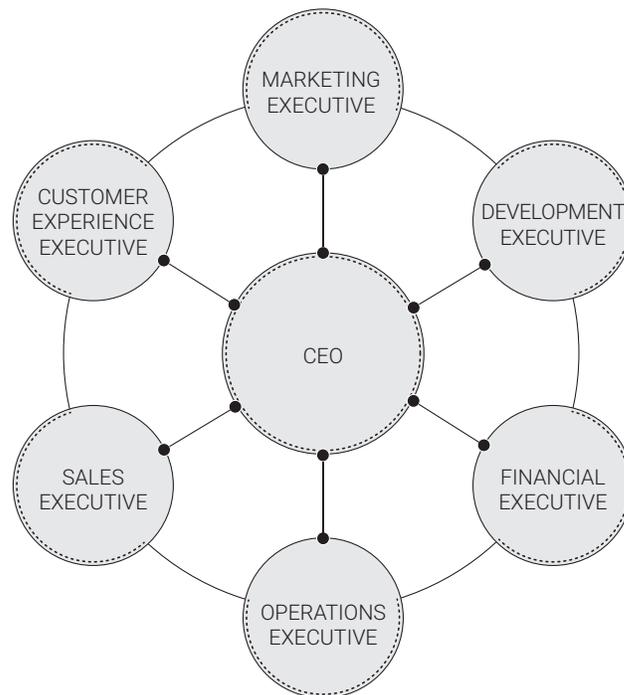


Product Portfolio Management

Products are simply investments made by the company. Good management of your product portfolio requires close oversight, constant review of historical and current performance, and the courage to rebalance and rationalize the portfolio when necessary while aligning your actions with the overall strategy of the firm. Whether you're managing a small product line or commanding several product categories that go across the firm, you must decide how to allocate limited funds to many possible product investments.

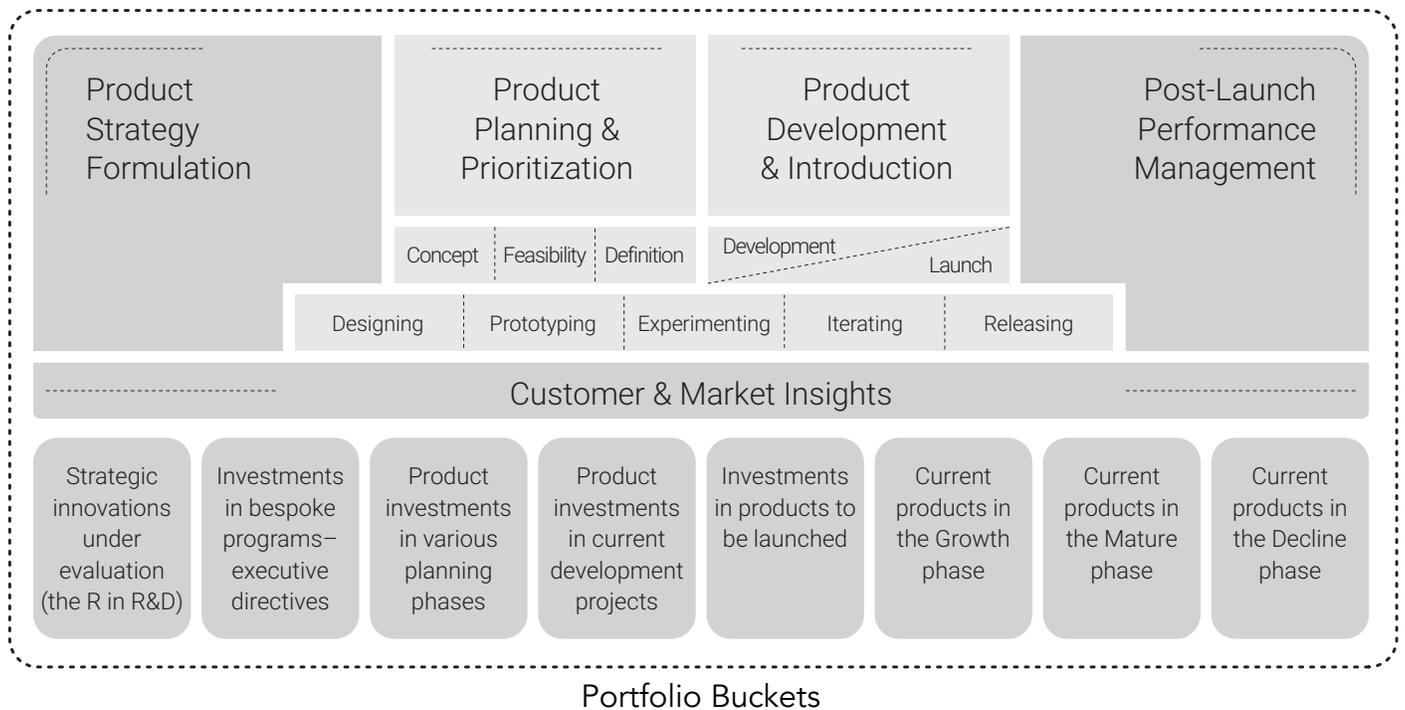
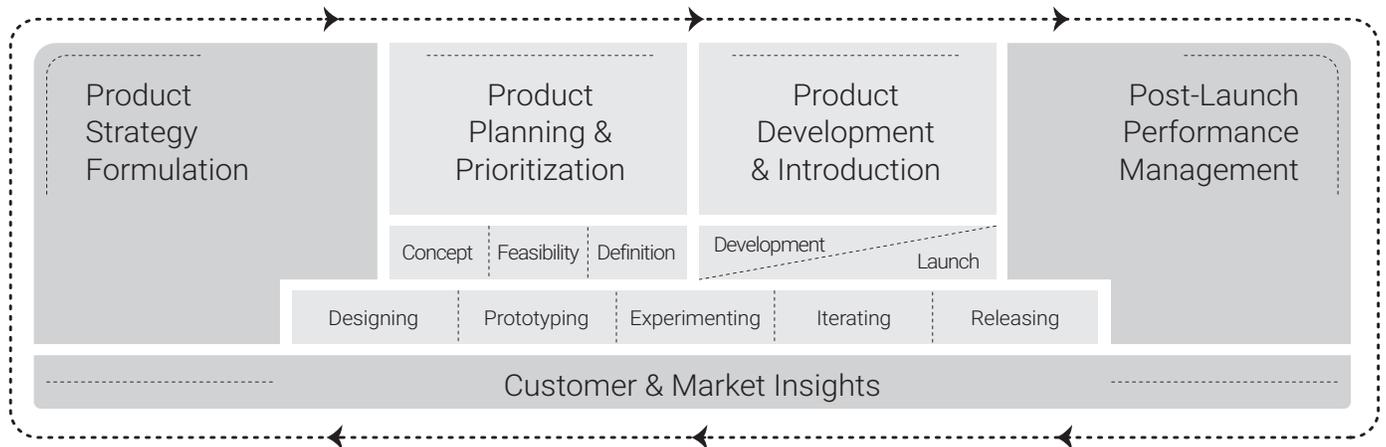
One of the best corporate structures for managing portfolios is through the use of a portfolio review board. This board is an executive-level team established as a forum for ongoing, periodic reviews of product line portfolios within a division or business unit. The product portfolio review board is the overarching decision-making governing body, guiding and prioritizing product investments for existing products, products in development, and product projects in various planning phases. It's visualized in the diagram below.



