From Frazzled to Focused:
Managing the Product Portfolio

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As we polished off the last of the Girl Scout cookies, my daughter looked at me and said, "When can I be a Girl Scout?" I simply answered, "Are you ready to give up gymnastics? Are you willing to give up violin lessons?" Our lives are overflowing with activities, and only rarely do we stop to examine which ones are most important, and in light of our priorities and limited resources (both time and money), make new decisions about which to keep and which to let go of before we decide what to add. Managing our corporate product portfolio is no different. Here are five steps to help you move away from frazzled and toward focused.

1. Schedule time to evaluate.

There will always be fires to fight, whether they are personnel issues, operational catastrophes or sales negotiations. Top leaders schedule time to work on the business, not in it. I no longer make to-do lists. Instead, I put the task on the calendar—whether it's strategic work or mundane, executional tasks.

One item that should to be done prior to evaluating your product line is to evaluate your corporate strategy. Look at the mission statement. Does it still ring true? Is it still a useful guide for developing and launching new products or entering new markets? Do you know where you want to go? Once you know that your corporate strategy is still on track, it's time to evaluate the product offerings that you are relying on to get you there. Then put time on the calendar for a full portfolio review.

2. Understand your current product line-up.

Break your products down into whatever categories make sense to your business—condition, target consumer, form, etc. Create a scorecard that allows each product to be ranked on the basis of the most important measures, making sure the card includes finances (sales and/or profits, sometimes ROI), presence of intellectual property, company strategic fit, estimated market share trends and category growth. A five-year sales overview will give a sense of where a product might be in the product life cycle.

There are a number of ways to chart the results so that you can see how one product SKU or category compares to another. The investment strategy chart (Fig. 1) is helpful for not only seeing where products fall, but also for identifying how to allocate resources strategically against them.

3. Proactively kill products.

Companies routinely sell products that no longer fit the company strategy, no longer fill consumer's desires or simply aren't profitable. It's a lot more fun to plan new product introductions and develop new technology than it is to discontinue products. Yet, when management proactively discontinues poor performing products, they free up resources to work on new products and technologies.

Retailers have much greater respect for brands that proactively manage their shelf space. Don't be afraid to let products go, rather than nurse them along for too long—much of the time, it is wasted effort. The key is in understanding why the product is failing expectations. From there you can either implement effective change or drop it quickly.

4. Identify gaps.

If you have taken a hard look at your products, the market, as well as your competitors, it should start to become obvious what to kill and where the gaps exist. What percentage of sales comes from existing products versus new ones? (We like to see at least 30 percent of sales coming from new products). If the category is growing, but your sales aren't, why? Is the marketing message not resonating or is the packaging malfunctioning? Find out why. Are the majority of sales coming from products that are losing their relevance with consumers?

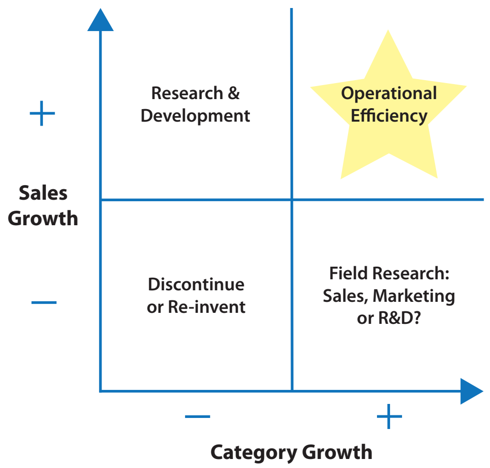
Once the gaps are identified, the team can begin developing concepts that will give a higher profit, take advantage of growing market trends or begin to actively develop intellectual property that can meet consumer desires in a new way.

5. Re-allocate resources.

The slowest way to achieve corporate goals is to spread resources too thin. When a scientist or engineer has 10 different projects, each marked as an "A" priority, milestones are slow to be reached. Without space and focus, there is only reaction time, not time to think about what they are doing and improve effectiveness. When marketing funds are spread across 15 single products instead of marketing a category, no one product is going to get enough attention. When the R&D budget doesn't allow for testing concepts and bench-top prototypes before going to market, products are often launched prematurely, forcing additional rework later on packaging design and formulation.

This chart shows one way to view how time and resources (both financial and personnel) should be spent on existing products, based on where they fall. If sales growth is high, as is category growth, you are probably trying to do everything you can to simply ensure that orders are filled in a timely manner. Figuring out how to become efficient in producing and fulfilling orders is a priority. If sales growth is good, but the category is declining, it's time to invest in R&D and get ready to introduce new products, because high sales growth in a declining category is not sustainable over a long period. When sales growth is low, and the category is declining, it's time to discontinue, or reinvent the product in a new category. And finally, if sales growth is low but the category is growing, research may be needed to find out why. Is the marketing message not resonating? Is there a problem in the buying chain? Does the product not perform the way consumers expect? At this point, a little field research can go a long way. For example, in 2006, Starbucks pulled Chantico, a drinkable chocolate dessert, out of its cafes, not because it didn't taste great, but because the consumer experience did not allow for customization—something the "double-nonfat-half-pump-vanilla-latte" consumer had come to expect.

(Fig. 1) **Investment Strategy: Time and Resources**



In conclusion, my daughter wanted to simply add new activities to her busy life, and it's easy to take an additive approach to innovation. We just keep adding products every year, and rarely take the time to evaluate the full portfolio of products and make the tough decisions. Yet budgets and personnel constraints are real, and at the end of the day, portfolio management is really about resource allocation. Just like our lives.

For more than 25 years, Beverly Emerson has been helping leaders of food and nutrition companies achieve significant growth through successful new product innovation. An accomplished CPG marketer and R&D executive, Emerson integrates consumer insights with technical expertise, creating products that make a difference—to both consumers and the bottom line. She can be reached at bev@olivetree-pd.com, or www.olivetree-pd.com.