. This person should be someone who is open-minded and has human social characteristics that allow the easy flow of ideas and content with some criteria.
- *Manager:* a manager of resources who validates the decisions made by the committee. In small companies both these figures can coincide. It is important that the role will provide dynamism and authority to the

decisions that are taken by the committee and that they will provide greater credibility for its functioning and generate both internal and external respectability.

- *Dreamer*: Another important figure is the generator of ideas, the dreamer, the one who provides renewed vitality. This person should be like a creative designer but does not necessarily have to be a draftsman or an artist. Rather, their role is to provide new ideas or suggestions that may be applied to the products and processes. Their source of inspiration can be based in alternative sectors or ideas than that of the company. In fact, their detachment from the company should be the basis for their innovative character in the committee.
- *Expert producer*: Counter-posing this figure is the producer. This person will develop the metamorphosis and production of the idea, in sum the product expert. They should be able to transform the ideas of the dreamer into a business reality if they consider it to be commercially viable. They are a true expert on the current production capacity of the company and its future possibilities, bearing in mind its potential and its technical and human limitations.
- *Consumer knowledge expert*: a psychologist, sociologist, philosopher. They should be able to study and determine consumer preferences, group behaviour and the reactions of the different consumer-types to different stimulus.
- *Market expert*: a business person, someone in marketing with the necessary vision and knowledge to give the committee the appropriate business and marketing focus.
- *Market research expert*: a marketing expert, expert in market studies and able to carry out tests in current and diverse markets as well as knowing the potential of the company. They should be capable of working with the traditional marketing tools, product, price, communication and distribution as well as being able to integrate others like, personnel, service, customer, image etc. In small companies these characteristics and the previous can be amalgamated into the one person.

As with the previous phase, this phase should be chronologically established within three months of the beginning of the fiscal year.

3.3. PHASE 2: GENERATION OF IDEAS PHASE (CREATIVITY) AND FILTERING

During this phase the main objectives are generating and defining attractive elements and characteristics of the essential, potential and improved product and establishing the criteria that will determine the validity of the ideas generated. In order to carry out these aims, creativity will allow definition of the content in quality, design, ecology, ergonomics, techniques, packaging, assistance, brand and presentation, amongst others. An evaluation and analysis process should be determined for the ideas generated for new products in order to define which are coherent with the company goals and which are appropriate for the company's different target markets (Munuera and Rodríguez, 2002).

For these ends, the phase can be divided into two parts:

- The first part is conceived in creativity workshops with people from the company and/or external participants. The objective is simply to apply each of the central strategies to the new products, services or new developments of current products. Moreover, an ideas bank will be established that may enrich the committee and by association the company in general. It should be noted that the creativity workshops should be held periodically, for example, every 3rd quarter, or at least every quarter.
- The second part will entail the filtering or sieving of ideas in order to determine the validity of the ideas generated. During this phase a preliminary filter of interesting ideas by the workshops should be determined. The evaluation criteria of internal and external ideas should be carried out and lastly the extent to which substitution or the accompaniment of ideas can be brought to existing products.

The principle innovation unit is not the individual, it is more the network of people that are involved (R&D, marketing and production) inside and outside (customers, suppliers and strategic associates) the company. These should work in an efficient, fast and effective manner in order to obtain a profit from the investment.

In order to ensure the efficiency of these networks and stimulate innovation, from the conception of an idea until it gains market value, it is crucial to have an effective IT infrastructure in the company that facilitates the interaction and communication between the members.

Currently, obtaining sustained innovative success requires more resources and perspectives than the company possesses. For this reason, designing an organisation in a way that includes a balanced number of external resources is another decisive aspect.

The periodical meeting that we consider optimum for the development of this phase is once every quarter. In other words, it is our opinion that the team should come up with projects and the evolution of same every quarter. However, there is also the possibility of carrying out meetings every two months.

3.4. PHASE 3: THE DEVELOPMENT OF THE CONCEPT

The main objectives sought here are the development of the concepts from the needs identified and the most interesting ideas, bearing in mind the production capacity of the company. The product concept is *"whatever offer that has the capacity of satisfying a need or a desire and can attract the target audience so that the product is acquired, used or consumed. To put it another way, a product concept is an elaborate version of a product idea that is expressed in terms of consumption (Kotler, 2006)"*. In other words, clarification should be made between chosen concepts and those that are most viable in order to determine if all the foreseen elements have been considered in the product idea. The availability and possibility of production or of the company commissioning the service is also an important consideration (Santesmases, 2004).

