

A PURPLE PAPER

The Balancing Act:

Issues and Opportunities in Product Portfolio
Management

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The notion of balance in a product portfolio has many dimensions: key among them include lifecycle (managing new vs. established products) and revenue contribution (balancing revenue across product lines), as well as being watchful of becoming too reliant on any single “hero” product for revenue contribution.

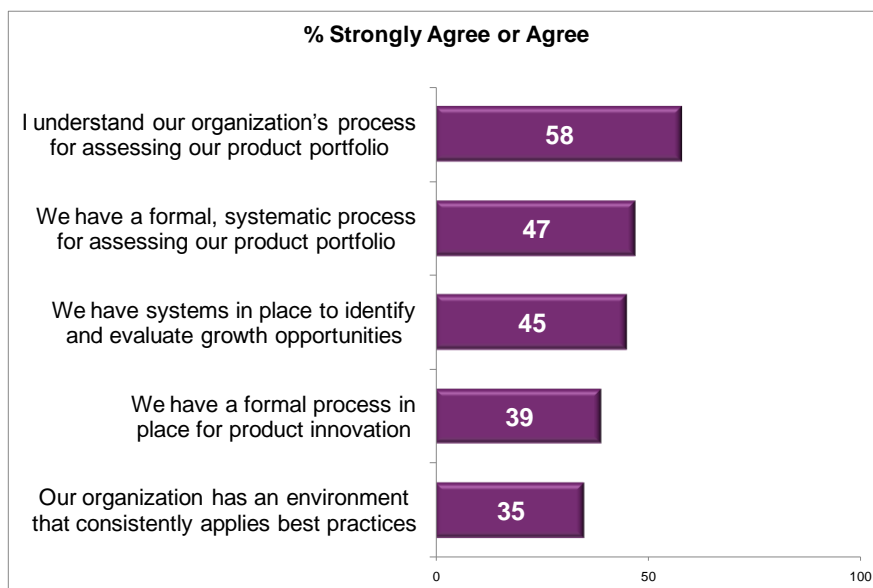
Market Directions, as a member of The Pert Group surveyed marketing professionals to better understand needs, issues and opportunities associated with managing their portfolios. Responses were collected from members of the following associations: American Marketing Association, Business Marketing Association and Marketing Executives Networking Group.

The survey revealed that portfolio product management continues to be a challenge for companies both large and small.

How Are We Doing?

Only 47% of those surveyed agreed that they had a formal process for assessing their portfolio. Additionally only 45% agreed that they have systems in place to evaluate growth opportunities.

Current Process



What do these data suggest? First, consider validation. Senior executives who believe they have a formalized portfolio management process in place should check-in with the organization to ensure this process is truly in place, and functioning properly.

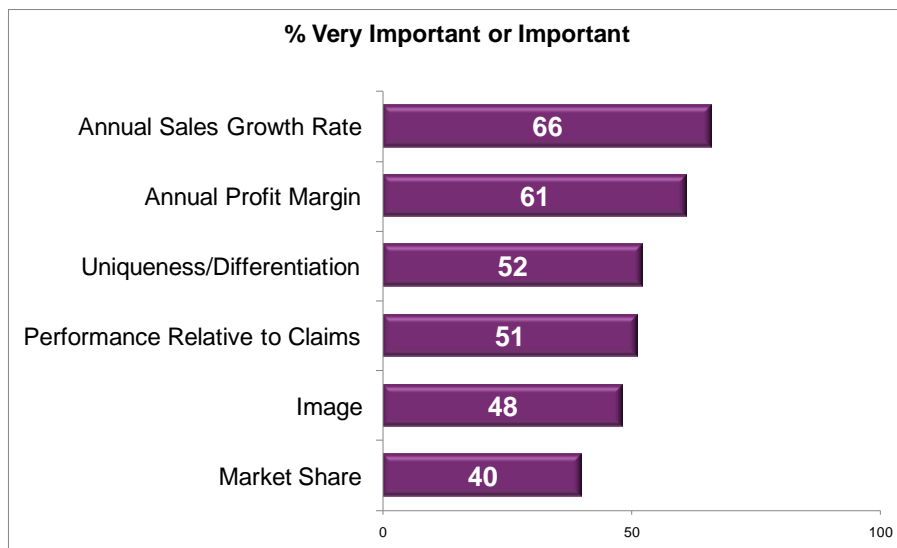
Next, consider taking a hard look at the process. Strive for clarity: clarity in ownership, clarity in outcomes and clarity in functional tasks. Rarely will you hear “it’s just too clear, I don’t get.”

