

Using Your Product Portfolio To Help You Sell

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How well you structure and communicate your portfolio of products can make all the difference in how well you sell what you're selling. The principle is simple: Organize offerings in a logical way that tells a clear story and you make it easy for customers to do business with you.

To make the process of bringing clarity to your portfolio easier, we outline five of the most commonly used models. Through our work with product portfolios over the years, we have found that these five approaches are effective at helping customers understand, navigate, and purchase products in the portfolio.

The five models are:

Market/Functions Model:

organizes the portfolio around specific functions or markets

Methodology Model:

structures the portfolio in terms of how it matches to key processes (such as purchase, production, distribution) of the firm's customers

Chronological Model:

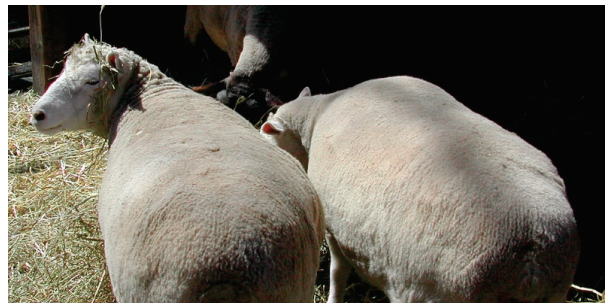
relates the products in the portfolio to the development of customer needs over time

Anatomical Model:

maps the portfolio to pieces of a particular whole (e.g., to parts of the body)

Hierarchical Model:

ranks products and services according to the customers' hierarchy of needs



1. Market/Functions Model

This is the simplest and most straightforward model, in which products and services are arranged according to the markets or particular functions they serve. It is often used by companies with many distinct markets and with products

that are highly customized according to market segment. This includes marketers of intangibles such as insurance; consulting and financial services firms; and consumer and industrial product manufacturers in apparel and machine tools, for example. The organizing principle is especially useful to signal expertise in, or knowledge of, the large number of served markets to which the firm targets its portfolio. Here, for example, is the product portfolio of a major insurance company:

the customer to imagine how individual products fit into a market/function matrix that usually is not clearly expressed. We can see this at work in the insurance company's portfolio above, where products for investment management companies are spread throughout the portfolio, which is organized primarily, but not exclusively, by product type. Is "Inland Marine," for example, a product or a market segment, or both? Your sales force will generally have to bear the brunt of clarification in specific contexts.

Boiler & Machinery Standard Monoline Energy Systems Policy Select Machine Breakdown Inspection Crime Commercial Computer Crime for Banks Directors and Officers Healthcare IPOs Non-profits Outside Directors Public Companies Professional Liability for Banks, Insurance Companies, Investment Management Co.'s EPL Banks Healthcare Insurance Companies Investment Management Co.'s Professional Firms Public Companies	Errors & Omissions Accounting Firms Banks Educational Institutions Lawyers/In-house Counsel Healthcare Consultants Insurance Agents Insurance Companies Investment Management Co.'s Law Firms Managed Care Organizations Media Organizations Excess Umbrella Exporter's Package Fiduciary Liability Banks Commercial Customers Insurance Companies Investment Management Firms Plan Purchase Protection Financial Fidelity Banks Insurance Companies Investment Management Co.'s	Group Accident Employers Groups and Associations Inland Marine Salvage and Subrogation Loss Control, Transportation and Construction Ocean Marine Ocean Cargo Ocean Marine Liabilities Internet Liability Cybersecurity for Financial Institutions Kidnap/Ransom Banks Insurance Companies Investment Management Co.'s Kidnap/Ransom and Extortion for Public Companies Mail Insurance Banks Insurance Companies Investment Management Co.'s	Monoline Property First Party Plus Package Representation & Warranties Risk Transfer Programs Large Deductibles Self-insured Retention Captives Finite Risk Programs Surety Worldwide Smaller Contractors Workers' Compensation
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A common characteristic of this model is that both markets and functions are used as the organizing principle and are combined in the presentation of the portfolio. This is often a needless source of confusion and complexity, as it asks

Organizing around markets instead, however, would not necessarily be the best way to tell the story of the portfolio. A product organization works best if, for example, the company wishes to highlight special expertise in the writing

of a particular type of policy (Director's and Officer's insurance, say). Organizing around markets works best if the company wishes to highlight its knowledge of specific market sectors (e.g., investment management companies). Because, as is often the case, a firm wishes to emphasize both, the underlying matrix must be made clear.

