

DIAGNOSIS OF THE RANGE OF PRODUCTS

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ABSTRACT

For some years now the Instituto de Tecnología Cerámica ITC has engaged in product consulting for ceramic sector companies, some of these consulting activities being in the frame of programmes subsidised by IMPIVA and the European Regional Development Fund (ERDF), in programmes such as the PCCP (Consolidation and Competitiveness Plan for Small and Medium-sized Enterprise (SMEs)). These consultancies have arisen as a result of the sector's demand for an analysis of its offer and its way of managing the creation and development of new products from an objective point of view, from outside the company.

The need for an objective, external vision stems from the existence of very broad product portfolios, with commercial strategies at times largely undefined, geared towards distribution and not towards the end-user, where one finds very similar kinds of products which provide no differentiating value with respect to those of the competition; in short, a product often sold based on price to the specifier, without taking into consideration the necessities and desires of the end-user, who, on the other hand, is becoming increasingly involved in the choice of the products that will form his habitat.

On the other hand, such broad product portfolios generate unnecessary expenses, which make no sense to keep maintaining. The most interesting approach is identification of the products with a strong potential to reach the desired positioning. An external consultant or adviser can help the company to fix the key points of a business strategy, essential in today's world, as well as to advise about the best way to attain the planned objectives.

It is fundamental that the company's management team should elaborate a strategy in which all of the departments are implicated: Management, Marketing, Design, Sales, Development, etc. When all are equally involved in this strategy, that is when we can procure smaller product portfolios, which are more efficient as regards market position, rapprochement and customer valuation, at the same time reaping greater tangible and intangible rewards.

1. INTRODUCTION

Greater offer, new habits, new families, new trends, new values, diversity, ecological impact, "time to market", internationalisation of the market, globalisation, ...

This is the reality with which, day to day, companies in the ceramic sector are faced: a world each day speedier and more changeable, immersed in a new global scenario to which we must adapt.

This is the reason that businesses in the ceramic sector can no longer compete on price. Which way should we go? Once quality and technology have been overcome, what is left? We still have many changes of action open to us: providing value, design, innovation, services... But, before doing anything, the company should have a clear picture of itself, its identity, its form, and its aims.

An analysis of its product portfolio could be the first step in identifying its situation, and in visualising and defining its own strategy.

2. THE SIGNIFICANCE OF DESIGN TO THE COMPANY

These days design is still considered by many to be something merely aesthetic. However the actuality forces us to realise its real value as a discipline, which, integrated in the business context, produces improvements in many aspects (productive, technical, commercial, logistic...)

Design, understood as a discipline, conveys differentiation to the product pool, and for the company in general it helps to optimise production and distribution costs, not only making products more aesthetic, but serves to mediate between the necessities and perceptions of the new consumers and the material world of the products. The company that integrates this discipline into its organisation, and into its process of innovation and adaptation to change, greatly improves its possibilities of success in the market.

For this reason, with each day that passes, design is becoming an increasingly critical factor as regards competitiveness, and should be recognised as such, and given the same importance and value as was given to quality and to marketing in their day. Design should and can be managed in much the same way as the other business areas. In order that this management should achieve the success of which it is capable, the designer must not work as an isolated entity, but must work together with the other departments involved in defining products, production, marketing, quality... only in this way can design provide something real and useful for the company. As competition intensifies, design constitutes a progressively more important element as regards differentiation and positioning of the products and services of the company.

Some years ago we could observe how businesses basically competed on price; these days they compete by quality; and in future decades they will be forced to compete through innovation. But, what is innovation? Innovation, as reflected in the Oslo Manual, is not only using the most recent technology, but refers to the whole range of activities in which the company is involved, its products and services, its marketing strategies, its processes and its organisation, and in this context good management of design can be a very useful tool to further innovation in these fields:

- **Product-Service Innovation:** Design helps to integrate novelties, for example, applying new technology and good design management renders innovation real and tangible. It also helps to transmit the philosophy of a service through an adroit use of graphic design.
- **Marketing Innovation:** Design provides a target audience or group with an image, translates the values of the public into design (shape, use, colours, ...).
- **Process Innovation:** It improves the product in regards to its production.
- **Organisation Innovation:** Supported by proficient design management, the company can develop an innovative organisation, which aids internal and external communication, thus strengthening the coherence with the company's strategy. For example: flexible job design...

But innovation, and specifically that which we are addressing here, that of products and services, makes no sense, and will have no success if it is not aligned with a well-defined business strategy, and firmly supported by adequate design management.

