

THE ART AND SCIENCE OF SUPPLY CHAIN PLANNING

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SEGMENTATION OF THE PRODUCTS

- What's a product segment?
- Prioritisation of high-margin products
- The harmonisation of the priorities among products and customers

From a pure sales perspective, all products should be available for whenever they can sell them. But it's not possible to support that kind of model, for obvious financial reasons. Not unlike customer segmentation, all products are not equal.

What's a product segment? Think about a prioritised grouping of products. How would we prioritise or how would we segment products? Well, we have some products that give us high margin, that affect our bottom line.

“What happens if we segment wrong or don't have any segmentation at all?”

We have some products that are very high volume. We have some sole-sourced products, that we are the only producer of. If we can't build that product, our customers can't go anywhere else. And we have brand new products.


We have products in design, that use resources as they are being built. And then we have products that are end-of-life that are being discontinued. What happens if we segment incorrectly or don't have any segmentation at all?



Well, we're going to miss our financial goals. If we don't prioritise our high margin products, we're not going to make our profits. And if we don't prioritise those new product launches appropriately, we're going to miss our product roadmaps and incur a great deal of financial pain. We may even realise low customer satisfaction because we're not meeting the requirements of those customers.

Think about products as they progress through a lifecycle. We need to re-evaluate that segmentation periodically. What is a new product that's being launched today is eventually going to be discontinued, and priorities will change as will the segment associated with them.

Segmented products and customers have very different priorities, so we need to understand how these work together. But there are other priorities as well. How do we bring them together? Let's discuss that in the next topic.

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