The drawback of this model is that while it provides a sound logical structure, it does not tie products and services to the customer in any kind of emotional way. This can be especially important in industries where products and services are perceived as commodities.

2. Methodology Model

This model structures the portfolio in terms of key functions or processes that are familiar and relevant to the markets the firm targets. The idea is to link the unfamiliar (your products or services, about which the customer may know little or nothing at all) to the familiar (easily recognized processes applied in the industry). By doing so, you help make it easy for customers to understand how your offerings fit with their needs. In the best cases, the Methodology Model signals to prospects when they should consider purchasing your products or services. It is therefore particularly useful if firms have offerings for each phase of

the methodology or process ("end to end" in IT jargon). We have seen it used most effectively by service firms or industrial product firms with products enabling operations of one sort or another. It is also a useful tool for differentiating your offerings from those of competitors in terms the customer can easily understand.

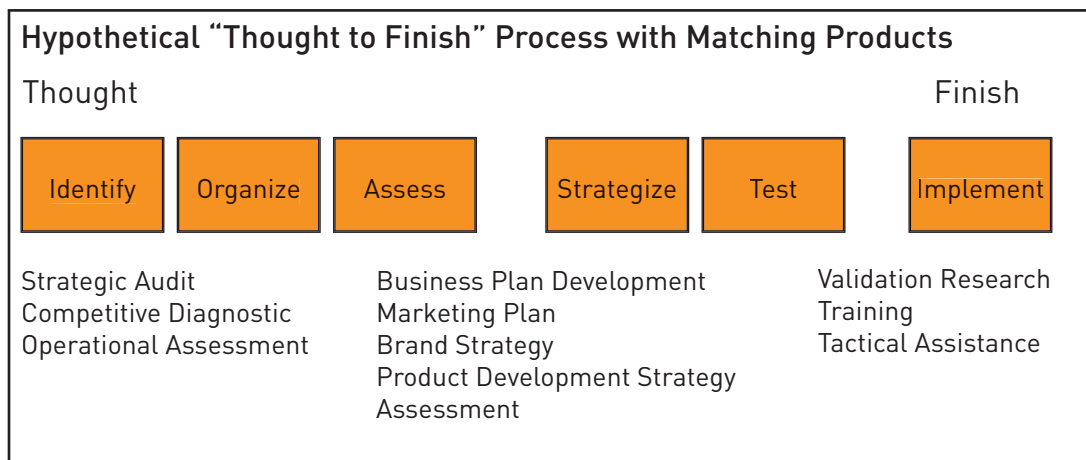
As with all the models we will discuss, clarity and simplicity are essential. While the underlying processes may be complex—as in, say, assembling a 747, or engineering a bridge, or producing a new drug—the focus must be on the high-level phases involved for this model to be successful.

Ernst & Young applied the Methodology Model in a very simple way with its "From thought to finish" brand positioning. The concept was clear and straightforward: there is a strategy phase and an implementation phase, and we help with both (while keeping the end result in mind). Products and services can be matched to these phases, and the phases can be further divided to provide more detail as, and if, needed. For example,

There is a place, of course, for a proprietary process. But even proprietary processes should have at their heart a set of familiar steps with which the customer can immediately identify.

specific tools might be highlighted that support the “Organize” phase: data collection software, workbooks and seminars, etc.

