

Product Manager's Desk Reference (3e)

Illustration Insights – Chapter 19 – Figure 19.1

Product Discontinuation

In the figure below, the portfolio investment buckets have been organized them so that you can begin to examine your own firm's expenditures in each of the categories. Note that there are two columns, "prior year spending" and "current year spending." Those serve as reference points. To take full advantage of this template, try to examine spending in any of the buckets over a longer period of time. Think of it as an auditing exercise where you get to see if the money you invested yielded positive returns. What you'll learn is that a lot of money probably went into programs that didn't provide adequate results.

PRODUCT DISCONTINUATION TEMPLATE

Name of product:

Date of original introduction:

Name of product manager:

Date of this document:

SECTION 1. EXECUTIVE SUMMARY

As with any Executive Summary, it is completed after all of the work is completed. This summary should tell, up front, what course of action should be taken, over what time frame; what remaining commitments must be managed; and any financial, human, or operational resources needed to support discontinuation. The Executive Summary captures everything discussed in the plan, including explicit statements or recommendations to management.

SECTION 2. HISTORY AND CHRONOLOGY

Providing a historical chronology or retrospective helps to put the product's performance and its associated metrics into perspective. You will describe how the measurements have been tracked over time and which market signals were acted upon. Some of the data that might be offered include the product's functional evolution, competitive place in the market, financial history, market share, and anything else that would characterize how and why the product has reached this phase.

This section should also provide descriptive data about what actually happened to the product and why its performance waned, explaining carefully what led to its decline and loss of business. Alternatively, if the product is being discontinued because it's been replaced, this, too, should be mentioned. Further to this point, this would have been included in the replacement product's Business Case, so you will also want to refer to that documentation.

SECTION 3. PRODUCT DESCRIPTION AND RELATED ORGANIZATIONAL OR PORTFOLIO IMPACTS

This section describes the product, explaining its purpose, the market segments on which it focused, the needs it addressed, and how those needs have changed, or possibly how competitors were able to take away market share. As suggested in the previous section, you should reinforce the point if another product is replacing the product being discontinued and talk about any migration planning.

Other portfolio impacts may also be important to discuss. The team's job is to make sure that the removal of this product would not cause other products in the portfolio to be exposed to undue risk, and this section should show how the team plans to address these risks.

SECTION 4. BUSINESS ASSUMPTIONS

As products are considered for discontinuation, there may be some residual sales activity. Additionally, some expenses are probably being incurred, and some operational support activities are taking place. In this section, a forecast should be derived that estimates any anticipated future product sales. Other financial assumptions should also be considered, including pricing, costs, and any other expenses directly attributable to the product.

Furthermore, and if applicable, a list of customers should be assembled so that all contractual relationships are uncovered and all terms and conditions for all customers are fully understood. These become part of a plan for a critical subproject, designed to find out when these customers can be communicated with, how long you have to maintain spare parts or telephone support, and any other commitments that would keep you from shutting down support mechanisms.

If your product is made with outside parts or components, or sold with partners or distributors, all of these business relationships need to be understood so that all contractual situations can be reviewed, and so that termination conditional clauses might be triggered. For example, a "last-time" stock order might be a restrictive condition with a supplier.

PRODUCT DISCONTINUATION TEMPLATE

SECTION 5. FINANCIAL DATA

The assumptions derived from the previous section related to any near-term revenue and expenses, plus the costs of maintenance and support, need to be put into standard financial P&L statements.

If there are asset positions that need to be liquidated, Balance Sheet data must indicate items like remaining book value and possible write-offs. Additionally, there may be inventory positions that require consideration for disposal, or that may have to be set aside for spare parts. Conversely, final builds may be needed in order to shut down assembly lines or to avoid having to set up a line in the future (which could be very costly).

Anything of a financial nature that requires sustaining resources, facilities, or other expenses must be included in this financial profile. These results should be distilled and reported in the Executive Summary.

SECTION 6. PROJECT PLANS AND SCHEDULES

The discontinuation process is carried out over time. A phase-out plan is very helpful to guide a cross-functional team's activities during this time because it provides exhaustive detail about what happens and when. The following list of tasks may help you construct and describe the phase-out plan:

1. Write letters to customers describing the intent to discontinue, in the time period allotted. Some customers may require one- or two-year notifications and multiyear support arrangements after that period (it can actually take five years to discontinue support on certain kinds of business infrastructure products).
2. Determine how long inventory can be held prior to its disposal.
3. Develop an inventory disposition plan.
4. Determine the spare parts stocking requirements, according to contract provisions, usually starting when the discontinuation notices are sent out.
5. Determine if any regulators have to be notified, and when.
6. Determine the shutdown process for operational support systems, possibly including the following subtasks:
 - a. Turn off ordering and billing systems.
 - b. Remove part numbers and descriptions from catalogs.
 - c. Recall any software from escrow accounts.
 - d. Recall all product and sales documentation from sales offices.
 - e. Develop internal communication plan and set dates for notifications to be transmitted.
 - f. Develop communication plan for partners, suppliers, or customers, and set dates for notifications to be transmitted. Make sure to secure Legal department approvals.

SECTION 7. RISKS AND CONTINGENCIES

Not every discontinuation is going to go exactly as planned. Situations will arise where a customer may take legal action to prolong support for the product. It may also be learned that components for this product are used in other products in the company (e.g., a memory card, a wiring harness, etc.), so if you discontinue your product, it might cancel critical supplies of another, active product. On a product's bill of materials, shared components or product elements should always have some kind of indicator where the component is shown to be used on another product.

SECTION 8. RECOMMENDATION

Just like any planning document intended for management authorization, a clear recommendation should be provided.

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