3. THE INTEGRATION OF DESIGN IN BUSINESS STRATEGY

Survival and competitiveness in a global market are the objectives of any business venture. To achieve this it is necessary to have a strategic long-term plan, which will dictate the short-term actions, bearing in mind the company's internal and external means and characteristics. The evaluation of its strengths and weaknesses can give foresight of measures that permit it to exploit its advantages and mitigate the negative effects of its disadvantages.

These days, to maintain a strategy based on cost is unviable, especially for small and medium-sized businesses, due to the appearance of producers in developing countries with lower prices, who are also acquiring little by little technology and quality. For this reason, new strategies are required. In fact many of these companies are conscious of this, but their real problem is in repositioning themselves and in visualising an objective and a clear strategy. Perhaps in these cases an analysis of their product portfolio could be the first step in identifying their situation, and in conceiving and defining their own strategy.

4. DIAGNOSIS OF THE RANGE OF CERAMIC PRODUCTS

Due to the sector's demand for analysis of its offer and its way of managing the creation and development of new products from an objective point of view, from outside the company, ITC has realised product range analysis for businesses in the ceramic sector, some of which within programmes subsidised by IMPIVA and the European Regional Development Fund (ERDF), in programmes such as the PCCP (Consolidation and Competitiveness Plan for Small and Medium-sized Businesses (SMEs)).

The objective of these product audits is to create actions adequate for the rationalisation, restructuring and actualisation of the range of products of the businesses in the ceramic sector.

It is necessary to obtain a congruent range of products, without redundancy, which will permit the penetration of the distribution channels in a durable manner

and be efficient from a logistical point of view; and which, moreover, will be an essential factor in establishing the desired positioning, generating a strong brand value as a differentiating and competitive element.

This diagnosis determines the structure of the product range in order to detect unexploited market segments or niches, and thus illumine necessities within the range itself, identifying the most successful products of the company, or those with most potential, as well as those products which bring only a marginal value to the portfolio (for reasons of aesthetic obsolescence, redundancy or overlapping within the range, etc...).

Parallel to the implications as regards the development of new products, the diagnosis allows the establishment of bases for improving the positioning of the existing products in the portfolio, providing recommendations for improving the communication of the company and its offer, and brand image.

The objective of these audits is the definition of the actions necessary for:

- Restructuring the range of products based on clearly defined criteria.
- Bringing the range of products up-to-date.
- Improving the company's brand image.
- Improving the communication of the offer to the consumer.
- Putting into practice the methodology of customer-oriented integral design.

With a view to:

- Increasing the competitiveness of the company.
- Rationalising the launching of new products.
- Detecting sections of the market not yet catered for.
- Avoiding too many products with similar characteristics, a situation that implies dispersing management efforts in regard to development, production, logistics, promotion, and sales.

Apart from establishing certain aesthetic criteria, described below, a series of guidelines are envisaged aimed at providing every product with coherence for its rationalisation. The point of these guidelines is to create a closed series of products that provide concrete solutions for specific environments. The purpose of this restructuring is the improvement in the company image through the offer of a wide spectrum of well-defined solutions, implying simultaneously a clearer and more agile communication, both on the commercial front, and towards the consumer.

4.1. METHODOLOGY

From the point of view of the objectives and the aspects to be borne in mind when making the analysis, a well-defined methodology is applied, which is also flexible and adaptable to every business situation in the ceramic sector.

Basically this methodology consists of five phases:

Phase 1: Gathering information.

Phase 2: Classification.

Phase 3: Detailed product analysis.

Phase 4: Product communication analysis.

Phase 5: Diagnosis and recommendations.