Measuring What Matters Most

When respondents were asked about product portfolio metrics, some key findings float to the surface. The below chart highlights the top metrics, ranked by importance. These data suggest that “money talks”, as Annual Sales Growth Rate and Annual Profit Margin rank as the most important measures.

Recognizing that products may be in various stages in their lifecycle, Market Share appears to be less important as an absolute number as long as products are demonstrating profitable growth.

Key Product/Service Metrics



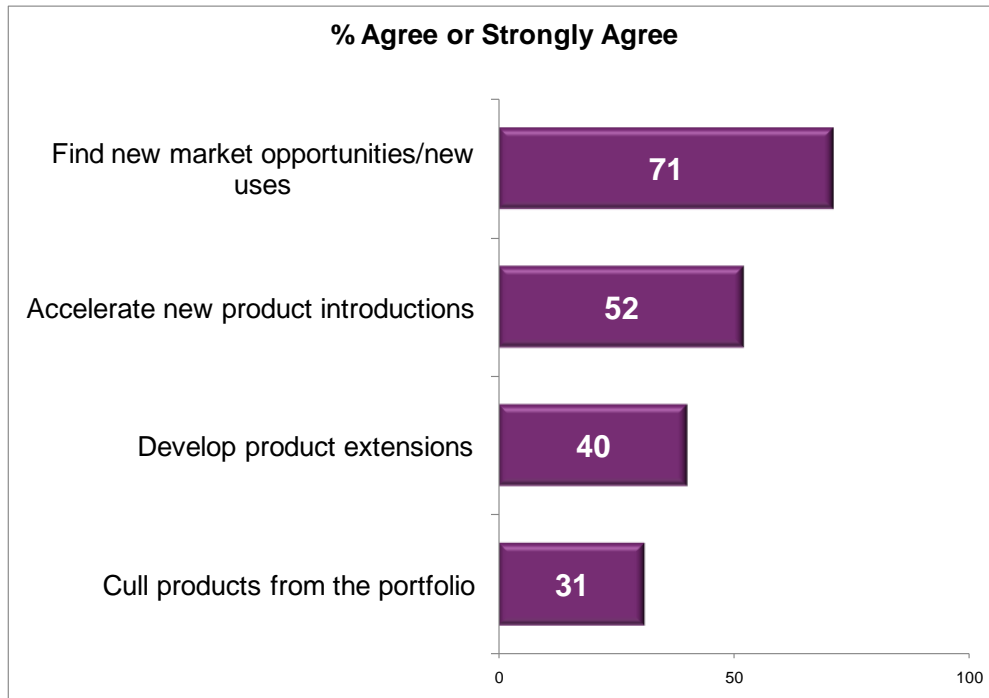
It may also be helpful distinguish *outcome* measures from *driver* measures. Sales and Profit may be considered outcomes derived in part from the three measures that follow (Differentiation, Performance and Image).

What’s the point? Don’t get so focused on the outcomes that you lose sight of the drivers...much easier said than done given today’s economic environment.

Improving Performance

Isolating new market opportunities appears to be the most effective action taken to improve portfolio performance. Additionally, accelerating new product introductions is viewed as an effective step.

