



## PLM for Strategic Product Planning

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Manufacturers invest heavily in technologies and approaches to compress product time-to-market, lower costs, and maintain high quality. Yet for the most part, companies use ad hoc, subjective methods in selecting which products to design and build. Moreover, customer requirements often get blurred or lost as development proceeds, so final products sometimes end up being market failures, even though they may have been well-engineered, affordable and first to market.

Industry statistics indicate the widespread impact of this lack of proper planning. Studies conducted by the Harvard Business School and others have shown that of the investments made by companies in new products:

- only about 24% make it to market and succeed
- approximately 16% make it to market but fail
- more than 60% never make it to market

Addressing these problems, Product Portfolio Management solutions are evolving as a front-end of Product Lifecycle management (PLM) focused on identifying, evaluating and managing the company's "family" or portfolio of products to ensure that resources are targeted toward products most likely succeed in the market, fit best with the company's market strategy, and provide the greatest return on investment.

This area is often confused with a similarly named solution called Program Portfolio Management, which is focused on managing groups of projects (or programs) that a company executes to create, build and support their product suite. While some of their functionality is similar, Product Portfolio Management is intended to address a higher-level macro view of product investments while Program Portfolio Management provides a view and capabilities focused on managing the allocation of resources among the company's various active projects. Because these solutions have evolved rapidly in recent years and the terminology has been somewhat confusing, many in the PLM industry are beginning to refer to Product Portfolio Management more appropriately as Strategic Product Planning (SPP).

When one considers the high-level decision support provided by SPP, its business value becomes obvious. Solutions typically include capabilities to compare product investment alternatives according to market demand, their fit with the corporate business strategy, competitive pressures, macro-level cost rollups, projected sales and profitability estimates, overall resource needs, status reporting (including visual dashboards), and other related information. Further, SPP incorporates the processes needed to enable a company to determine the best ideas and products in which to invest, build, sustain as well as retire.

The target audience for SPP are those closely involved in product investment decisions. SPP can help product planners more accurately assess market trends, capture the voice of the customer, evaluate changes to the company's existing portfolio, predict costs, determine launch estimates and project realistic ROIs. Senior management can use SPP to better optimize and focus corporate resources on

products that will return the most business value. In this way, SPP enables product initiatives to be analyzed from multiple angles to ensure sound, objective decisions are made that support the company's strategic business, marketing, and sales objectives.

For suppliers of PLM solutions, those that do the best job of integrating SPP into their overall offerings have an opportunity to significantly strengthen their competitive positions. Likewise, manufacturers who look beyond the current fuzziness, filter out the hype, recognize the tremendous potential of SPP, and investigate ways of tying these solutions into their overall PLM initiatives stand to be big winners in the years to come with successful product strategies to bring more profitable products to market faster.

## **About PLM**

CIMdata defines PLM as a strategic business approach that applies a consistent set of business solutions in support of the collaborative creation, management, dissemination, and use of product definition information across the extended enterprise from concept to end of life—integrating people, processes, business systems, and information. PLM forms the product information backbone for a company and its extended enterprise.

## **About CIMdata**

CIMdata, an independent worldwide firm, provides strategic consulting to maximize an enterprise's ability to design and deliver innovative products and services through the application of Product Lifecycle Management (PLM) solutions. Since its founding more than 25 years ago, CIMdata has delivered world-class knowledge, expertise, and best-practice methods on PLM solutions. These solutions incorporate both business processes and a wide-ranging set of PLM enabling technologies.

CIMdata works with both industrial organizations and suppliers of technologies and services seeking competitive advantage in the global economy. In addition to consulting, CIMdata conducts research, provides PLM-focused subscription services, and produces several commercial publications. The company also provides industry education through international conferences. CIMdata serves clients worldwide from locations in North America, Europe, and Asia Pacific.

To learn more about CIMdata's services, visit our website at [www.CIMdata.com](http://www.CIMdata.com) or contact CIMdata at: 3909 Research Park Drive, Ann Arbor, MI 48108, USA. Tel: +1 (734) 668-9922. Fax: +1 (734) 668-1957, or Siriusdreef 17-27, 2132 WT Hoofddorp, The Netherlands. Tel: +31 (0)23 568-9385. Fax: +31 (0)23 568-9111.

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