This phase can be divided into various sub-phases:

1. Sub-phase 1, where the *concept is defined* and which should serve to answer questions such as, what is it? Or who is it for?
 - a. *What is it?* Determine the characteristics and the services of the product.
 - b. *Who is it for?* Establish the profit the product is capable of generating and also the ability to communicate it to the potential audience, or at least the most appropriate audience for the company considering the product design. The existence of the new product pose the following questions regarding the concept or concepts developed:
 - c. *What benefit does it provide?* Establish what is the real competitive advantage provided to the customer, what they really get out of possession, use or ownership. How does it improve their current or future situation in comparison to the previous one.
 - d. *Why use it?* Know what is the real reason why the customer should use the product.
 - e. *What is it used for?* What is its real use, the real use for the customer.
 - f. *How is it used?* How the customer uses the product and services of the company. Determine its end use.
 - g. *Where is it used?* Know where the products and services of the company are consumed or used. Determine the influence the place of use has on purchasing and consumption.
 - h. *When is it used?* What situations lead to the use of the company's products and services? And finally...
 - i. *How much is used?* Establish what are the optimum purchase and consumption quantities for the customer.
2. Establishing the specific objective of the concept, in other words, detailing the specifications of its technical and functional characteristics. This is in order to be capable of clearly specifying the main characteristics that the concept should provide for the audience it is targeting.
3. The *development of alternative concepts* of the product is also useful after the development of the initial product idea. Specific alternative concepts are selected for this that may be more attractive or needed. The alternative projects that are chosen are viable for development in the short-term but also those that imply a greater risk for the company. The idea is to create a balanced portfolio between short and long-term projects of low and high risk and of low and high investment cost.
4. *Selection of chosen concepts.* Once it has been established what concepts are to be further developed, a grading criteria should be established for this in order to determine what are the most interesting projects and which may have the most success. Quantitative criteria are also determined like the impact on objectives and technical or commercial viability.

5. *Concept testing*. Where the technical and commercial viability is determined based on the target audience the company is aiming at. For instance, the characteristics, service and benefits the concept should implicitly cover in terms of the target audience or target reference it is aiming at.
6. Last of all, *the final specifications*, where the acceptance of the product is ratified. In this sub-phase, the necessary requirements are determined in order to move on to the next phase;

Ideas will not become reality by themselves; management and processes are needed. The appropriate management of the innovation portfolio helps to guarantee that growing ideas, normally more attractive from a financial point of view, do not choke the radical more risky innovations, with a potentially higher profitability. How do you convert ideas into profit? The stage-gate processes combine the need to explore the anxiety to get closer to the market. The key for innovation lies in being aware that the innovation method has an effect on what is innovated (Lerma, 2004).

The periodical application of this phase should be every quarter. However the company can extent this to every four months or reduce it to bi-monthly.

3.5. PHASE 4: FORMULATING MARKETING STRATEGY AND BUSINESS ANALYSIS

The fundamental aspects for formulating strategy are determined in this phase including, estimating the size of the market, the structure and behaviour of the target market, the desired positioning and sales objectives, market quotas and profits in the first years (above all, the first two).

The parameters for profitability and sales are also established in this phase. This means, determining the sale price we would like to set, the possible distribution strategy and an attempt to establish the marketing budget for the first year.

Additionally, sales objectives should be established and possible profits in the first and second year along with the marketing mix strategy in the long-term.

It is important to mark out this temporary period as 2 years maximum, given that it is during this time that most products disappear from the general catalogue of a company. If an entire mechanism is not engaged that unites the idea/reality and the idea with the customer/need and the most appropriate manner the product is available to the customer is not established, the product is in danger of failing and disappearing (Lambin, 2003).

As regards the applicability and follow-up on this phase, it is deemed appropriate to apply these measures every quarter. Before the economic year starts, the previously mentioned aspects should be clearly defined. In the third quarter of the year, the first follow-up should be clear even if a more frequent follow is made monthly or bi-monthly.

3.6. PHASE 5:- DEVELOPMENT PROGRAMMES AND MANAGEMENT OF THE PRODUCT

This entails determining the main characteristics that we wish to give a product and its main functions and the end benefit for the customer and for the market. This should all be clearly developed and written-out so that the different employees that are involved in the production and commercialisation process know the real reasons for the product's presence in the market.

A prototype will also be created during this phase. This is to measure the level of acceptance of the product in all its different facets as a physical product and also to evaluate its positioning and pin-point any opportunities in the market (Jiménez et al., 2004).

The prototype will be developed as per the factors determined in the previous phases. If the features are desired or sought after by the business, it moves on to development. If not, the concept will be redefined until a final consensus is reached.

A prototype can be developed that is first tested by the company and later tested by the customers.

The application and implementation of this phase can be diverse and will depend on the technical and functional characteristics of the product and the characteristics of the market it is aimed at. Nevertheless, taking into account the previous ideas, once the prototype is finished it should have a monthly follow-up until its final acceptance.

3.7. PHASE 6: DEVELOPMENT, TRIAL AND MARKET TESTING

In this part the committee should be able to set out the path the product will follow in the market until its introduction. However, it is not necessary to describe the product launching strategy, who will test the product, where and under what circumstances.

Firstly, an internal test is carried out with reliable customers where the company will evaluate the prototype developed in the previous phase. The company can use the Alfa Test (laboratory) for this and the Beta Test (small-time consumers)

First, once the problems have been resolved that were detected in the previous phase, a market test can be carried out where the product is tested on a reference market where tests can be made on a more representative scale.

The application and follow-up on this phase will depend on the production and innovation capacity of the company as well as the needs of the company and the market they are targeting. Taking into account all that was previously stated, the company should establish a period of time for the incorporation of new products and the repercussions this can have on their product portfolio (Thomas, 1996).