Most Effective Actions Taken



Not surprisingly culling products is seen as a “last resort” tactic. There are likely multiple reasons for this. First, and possibly foremost, is admitting to and gaining agreement that a product has lost relevance or can’t be adequately supported to hold a spot in the portfolio. It’s also likely that sunk costs and current customers loyal to the product influence this reasoning. In business, the news of “adding” is typically considered a positive, while news of “cutting” may come across as a negative...even if it is the right business decision.

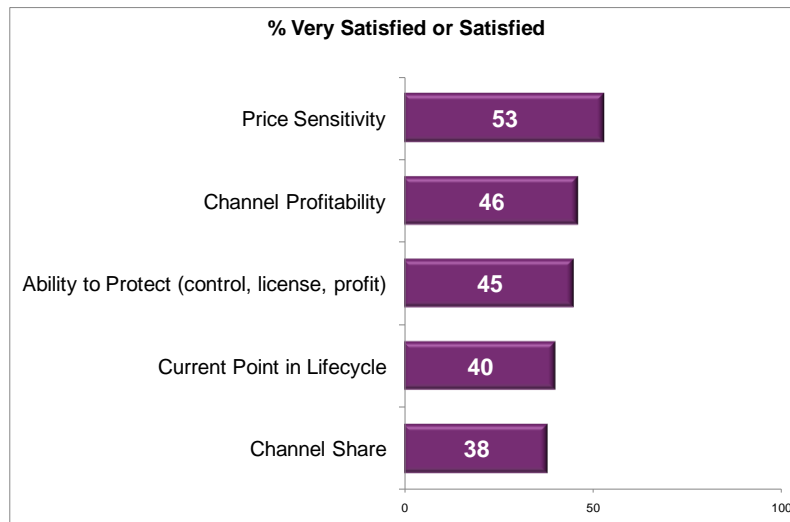
When considering taking the action of culling products it is important to strive for intellectual honesty in exploring new markets and in accessing product potential.

Measurement Challenges

Understanding measurement satisfaction allows us to isolate those areas in which companies are most challenged in data acquisition, translation or transparency. These would be the data “pain points” involved with managing a product portfolio.

While overall Market Share may be an accessible data point to many companies, interpreting Channel Share appears to be a more challenging metric to isolate.

Measurement Satisfaction



Not surprisingly, defining where a product is in its lifecycle also is a challenge for many companies. This may in large part be due to the multiple factors (and opinions) involved in pinpointing this key metric.

Summary Point of View

- **Process Orientation.** Most companies have some portfolio management process in place...the extent to which it has been institutionalized and fully adopted is the greatest variance. Overall opportunity exists to strengthen this area.
- **Most Effective Actions Taken.** Seeking new opportunities for growth has and should continue to be the leading action taking in portfolio management. Additionally, companies need to be able to let go of products which no longer add relevant value.
- **Metrics Orientation.** Not surprisingly marketers tend to be oriented toward those portfolio metrics which focus on growth and profit. They may, however, have the opportunity to preempt potential negative downturns by staying focused on key driver metrics.
- **Measurement Satisfaction.** Likely the most pervasive and impactful metric challenge is isolating where a product is in its lifecycle. Internal metrics need to be developed, and adhered to, such that this topic becomes less of a subjective debate and more an objective data driven conclusion.

ABOUT THE PERT GROUP

Our goal is simple: to help our clients grow their businesses and their brands. How? By establishing business decision clarity.

We are The Pert Group, a top research-based consulting firm for business leaders who require straightforward, meaningful results that lead to clear, significant decision making.

We begin with fact-based evidence integrating attitudinal and behavioral research, which allows us to create clear strategies for business growth based on fact-based insights, and our team of **market-focused experts** works closely with our clients to consistently relate our work back to their goals and strategies.

Using a balance of creativity, forward thinking and pragmatism, we **completely immerse** ourselves in our clients' businesses and apply strategic methods to help them increase business and brand performance, differentiate their companies from the competition and take advantage of all opportunities in the market space.

The result? Clarity established.