



Proficientz
PRODUCT PORTFOLIO MANAGEMENT

Product Portfolio Management

Creating a Market-Driven Organization From the Top Down

Executive Overview

Most organizations today have product portfolios that are substantially larger and more complex than they were 10-15 years ago largely due to consolidation across most industries. Basic product management and product marketing practices can only go so far in driving sustainable growth in these organizations, especially with so many products targeting the same markets.

Basic product management and marketing principles employ a “**product first**” approach that attempts to align an organization around many bottom-up product initiatives to support corporate goals, but leaves a huge gap between the two that manifests itself into competing priorities across product lines, marketing and sales. Over time, this approach spreads an organization too thin by taking it in too many directions without adequate strength to become dominant in any product category or market segment.

Portfolio management practices employ a “**market segment first**” approach that transcends the entire product portfolio and results in a single top-down agenda that aligns products, marketing and sales with the “market segments” most conducive to the organization achieving its goals on an ongoing basis.

The most significant organizational change required to implement a portfolio management structure is a shift in compensation incentives from product specific revenue and profitability goals to market segment revenue and profitability goals.

Traditional Product Management & Marketing - a Bottom-Up Approach With Many Agendas

Basic product management and marketing principles use a “**product first**” approach that employ a series of principles and best practices to a product, with the ultimate goal of growing revenue, profitability and market share of that product. Apply these principles to all products and collectively they drive top and bottom line growth for an organization, or so the theory goes.

But the “**product first**” approach quickly hits the wall when multiple products in an organization’s portfolio target the same markets because each product team, marketing and sales form differing views of the same market segments that result in competing agendas. Some of the most common results:

- R&D is in a much stronger position to pick and choose what it wants to build in the absence of a cohesive top-down portfolio strategy with consensus priorities across all disciplines.
- The inability of Product Management and Product Marketing to drive and influence an organization’s strategic direction because it’s next to impossible to align and prioritize numerous bottom-up product strategies with the agendas of R&D, marketing and sales.
- Marketing and sales have difficulty communicating the organization’s strategic value to buyers because value propositions are product specific and rarely address anything beyond tactical and operational needs. Attempts at differentiation usually result in meaningless feature wars and heavy price discounts.

The “**product first**” approach that’s prevalent in many organizations lacks a common backdrop that all disciplines can easily align with. Consequently, product direction, marketing strategy and sales execution are unintentionally at odds and burn unnecessary cycles to meet short term goals. Ultimately, organizations step outside their core competencies to constantly meet short term goals, at the expense of sustainable long term growth. It can become a dangerous and endless loop.

Portfolio Product Management - a Top-Down Approach, One Agenda

In a portfolio product management structure, market segments rule! They are the backdrop all disciplines can easily align with because they transcend product direction, marketing strategy and sales execution in the interest of the organization's goals. The portfolio product management approach also gives an organization only **two primary buttons to push** to drive revenue instead of multiple panic buttons that scatter one-off product initiatives all over the map.

- **Button 1** – the **short term revenue** button that ups the ante on marketing and sales initiatives for products and services in the existing portfolio.
- **Button 2** - the **longer term growth** button that ensures the best portfolio investment mix for market segments with the best future growth potential

Portfolio product management and marketing principles use a **“market segment first”** approach that favors high-value multi-product solutions for named market segments over feature-rich point solutions for the masses. From there, it's a combination of marketing, sales and R&D initiatives working from the same agenda to meet the organization's short and long term financial goals.

Benefits of a Portfolio Management & Marketing Structure

1. Greater Strategic Value From Product Management & Product Marketing & Better Execution

Product Marketing often takes flak for their lack of in-depth product knowledge. Product Management's weakness is seeing markets through the biased lens of the products instead of unbiased reality. A portfolio management structure remedies both.

In a portfolio management structure, Product Marketing requires less in-depth product knowledge and becomes the hub for industry knowledge (industry trends, spending priorities, growth rates, etc.) used to drive the company's market segment strategy and support sales and marketing initiatives. Product Management remains the product knowledge hub with greater focus on technology and best practice trends in their product categories.

The complementary domain knowledge across Product Management and Product Marketing results in a single top-down strategy all disciplines can easily align with, more targeted product solutions that are more valuable to customers, clear priorities for R&D execution, and credibility in sales and marketing that establishes clearer differentiation at a level above products.

2. One Strategy, One #1 Priority for the Organization

When product management, marketing and sales each form a strategy based on their own biased view of “the market,” a single consensus strategy is impossible. The **“market segment first”** approach to strategic planning establishes priorities according to the most lucrative market segments. The result is a single company-wide set of priorities that align all disciplines to one agenda that supports the top priority market segments.

3. Solutions That Are Worth More to Customers

The **“market segment first”** mentality that's prevalent in a portfolio management structure forces product companies to first understand the relationship between the market segment dynamics and the subsequent “business impact” to its target customers. Then, they must devise solutions that transcend all products to meet the needs of business activities most impacted.

For example, if tight credit for small businesses (market trend) strains their relationships with key suppliers and results in lost revenue from delayed customer shipments (impact of the trend), the business requirement and solution must reduce customer lead times to restore lost revenue. The product solution may come from a single product or a combination of products.

While product design, usability and development remain product focused, they're being done with clearer purpose and in a more coordinated fashion to ensure the total solution appeals to users while simultaneously supporting the strategic objectives of buyers in each segment. Product Management still owns the responsibility of creating single solutions that supports the needs of multiple market segments when feasible.

4. **Marketing & Sales Differentiation Beyond Products**

If a person with a migraine headache is offered a choice of generic aspirin or a pain reliever formulated specifically for migraine headaches, most would choose the migraine headache formula. The same psychology applies when marketing and selling B2B products and services. Small manufacturers want solutions that speak specifically to issues of small manufacturers. The same goes for retailers, banks, legal firms, non-profits, etc.

In a portfolio management structure, top level positioning is always market segment specific and speaks to the strategic motivations of buyers to establish credibility at the highest levels of the buyer's organization. A portfolio of solutions then serves as the proof points to substantiate that credibility and differentiate from other competing point solutions.

5. **Greater Momentum**

What are you NOT going to do? Unplanned initiatives are a reality in every organization but without any backdrop other than top-line revenue, it's easy to justify anything and everything because all new initiatives make the case for more revenue. The bigger question mark is the extent to which each unplanned initiative leverages existing momentum or impedes it.

Organizations that employ a **"market segment first"** structure find it far easier to determine the merit of unplanned initiatives because they can map each one to the organization's market strategy and make go/no-go decisions based on new initiatives that accelerate or impede plans already in play, especially when considering resources, time, trade-offs, etc. as part of the equation.

The combined functions of Product Management and Product Marketing have to be **the conscience of an organization** because they are the only functions by definition that set the course for all other disciplines. But a conscience has to be one, and **"product first"** organizations struggle with alignment because every discipline perceives itself as "the one."

A **"market segment first"** structure combines the market segment expertise of Product Marketing with the product and business practice expertise of Product Management to easily form the single conscience of an organization responsible for determining the shortest path between the organization's current market position (point A) and its desired market position (point B) on an ongoing basis.

[Contact Proficientz](#) to see how our product portfolio management framework can help you create a market driven organization from the top down. One agenda and one set of priorities that stick! That's product portfolio management.