This model is most appropriate, therefore, if you have a deep understanding of purchasing and use patterns. It is



The Methodology Model also helps if you wish to show that your firm understands the issues customers face as they seek to address the particular need your products solve. The challenge then is not only to come up with a simple expression of the overall process that will be familiar to your target audience but also allow you to express your unique approach to a solution.

3. Chronological Model

This model relates the products in the portfolio to customer needs over time. The idea here is to map out the points at which targeted customers come into contact with a firm’s products or services. Then, with this profile of market segments in mind, the firm looks for opportunities to define chronological stages meaningful to its target customers.

especially useful if your firm offers a diverse range of products/services with which target customers may come into contact, because it allows for a customer-focused grouping of products that might otherwise have to be treated separately (e.g., electronic toys, baby supplies, board games, and action figures, as in the case of a major toy company).

Lamaze uses a chronological model for its portfolio of toys for children from birth to three years of age. The company has divided this period of Baby’s life into four phases. Each phase is clearly defined, and toys and learning tools are aligned within it (see below). When the time period covered is short or rather long—subjective measures to be sure—it helps to give some explanation for the segmentation. Thus, Lamaze defines segments such as “Awakening of the Senses” to signal

that something special is happening in each of the stages it has identified. each stage of the life cycle. We might even say that it really only works in such cases,

Life Model for Lamaze Toys

Time	Activity	Definition	Sampling of Products
Birth	Awakening of the senses	Baby is just becoming familiar with the senses around him	First Mirror Play Quilt Traveling Mobile
3 mos	Exploring and Experimenting	Baby is now exploring with his hands and mouth	Clutch Cube Jester Music Box Grip & Grab Rattle
6 mos	Moving and Doing	Baby is learning the concept of object permanence	Stacking Rings Fill & Spill Soft Sorter
1 to 3 years	Imagining and Discovering	Baby is exercising his mind and body	Sea Fun Bath Set Soft Pull Cars Teach-me Taxi

Source: learningcurve.com

We see the model at work in products as diverse as pet food (IAMs), medicines (Vicks has the basis of a chronological story with its NyQuil/DayQuil products), and television shows. The major networks all have their portfolios of news programs: The Five O'clock News, News at 6, The 10 O'clock News, each targeted to a particular time slot and its particular audience. CNN even segments its half-hour news shows—which may be considered a portfolio of particular types of news—so that audiences know that top stories are followed by business, sports, weather and entertainment news, with headlines repeated at 10, 20 and 30 minutes past each hour.

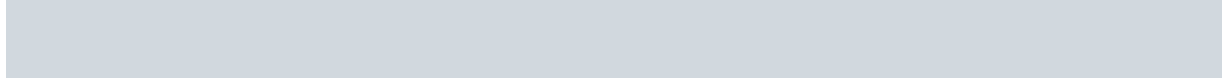
As with the Methodology Model, this model works best when a firm offers products at

because to present a chronological model and either skip stages or provide offerings at only one stage merely highlights gaps in the firm's portfolio.*

4. The Anatomical Model

This model maps the portfolio to pieces of a particular whole. The most common application is to particular uses related to the customer's body. For portfolios of products with such physical applications, this is often the simplest and clearest way to put offerings in a meaningful context. Usage may be internal (as in the case of various drugs and pharmaceuticals) or external (such as skin care or clothing).

* This is something of an oversimplification. A Chronological Model that shows a firm's portfolio targeting one segment of the life cycle can be an effective way of highlighting a niche strategy. There are often better ways to organize the portfolio to do this, however.



It may involve all or part of the body. We should consider “anatomical” in the sense of pieces of any sort, as we shall see in a moment in the case of furniture retailer IKEA.

As with the other models we have considered, the key here is to offer a story that both relates individual parts of your product portfolio to a whole and defines how the portfolio relates to your customers. If your products target one part of the body, then the organizing principle is simple: focus on that part and further segment offerings if needed. Thus, in the case of Colgate, for example, we see a variety of toothpastes, toothbrushes and other dental care products all obviously related to teeth and expressed with a story about “oral care” (the process of caring for teeth). In this case, the Anatomical Model takes on characteristics of the Methodology Model discussed earlier.