4.4.1. Phase 1: Gathering information.

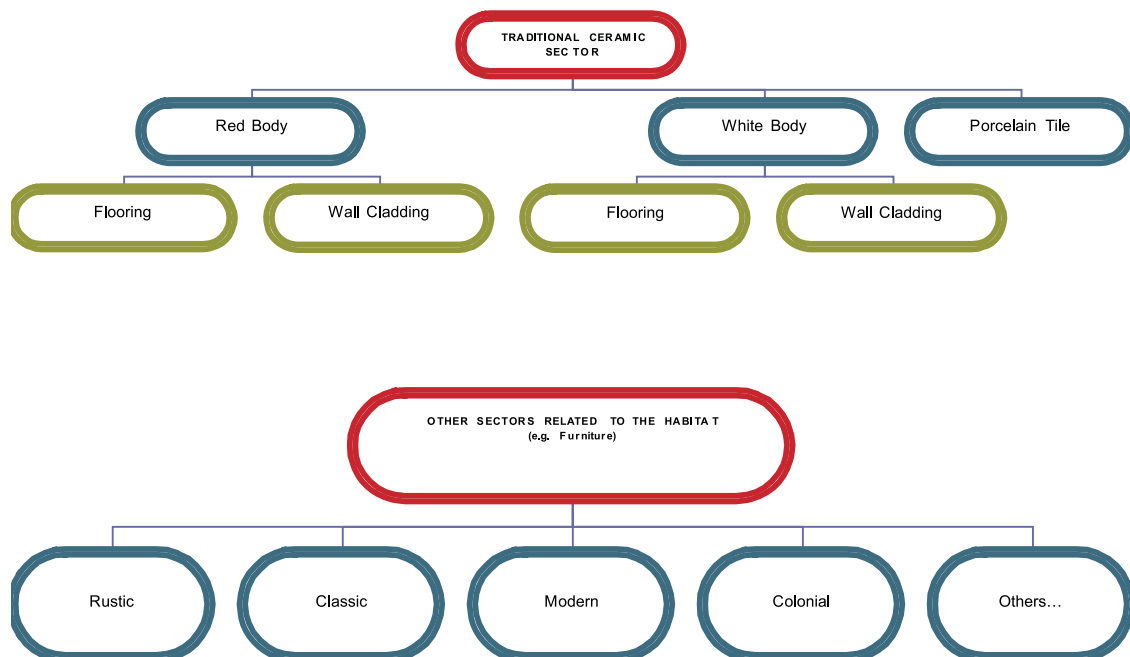
First, information is compiled on the products that are on the market at the time, together with an up-to-date sales report.

4.4.2. Phase 2: Classification.

Once all the information is available, a multidiscipline team of experts in design and trends studies (aesthetic, social and technological trends...) analyse each product and each collection individually, in order thus to regroup and reclassify them based on aesthetic criteria.

The reason for establishing this aesthetic classification is based on the necessity to respond to and approach a demand that is expressed in aesthetic terms and styles and not in technical ones, as is done in many cases. In this way we make the information available to all those clients/users who are unfamiliar with the technical characteristics of the ceramic product.

The following diagram shows a comparison between the traditional classifications of the ceramic sector and those of another industrial sector, namely the furniture sector.



The aesthetic styles established from the point of view of their ceramic application are defined below. It may be pointed out that these three styles are periodically revised in order to bring them up to date, highlighting the modern, since it is the most variable.

Rustic Style

Within this style we find all those types of decorations that refer to Nature and to handmade or hand worked products. In this way, the transformation of natural materials by man is the central element in this kind of product, and here we find stone carved and worn by the passage of time, handmade terracotta, and hand-painted or engraved decorations.

This style may be divided into traditional rustic or renewed rustic. Within this last group we find all the collections in which a considerable degree of modernisation has been applied to the traditional rustic style.

Classic Style.

By this we understand the product whose appearance, providing no formal innovation, is based on historical references, though not only Greco-Roman ones, but also those harking back to neoclassic and baroque aesthetics. The coverings in this case are essentially based on marble imitations, although other decorative techniques such as stucco, marquetry and marble inlay also characterise this type of product; the ornamental elements that occur most often are the Greco-Roman friezes and the use of volutes, with or without relief. A common characteristic of this type of product is the use of a wide range of trims or special pieces complementing the base ones.

Within this broad group we can distinguish two varieties: the historical classic and the renewed classic. While the first of these stays faithful to historical references, in the renewed classic more synthetic and modern embellishments appear.

Modern Style.

This type of product offers a more carefree, gestural and up-to-date decoration, in keeping with recent ideas; decorations characterised by abstract textures typical of plasterwork or glazed ceramics. The colour palettes for these are vivid and offer many variations.

Within this style we can find two large groups: Moderate Modern and Renewed Modern. In Moderate Modern we find collections in which a figurative abstract decoration predominates, using figures and gestures already established in the market, and accepted by the public. In contrast, the Renewed Modern style includes all those options whose clearly innovative aspect brings them close to the most recent trends.

4.1.3. PHASE 3: Detailed product analysis.

Having reorganised the product portfolio, based on aesthetic criteria, each product and each series of products are again more deeply analysed.

It is now that we look for coherence and rationality in the pieces forming a collection or group of models, in this way obtaining collections that offer one, or various, solutions for the décor of a space with a specific style. This will imply an optimisation and indeed a reduction of the references used.

Thus the following guidelines are established:

- Aesthetic coherence within a particular collection or group of models.

Here we refer mainly to the way in which different decorations, coexisting side-by-side, should tend towards a single style. The existence of various decorations can be justified only by the value they provide; they could coexist, therefore, if they responded to different uses (bathroom, kitchen etc), or if within a single use they were transformed into a polyvalent décor (for diverse markets or clientele), sufficiently differentiated to provide that value of “choice” framed, however, within a single aesthetic taste, as a grouping concept or criterion.

