# EFFECTIVE PRODUCT LINE MANAGEMENT

*Are you producing what you are selling?*

Has poor product line management sub-optimized your manufacturing operations? Does it create reactive production and distribution planning, high operating costs, and ineffective utilization of manufacturing resources? In manufacturing, we are trained to identify root causes and induce continuous improvement efforts to be as efficient and responsive as demanded by the business. Too often we only look at what we control; the shop floor, the manufacturing environment, the plant, our focused factory, etc. It is important to step outside the familiar boundary and look to the broader organization for inefficiency drivers. Product line management, performed in a vacuum, managed inconsistently and without consideration of how products are effectively produced, is often the root cause for poor operational performance.

If you're not conducting formal reviews of your portfolio, you may be creating operational inefficiencies, increasing cost of goods sold (COGS), compromising production capacity, and fostering SKU proliferation and the corresponding steady increase of inventory-related costs. But how do you sort through it all? How do you lead change outside of your area?

Product rationalization should always be considered as an initial starting point when seeking operational improvement jointly between sales, marketing, engineering, production, and other key functions. This allows for a balanced, synergistic focus to blending the needs and wants of the business with its capabilities, capacity, and resources. Leveraging your production ability through the interrelationship of the key business functions in the context of product line management allows you to identify those products offering the best combination of volume potential, business fit, and margin contribution, while eliminating underperforming non-strategic products.

www.ipmcinc.com

**ALVIN DOSS**
*Director*

**TONY SCRIMA | PMP**
*Sr. Project Management Consultant*

Integrated Project
Management Company, Inc.

## FOUR STEPS.

Here are four steps to establish cross-functional, collaborative product line management and spark your product rationalization effort:

### 1 GAIN CLARITY ON YOUR SALES & MARKETING STRATEGY

It is imperative for sales and marketing to articulate an integrated strategy that clearly identifies the product portfolio.  Establishing this clarity beyond the walls of sales and marketing is desirable, and should especially be made clear to manufacturing.  Manufacturing must be proactive in understanding the sales and marketing strategy.

**Result:**
This step will enable manufacturing to improve its understanding of product requirements and customer needs, while opening the pathway to aligning capabilities and capacity to optimally produce according to plan.

### 2 UNDERSTAND HOW THE SALES & MARKETING STRATEGY IS CONVERTED TO UNITS

Strategies that state "sell $X worth of products in region Y," and leave it at high level or to the vagaries of planning and scheduling to derive a production mix without collaboration and cross-functional review, are all too common. Organizations must be able to translate forecasted revenue dollars to a viable production mix in a manner that utilizes the input of all stakeholders. Think robust Sales and Operations Planning (S&OP). S&OP is an excellent product management tool that is often omitted as an organizational work stream.

**Result:**
Facilitated collaboration between sales, marketing, and manufacturing to develop insights regarding the number of products that can and should be produced and sold. In other words, an opportunity to get it right the first time!

### 3 DIVE IN: PERFORM A DETAILED PRODUCT LINE ANALYSIS

Put the SKUs to the test. There are three product line attributes to test: volume history, volume and margin analysis, and strategic fit. Look first at the SKU sales volumes in the near history (three to five years), then apply the Pareto Principle to analyze profitability and volume, and lastly perform a qualitative assessment of the strategic value of the product lines and SKUs.

**Result:**
Product line analysis supports the development of an optimized production mix by weeding out products that are filling space, volume in the portfolio. This step eliminates underperforming and non-strategic product lines and SKUs, which results in reduced cost of goods sold and inventories and increased operational efficiencies.

**Decision Point 1:**

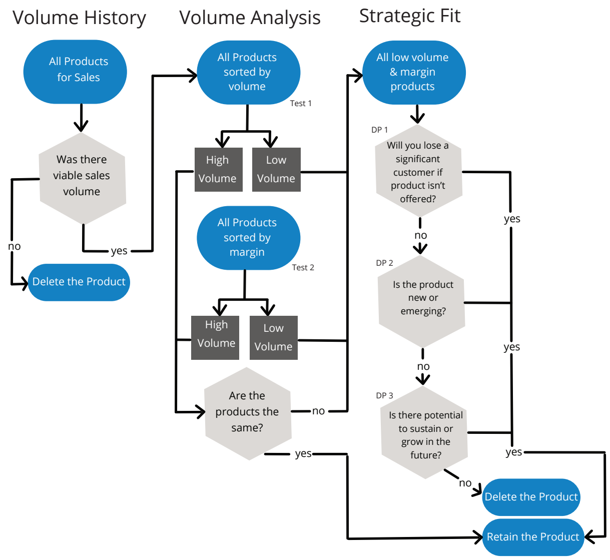
- Can we substitue a higher margin product?
- Can we increase volume on the existing product?

**Decision Point 2:**

- Does the new or emerging product need time to grow?

**Decision Point 3:**

- Can we raise the price of the product?
- Is outsourcing a viable alternative?




## 4 TAKE ACTION: IMPLEMENT THE RESULTS

As you complete the product line analysis, develop your approach to pruning the portfolio. For example:

- Determine strategies to offer substitution alternatives to customers that are using or have used an eliminated product.
- Identify opportunities to re-price products that do not have alternatives to lower produced unit costs.
- Consider offering discounted options to pool similar products to extend order quantities and take advantage of raw material synergies and purchasing economies.
- Investigate strategies to improve production capability – line and equipment enhancemens, focused set-up reduction, leaning out critical processes, and eliminating that last bit of process variance by applying Six Sigma.

Manufacturing, sales and marketing, and key operations stakeholders must be in it together. As previously mentioned in point #2, product line rationalization cannot be successful if performed in silos. The approach must be aligned with common business goals in all functional areas.

**Result:**

Systemic continuous improvement can be catalyzed through product line analysis and SKU rationalization. Significant organizational benefit can be derived through collaborative discussion of what products we intend to sell and produce. It is worth reiterating from point #2 that establishment of a strong, formal sales and operations planning process is an absolute requirement. This way, the organization is ready to move forward to support and sustain the product line management strategy.

---

If your organization hasn't recently assessed your product portfolio, you could be missing out on vital costs savings, manufacturing efficiencies, increased capacity, and organizational synergies.

## *Integrated Project Management Company, Inc.*

Integrated Project Management Company, Inc. (IPM) is a business consulting company specializing in professional project management within the Life Sciences, Consumer Products, Industrial Products, and Healthcare industries. Through careful planning and rigorous execution, IPM helps clients meet and sustain their goals – efficiently, cost-effectively, and often ahead of schedule.

The IPM leadership approach combines its clients' internal capabilities and legacy knowledge with the proven IPM capability to inspire stakeholder engagement and buy-in to achieve project objectives "from within."

Since its inception in 1988, IPM has served over 300 clients worldwide, across some 3,500 projects. Headquartered in Chicago, the company has regional offices in Boston, Los Angeles, Minneapolis/St. Paul, San Francisco, St. Louis, and Parsippany, NJ. To learn more about IPM's services, visit www.ipmcinc.com/services or call 630-789-8600.