When the firm offers a range of products for different parts of the body, as in the case of some clothing manufacturers and retailers, the Anatomical Model provides a logical basis for organization. Banana Republic, for example, offers shirts, pants, socks, and hats to cover top, bottom, feet, and head. Unlike the Chronological Model in which breadth of offerings across the lifecycle is important, the Anatomical Model allows for offerings targeted to

certain parts and not others. Victoria’s Secret, for example, can offer bras and panties without offering dresses.

IKEA illustrates another application of the Anatomical Model. In this case, the pieces involved are items of furniture (and related accessories) that fill in a physical space. The “whole” being created is the particular room or environment into which the furniture must fit. IKEA divides its portfolio both into “rooms,” or particular parts of a complete living environment, and families of furniture products (e.g., that can comfortably live together in a room). We find, for example, that IKEA offers a variety of bedside table families: CORRAS, LAXNE, OLSVIK, SÖRUM, GRANÅS, HEMNES, and EKEBERG. These families, in turn, are populated with corresponding furniture items suitable for the bedroom (as well as other rooms of the house).

4. Hierarchical Model

This is a logical model in which offerings are “staged” according to the customers’ hierarchy of needs. We see hierarchical models at work in both consumer goods (automobile and kitchen appliance portfolios) and services (express mail and mutual fund portfolios). In each case—and we shall look at the examples of Maytag and FedEx in a moment—the hierarchy of needs being reflected must offer some

sense of prioritization. Some needs must be filled more urgently (or some products valued more highly by customers) than others. If you cannot make this case for your set of offerings, you are probably dealing with a Market/Functions Model.

Because this model categorizes and prioritizes needs, it offers a strong basis from which to structure a firm's service strategy or pricing strategy, or both. For example, there may be "premium" offerings and discrete offerings at lower price points. Such is the case with Maytag's portfolio of appliances. Here, the hierarchy model is applied within individual product categories such as

"Washers."* The "Washers" portfolio is structured as shown below.

The FedEx portfolio is a Hierarchical Model in its truest sense. There are clear offerings targeted to clear needs, both at the individual product level (e.g., within FedEx Express) and across the larger portfolio of services: Express, Ground, Freight, Custom Critical, Trade Networks, and Services. We need only look at the FedEx Express label to see the hierarchy of service offerings: Same Day, First Overnight, Priority Overnight, etc.

Applying a Model

We recently took a look at the portfolio

Maytag Hierarchical Model—Washers

Product	Model #	Proposition	Price Point
Maytag Neptune	MLG2000A MLE2000A MAH7500A MAH6500A	Outstanding cleaning through stain removal, remarkable energy and water savings and clothes that look newer longer	\$2,029 to \$1,139
Maytag Atlantis	MAV9750A MAV9501E 8 Series 7 Series	Outstanding cleaning and keeps whites white	\$779 to \$569
Maytag	LSG7806A LSE7806A SAV5701A	Outstanding cleaning—built tough and gentle on clothes	\$1,309 to \$549
Maytag Performa	PAV3240A	Outstanding cleaning for big loads	\$489 to \$449

Source: maytag.com

*Maytag is now selling the concept of "The Maytag Home," which uses an Anatomical Model to help organize its products under one roof, as it were. Offerings for the Maytag Home include washers, dryers, refrigerators,

dishwashers, ranges, cooktops, and so on. Within these categories, we find the Hierarchical Model applied to specific product offerings.

of bicycle maker Trek. Trek talks about providing “...all the essentials you need for a great ride...” and presents its portfolio as follows:

Portfolio of Trek Bicycling Accessories

Gloves	Nike Cycling Shoes	Helmets
Clothing	Saddles	Kids
Bike Maintenance	Women’s Specific Design	Locks
Hydration	Child Trailers/Joggers	Rear Racks
Lights	Exercise Equipment	Team

Source: Trek.com

This portfolio of products and services could do with some clarification. While the categories themselves are simple, their arrangement seems anything but strategic. By applying the modeling techniques in this chapter, we might reorganize the portfolio of accessories as follows. (Before you look to see how we’ve done it: How would you clarify the groupings to make it easier for customers to buy things?)

