

The logo features a large, stylized number '2' in a vibrant blue color. The '2' is composed of a solid blue shape on the left and a white shape on the right that forms the upper curve of the digit. Below the '2', the words 'GALLEON BLUE' are written in a white, serif, all-caps font, centered within a blue rectangular background.

GALLEON BLUE

London Hamburg Madrid

> **Product Portfolio Management**

Three common mistakes –
and how to solve them

“Product Portfolio Management is one of the fastest and most effective ways to generate revenue growth and bottom line improvements at the same time.”

Why bother?

Many companies are suffering from similar challenges in managing their innovation pipeline, their product portfolio and all related marketing & sales activities:

Too many development projects are clogging up the 'funnel', scarce resources are not sufficiently focused on the most relevant activities and too much emphasis is put on mere line extensions with little hope of gaining significant retail distribution. Sales are executing poorly at the front line and in addition a range of other process issues exist due to organizational complexity, constantly changing decision makers and a lack of focus on results.

Imagine ...

... your company going to market with an entirely renewed line of products, each spear heading its respective category with a highly competitive value proposition

... your company leadership agreeing on a 5-year portfolio innovation/renovation program with detailed, concrete activities, phased over the 5 years and starting now

... your company reducing the number of development projects by committing to selected strategic projects right at the beginning and therefore turning your development funnel into a tunnel

... your company being more real, transparent and clear to both your employees and distribution partners with measurable improvements in market performance

... your company being able to present a strategically and commercially sound business proposition to your distribution partners, thus becoming less vulnerable to the ever increasing pressure to increase discounts to the trade

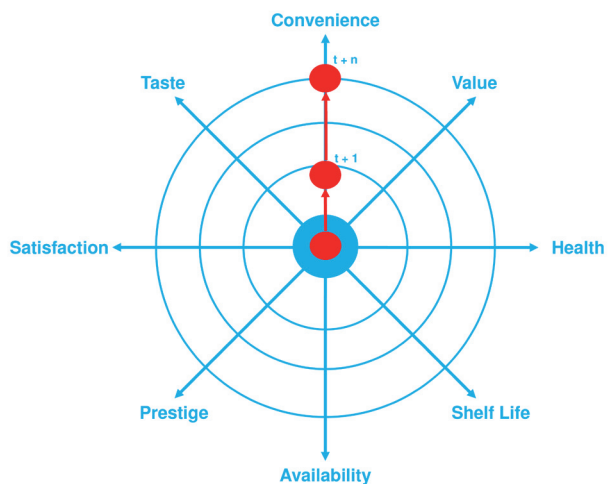
To achieve all of this, three common mistakes should not only be addressed but turned into opportunities. Galleon Blue has a wealth of experiences in doing this and can work alongside you, leveraging the knowledge and talent of your people in your organization, thus creating the level of mobilization to deliver results.

Mistake # 1: Lack of strategic direction

It sounds so obvious and yet many organizations have neither defined their view of the future nor decided which attributes or aspects of their offer will build the greatest differentiation. It is a common mistake to expect customers to define what kind of innovation they want, thus relying on traditional market research to provide the answer.

Galleon Blue's **Attribute Vector Analysis** uses customer insights in a way that doesn't delegate creativity to customers, but instead leverages the experiences and creativity of internal teams.

Simplified Attribute Vector Analysis Tool for Direction Setting



Our unique Attribute Vector Analysis tool works by identifying and focusing on those dimensions that create the greatest differentiation for customers each and every time they interact with the brand – as well as ensures that any estimated development time is realistic.

The result is a clear strategic direction for your business, expressed in a jointly developed and agreed business plan to drive the selection of development projects, resource allocation and implementation timing.

This tool enables senior management to create organizational buy-in and motivation, as well as ensure that everyone stays focused on the top priority activities.

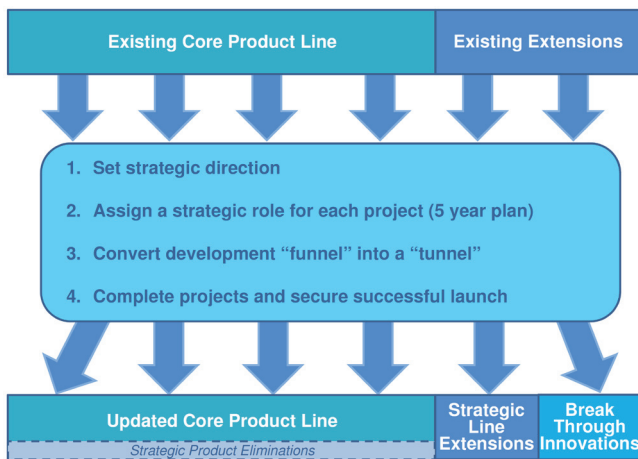
Mistake # 2: Wrong balance between short and long term

Like most companies, your product development team is probably trying to develop the next i-Pod equivalent for your industry – which becomes particularly critical during an economic downturn when margins of undifferentiated products tend to erode fast. But our advice is to not fall into the trap of only focusing on breakthrough innovations.

In Galleon Blue’s experience, most companies neglect smaller product update opportunities (which typically drive short-term sales and margin growth) and focus disproportionate resources on developing line extensions and trying to find the next big breakthrough.