Product Manager's Desk Reference (3e)
 Illustration Insights – Chapter 18 – Figures 18.2, 18.3

Product Portfolio Management

The Product Management Life Cycle Model, shown at other points in the book, is reprised as the first diagram below, and can also be used to portray the products in a product product portfolio. The model sets the stage for dissecting the portfolio into its requisite elements so that each piece can be assessed. The model's essential framework and split it up by investment categories. The term for these is "portfolio buckets," also shown below.



Product Manager's Desk Reference (3e)
Illustration Insights – Chapter 18 – Portfolio Buckets – Table of Terms

Product Portfolio Management

For any discussion on the product portfolio, attention should be focused on areas where money is being spent. These are listed out and explained in the table below.

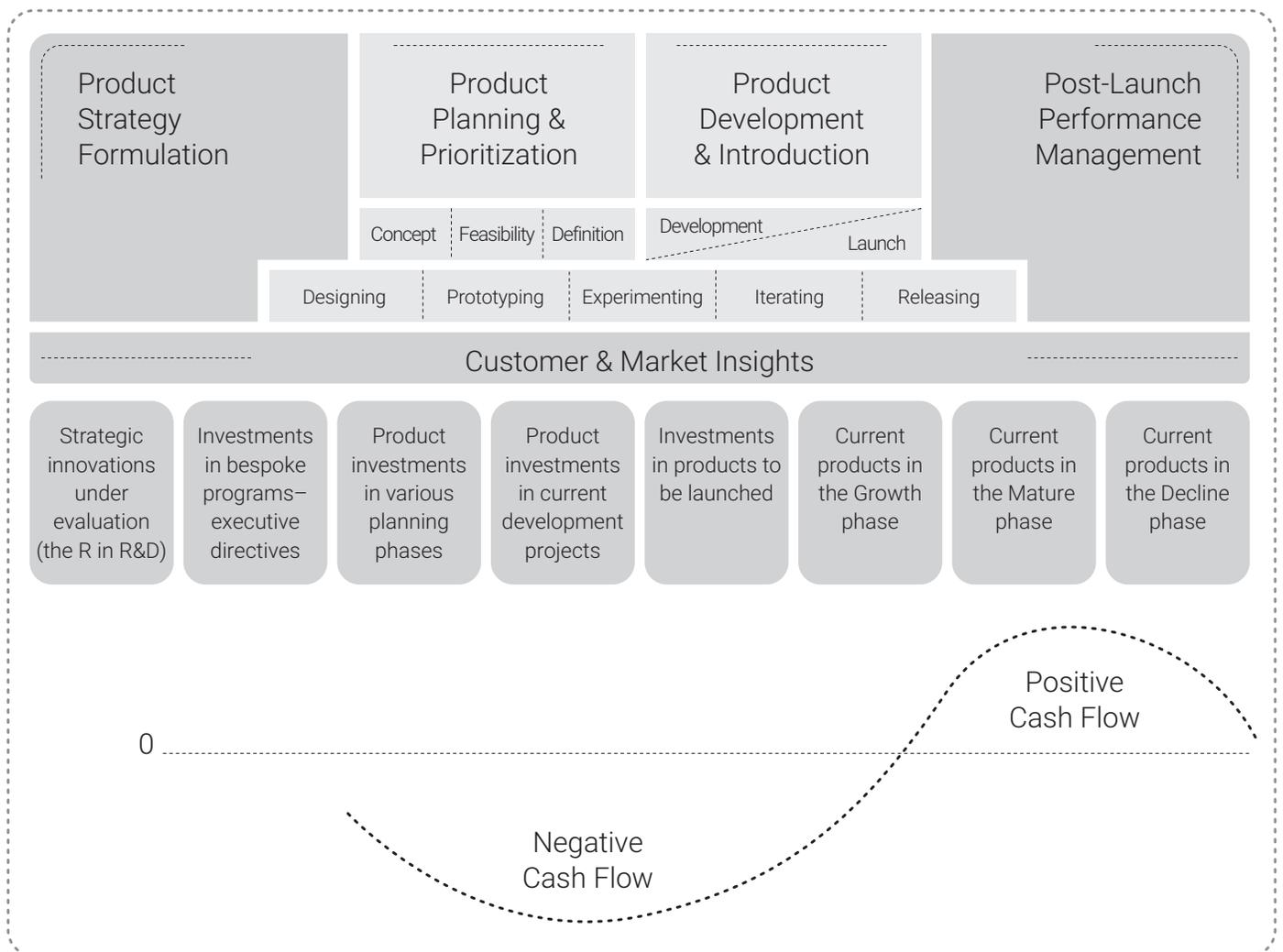
Portfolio Bucket	Purpose
Strategic innovations under investigation	Many leaders want to have R&D conduct "research" on technologies, platforms, etc., in the hope of finding breakthrough innovations.
Investments in bespoke programs	In some companies, the business model is built on some or all business from custom "builds." In this case, money for development or engineering may be diverted from other strategic programs.
Product investment in various planning phases	This category refers to funds used for product projects that are not fully authorized with a Business Case. These could be used for prototype development or proofs of concept.
Product investments in current development projects	Most product development projects are funded when a complete Business Case has been approved. However, in other organizations, ongoing spending on feature development may result in budgetary challenges for other programs.
Product investments for products going to market	Once development winds down for many product projects, funds are used to prepare the organization for the product launch.
Current products in the growth phase	When products are being sold, some money is budgeted (or sometimes not) in cross-functional, cross-organizational support. Some investments in this bucket are sometimes confused with development money used for product updates or quality changes.
Current products in the Mature phase	Products that are functionally complete and contribute to the bottom line require some "care and feeding" in order to keep them fresh and competitive. Investments should be directed here that are proportional to the required return.