Initial Clarified Portfolio for Trek Bicycles

Bicycle	Rider	Transport
Bike Maintenance	Nike Cycling Shoes	Rear Racks
Women’s Specific Design	Clothing	Child Trailers/Joggers
Saddles	Gloves	
Lights	Hydration	
Locks	Helmets	
	Kids	
	Exercise Equipment	
	Team	

Even in this version, however, there are sub-categories that are not immediately clear: Women’s Specific Design (a product or service?), Clothing (vague), Kids (broad). This gives some idea of the challenges involved in developing and applying a model.

Which Model Is Best for Your Portfolio?

To help you evaluate which of the models discussed might be applicable to your situation, we summarize model characteristics in the table on the next page. Begin the process, though, by mapping out your portfolio and asking yourself the following questions:

1. **What organizing principle are we currently using (if any)?**

Many firms find they are using a combination of models. This is not necessarily a bad thing unless it adds complexity. If you

are using a hybrid approach, be sure to define the different layers of the portfolio (e.g., master brand, sub-brand, model #) and the model applied to each. There are often ways to simplify it.

2. **From the customer’s perspective, what story is the portfolio telling?**

Try to look at your portfolio as your customers might. Forget about what you want them to think. Consider the message the portfolio sends as you look at both the organizing principle and its execution. Sometimes the message will be very clear, but just not in alignment with the overall brand strategy of the firm (see question 5 below). This is where confusion often begins.

3. **Are there gaps in the portfolio? (if so, where?)**

To answer this, you will need to know how your customers come into contact with, purchase and use your products and services. As you think about their needs, assess how well your portfolio measures up in terms of its completeness. If you’re focused in certain benefit areas, this may be an opportunity to bring clarity to your portfolio.

4. **What are the strengths and weaknesses of the portfolio?**

To help you rethink the structure of your portfolio, you must know the strengths and weaknesses of its component parts. Along with the differentiating benefit

of your firm as developed in your brand positioning, this understanding will help you select the model that best shows the unique strengths of your firm.

5. **What is the overall brand positioning for the firm (or product line)?**

Your brand positioning is the strategy you devise to express the unique benefits your firm provides. It is the start of the logical “argument” you use to convince prospects that your offerings best meet their needs. Part of this argument is the structure of your portfolio. The portfolio must support the positioning so that the overall story is both consistent and powerful.

You now have a good context in which to judge which model best fits your offerings.

The purpose of these models is to help you link your products or services to customers in a simple, understandable and memorable way. While we have covered the most common models in use, you may find that you have to build your own to best tell the story of the products in your portfolio. This is a more difficult task because it requires that you develop and then visually express what makes

you different from competitors. This is, of course, what you must do when you use one of the models we have already described. But in the absence of one of these “ready-made” organizing principles, you must depend wholly on the clarity and effectiveness of your story to structure your portfolio. In a future Management Report, we’ll talk a bit more about how to do it.

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Model	Definition	Useful When
Market/Functions	Organizes around specific functions, products or markets	Matrix organization Many served markets
Methodology	Structures according to key processes familiar to the firm’s customers	Services firm Firm has offerings across the process
Chronological	Relates the products to the development of customer needs over time	Customers have time-based needs Market segmentation is age-based Products are attractive to certain age groups
Anatomical	Maps products to pieces of a particular whole	Portfolio has complementary products Market values benefit of the “whole”
Hierarchical	Ranks products and services according to customers’ hierarchy of needs	Customers have varying degrees of need Products have variations for which customers will pay more (or less)

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