- Format coherence between the pieces forming the same collection.

Here we observe two aspects relative to the format. In the first, there is the relation of the format to the aesthetic style, and in the second we study the compositional relation between the different formats in a single collection..

- Adequate colour ranges and palettes without chromatic overlapping.
- Creation of collections capable of selling complete environments and not just individual pieces.

4.1.4. PHASE 4: Product communication analysis.

In this phase we examine the way in which the company directs itself towards its outside world; how it communicates and presents its product offer, usually through a catalogue.

The aspects analysed in this sense are the following:

- Names.

The collections should form families of aesthetically coherent pieces, and in the same way the names of the pieces should do the same, and be useful thing for the actors involved.

- Environments.

Ceramic material becomes a finished product only when it is finally installed in its service application. Ceramics should be increasingly sold as environment habitats and not as individual cladding pieces. For this reason, great importance should be attached to correct, attractive environments, which reflect the collection’s spirit as well as the lifestyles of the targeted users.

- Usefulness.

The user must be able easily and quickly to understand all the graphic documents.

- Leading role by the product (habitat environment) being sold

The use of appropriate colours and formats in the graphic design is analysed.

- User-orientated classification.

In this sense it is important to identify the different kinds of catalogue user and adapt it to their necessities.

PHASE 5: Diagnosis and recommendations.

The result of the diagnosis and the evaluation of the range is presented as a series of recommendations which are subordinate to the level of sales of each and every collection or model and to the markets to which they are directed, it being possible that several aesthetically similar collections or models do not enter into competition with each other since they target different markets. This series of recommendations is aimed at rationalising and restructuring the companies' product range.

In order to realise this series of recommendations and conclusions, the team of designers and the trends expert work together with a marketing team, thus forming a multidisciplinary team capable of providing a comprehensive view.

4.2 CONCLUSIONS

Most of the companies in the sector have based their strategy on product costs and quality without, in some cases, taking into consideration the product's targeted end-user. These days, we are faced with a highly competitive situation as regards costs, and wherein all national and foreign companies can boast a heightened technical quality, a situation that calls for forms of differentiation, wherein innovation and design play a key role. And in this case the word innovation refers not only to technology, but all of its aspects.

Thanks to the experiences of recent years we can establish some common results that reflect the reality of the ceramic sector:

- The branding of some companies should be strengthened in order to enhance differentiating values, in regard to national and international competition, which has strengthened aspects such as for example, the "Made in Italy" mark.
- Sometimes the product does not reflect a global philosophy. This is due to the fact that the producer allows third-party production of complementary pieces to the basic ones that they themselves produce, without providing previously a clear definition of the required product, a fact that in no way facilitates overall coherence. They should rather consider projects with clear objectives, directed at specific users. For this, the use of multi-

disciplinary workgroups is indispensable. Teams that include sales, design, development, marketing, areas, etc. will assure quicker production and will provide coherent products in the entire process.

- Many companies are characterised by a large saturation of products in the distribution channels and often by the excessive projection of new models or product lines that have neither continuity nor the expected market acceptance, whether due to factors of design, commercialisation or distribution, but which, in any case, presupposes a great effort by the company as regards design and product development, production, storage and commercialisation. Moreover, companies tend to be reticent when it comes to cutting products, which leads to over-large product portfolios.
- These portfolios, apart from their excessive size, tend to be homogenous, causing overlapping between products of the same company, saturating some corners of the market and leaving others uncovered.
- Most companies in the sector that do have a design department attach little or no importance to it, and it plays no role in decision-taking. It merely provides the product with an aesthetic appearance, which satisfies commercial opinion, without becoming part of an innovation strategy or new product launches.
- Many ceramic companies are characterised as being traditional family businesses, where decisions about incorporating novelties in the catalogue are highly influenced by personal, subjective decisions, and not by a multi-disciplinary team or committee capable of taking objective decisions.
- The ceramic product of high technological value cannot count on a brand to endorse it as a star product on the market.
- Most of the information about new items to be developed is brought by sales representatives, agents, and company representatives. This implies a great risk when it comes to launching new products, and reflects a lack of corporate strategy.

The recommendations and proposals put forward after the analysis of a product range can help to resolve some of the detected deficiencies. It is important to take these findings of the product range analysis as a working tool. The company should exploit it fully and from there detect and define action plans, selected and prioritised in relation to company strategy, which will little by little help achieve the planned objectives.

But none of this has any meaning if, within the company, design management is not set on the same level as other management tools, such as accounts, production, logistics, etc.

Good design management, which is critical and analytical, harmonising with the other departments, and not subordinate to any of these, will allow improvement not only of the physical appearance of the product, but also of its position in the market, and a greater proximity to the end user.

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