Current products in the decline phase	Products that are close to end of life may need funding to wind down operations, support last-time builds, etc., to support customers while a product is being withdrawn or replaced.

Product Manager's Desk Reference (3e) Illustration Insights – Chapter 18 – Figure 18.4

Product Portfolio Management

With the descriptions of each bucket, review the visuals below. This diagram shows the major product portfolio investment buckets and overlays a cash-flow curve. The image captures two important points:

1. There's often a lot more money being spent "up front" in the hope of bringing in future product revenue. The challenge for most firms is that a significant number of new product investments don't yield envisioned returns, even when Business Cases have been completed and approved.
2. Monies that can be devoted to extending the life of current products are often shifted to product development activities, quality updates, and other items that don't always result in bottom-line returns to the company.



Product Manager's Desk Reference (3e)

Illustration Insights – Chapter 18 – Figures 18.5, 18.6

Product Portfolio Management

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.

Portfolio Bucket	Prior Year Spending	Current Year Spending	Results Obtained	Contribution to Strategic Goals	Rebalancing Strategy
Strategic innovations under evaluation					
Investments in bespoke programs					
Product investments in various planning phases					
Product investments in current development projects					
Investments in products to be launched					
Current products in the Growth phase					
Current products in the Mature phase					
Current products in the Decline phase					

Chapter 17 focused attention on post-launch performance. If we understand the source and quality of revenue—and product profitability—and synchronize investment opportunities toward value creation and strategic positioning, it will be easier to figure out how to invest money across all of the portfolio buckets. With this in mind, take a look at the figure below. This takes the Post-Launch Performance Management buckets and turns the matrix on its side. This reveals a matrix or strategic framework for you to populate with financial and market data.

	Where are we NOW?	Where are we GOING?	What could we DO NEXT?
Growth			
Maturity			
Decline			