3.8. PHASE 7: LAUNCHING AND COMMERCIALISATION

The aim here is to establish the definitive marketing mix for the product and the definitive goals for sales and profitability. During this phase the following should be considered in a definitive manner: Who is this product destined for? When should it be available? Who is going to distribute and sell the product? Where is it going to be available? In what quantity should it be available? The sale price of the product? While bearing in mind the acquisition value and the customer's transaction value and the potential end customer. (Allen, 1994).

The definitive packaging and wrapping should be decided in this phase as well as the communication material that should accompany the product.

Given the level of work and development of products associated with the main product in this phase, and considering the deliberations marked out in the previous phases, its practical application will depend on the previous phases. Nevertheless, if it appears necessary to establish a monthly or bi-monthly check up on the results obtained, the third quarter would be in ideal time to reformulate the objectives if needs be.

3.9. PHASE 8: POST-COMMERCIALISATION AND FOLLOW-UP AND CHECK UP ON THE DEFINED OBJECTIVES

Any possible faults, anomalies or deviations in the product will be detected in this phase. The different check-up mechanisms that should detect any type of variation in the objectives set out for sale and profitability of the new product. The various different mechanisms necessary in order to provide an efficient information and assessment service that is valuable to the customer after they have bought or used the product. In addition this phase allows the company to discover new uses for its products that it can take advantage of for prospective designs or future positionings of the product.

The definition of this phase is important given that customer satisfaction and loyalty largely depend on it. The sale of a product or the provision of a service is not the end of the relationship with the customer, but this is when the true sale begins. The customer is only able to see and to value the true usefulness of a product or service based on its use and possession. Hence the importance of knowing the feelings with use, the customer's satisfaction with its use or while the service is being provided or immediately after this. Only those that are able to differentiate themselves from the rest by offering true value in their relations with their customers and suppliers will be able to handle markets in permanent change.

If institutional advertising really issues that message, why don't companies echo this and put it into practice?

This phase has a longitudinal application since it can be executed from the first day the product is marketed.

4. CONCLUSIONS

A final deliberation should be made that applies to all companies. The planning and creation of new products for the company should be done in a continuous manner following the process described. The technical and human possibilities, company production capacity, relationship with customers and the company's R&D and of course its budget will dictate the innovation capacity and speed. External factors will also be of influence, such as the real needs of the market, the level of competition and the amount of cooperation from other companies.

Trade fairs do not have to be the only link in the business chain where the company can demonstrate its product. They should be employed as a useful arena for the company and an unbeatable stage for public relations. However, it is wrong to believe that trade fairs are the only viable place where the company can demonstrate its new innovations or launch its new products. If this philosophy is followed what happens is that there is an accumulation of new products as they are only launched on the market once or twice a year at most. This means that creative, production and technological resources are concentrated punctually. The repercussions of this are that there is a saturation of these processes at certain points of time, creating collapse and an inability to produce the best quality product, not only in its presentation but also in the subsequent marketing and promotion of the product. If we consider the fact that the majority of companies behave in a similar manner, what happens is that the market for different and not so different products temporally collapses at certain intervals. If we add to this the fact that the majority of the distribution customers are not manufacturing companies the situation culminates in a manifest impossibility on their behalf to provide all the new innovations. If they are incapable of doing this, the situation leads to a saturation in the market that takes place in a cyclical way. It is impossible to exhibit all the products and in some cases it is impossible for the manufacturer, even though they wish to do so, to manufacture them in the right time and place.

Innovation on the part of ceramic companies is frequent. It is something habitual and almost routine in their approach. However, what kind of innovation takes place? The majority of companies invest all their innovative capital in growing innovations. Very few are able to provide radical innovations. Moreover, the necessary organisational changes, the formulation of strategies in order to achieve results, the management of the product portfolio, the possible reformulation of products, the establishment of indicators that facilitate follow-up and the definition of economic and social awards are all difficult to amalgamate in a uniform manner with the appropriate holistic approach. The majority of companies fail to maintain an adequate level of innovation because they don't understand the causal links between the different parts of the innovation management process. They fail to recognise that the innovation method affects what is being innovated. These are leadership errors that lead to half-hearted efforts and mediocre results or simply bad ones. All in all the real challenge for ceramic companies in the 21st century is to find a combination that best suits their needs and characteristics.

The development of this product-innovation guide has one main aim; to become an operative instrument for companies in their commercial planning. With this objective in mind, a multi-disciplinary team was founded whose principle mission was to reflect upon the best method of planning an effective management plan for a product portfolio bearing in mind the previous considerations. They

have endeavoured to incorporate this holistic vision of its planning and application and also the importance of the team that was created as well as the developed guide and work.

The established indicators for the temporal application framework and follow-up should be determined according to the innovation model – how innovation takes place and how its value will be kept – bearing in mind at all times, the inputs, processes and results necessary to achieve the objectives. However, do not forget that competitive advantage boils down to the company's ability to learn more and in a better manner than its competitors.

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