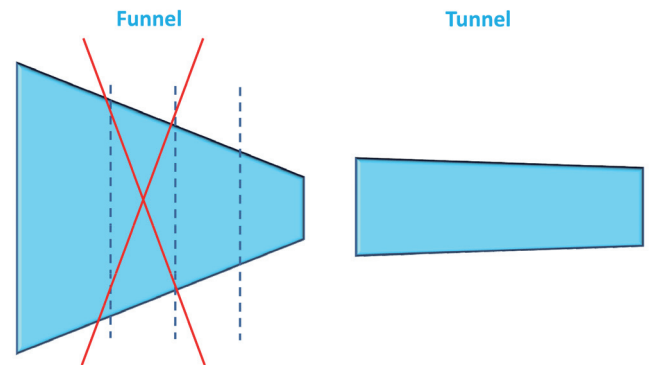
Across categories and geographies we are finding again and again that consumers rate roughly one third of a company’s SKUs to be superior, another third to be equal and the remaining third to be inferior to competitive products.

This is where most companies fail. Without denying the importance of break through innovations for long term success, the ideal innovation portfolio ensures that there are adequate short-term product updates and line extensions to fund more risky and expensive breakthroughs. To be successful, it’s important that each project is aligned with the agreed strategic direction, and has realistic timelines and assumptions.



So the ideal innovation portfolio balances a high number of product updates (that will form the new core product line), a smaller number of clever line extensions that will create incremental revenue without diluting existing business, and a small and manageable number of breakthroughs requiring heavy and continuous marketing support.

Applying this philosophy will turn your development funnel into a tunnel, i.e. due to thorough pre-selection fewer projects are kicked off, but virtually all of them get completed.



Mistake # 3: Functional silo mentality

Galleon Blue has seen too many great product innovations fail due to fatal marketing and distribution mistakes. The reason is simply the lack of cross-functional collaboration early on in the innovation development process, particularly between (a) product technology, (b) branding and marketing and (c) sales and distribution.

Whether customers will refuse certain new products based on their past experiences with a particular brand, whether channel partners will insist on listing fees or merchandising support for risky innovations, or whether sales and service staff will require substantial upskilling – all these factors need to be considered from the outset. Hence at Galleon Blue, we always deploy a cross functional team of experts in their fields – throughout the entire process.

In particular, we make sure that the specific needs and requirements of retail customers are considered early in the process. In addition, we consider using any comprehensive product portfolio restructure as a way to start discussions with the trade on how to restructure discount systems and trade terms.

Galleon Blue’s consultants have extensive experiences in helping organizations better design and manage their new product development process for tangible financial results. By working alongside internal teams we can help make sure that new products or services are relevant to customers, differentiated from your competitors, aligned with the core promise of your brand, and – most of all – financially viable. Our team will be working side-by-side with your staff throughout implementation.

Meet Galleon Blue's Experts on this Subject

Michael Hebel is a pioneer in advanced innovation and product portfolio management. He has spent almost 30 years with **Unilever** where he has held various senior management positions all over the world. Michael has developed and applied his own and very unique innovation management style, and was able to turn around a number of troubled businesses by rapidly revitalizing stale product portfolios. E.g. he was responsible for countless successful product launches during his time as CEO of Langnese Iglo, Germany, as Managing Director Ice Cream SEA, Chairman Wall's Ltd, China and as Senior Vice President Savoury Products, Europe, Australia.

Ruth Saunders is a co-founder of Galleon Blue and has extensive experiences in creating profitable growth for companies through strategic marketing and branding. Ruth started her career with **Procter & Gamble** and subsequently worked for Saatchi & Saatchi, McKinsey and Prophet giving her the rare combination of FMCG Brand Management, Advertising and Strategy Consulting. While having her roots in Consumer Goods, Ruth has worked across various industries helping global organizations with strategy, marketing and branding issues. Her clients include AB Foods, E.ON, Lloyds Banking Group, Zurich Financial and many others.

Luis Rodriguez is a co-founder of Galleon Blue and brings 20 years of business development, marketing strategy and brand building across five continents in a range of industries. Luis has been a brand manager with **Procter & Gamble** in South America, and has worked for BBDO Consulting and Prophet in Spain. His clients include world-class organizations like Telefonica, Dubai Holding and Novartis/Syngenta.

Andreas Back is a co-founder of Galleon Blue and brings more than 20 years of Industry and Management Consulting experience to the table. He started his career with **Unilever** and his focus area is Marketing and Brand Strategy and he has worked for icon brands like adidas, BMW, Kellogg's and Sony – not only to develop winning competitive strategies, but also to help those bring to life within complex organizations. Andreas has lived and worked both in Europe and the US, was a Vice President with Gemini, a Principal with ATKearney, the President of Droege & Comp., Inc. and a Partner with David Aaker's Prophet Brand Strategy.

Thomas Capune is one of the most acknowledged FMCG retail experts in Europe. He started his career with **Henkel** detergents and later moved on to management consulting. Thomas owns and manages his own specialty consulting company CSP and has a strategic alliance with Galleon Blue. Beyond his sound background in Brand Management and Sales Force Management, Thomas is an acknowledged expert on the subjects of trade terms (discount systems) and distribution strategy. He has helped many companies like Nestle, Beiersdorf and Masterfoods to strategically manage their relationships with retail customers.

Fenella McVey is another co-founder of Galleon Blue and has spent her career developing market facing strategies both as a management consultant and within industry. Prior to co-founding Galleon Blue, Fenella has had senior roles with **Bertelsmann** and Prophet. Her long list of consulting clients includes UBS, Siemens, Phillips and AB Foods.

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