OUR VISION AT SOLVENTURE

Building Winning Portfolios

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SOLVENTURE



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EXECUTIVE SUMMARY

Financial performance in the Food & Beverage sector is under constant pressure from fluctuating raw material costs, shifting consumer preferences, and increasing operational complexity. An **effectively managed product portfolio** is the lifeblood of stable profitability, efficient working capital, and sustainable growth. It directs resources to value-driving products while eliminating underperformers for maximum financial impact.

This white paper frames Product Portfolio Optimization as a **financial discipline** and underscores **its role as a lever for EBITDA growth**.
It explores how a financially driven approach to Product Portfolio Optimization helps businesses pinpoint which products contribute to long-term profitability, which ones require intervention, and which should be phased out.

Our aim: to provide finance and leadership teams with practical insights and tools to align portfolio decisions with broader business objectives, ultimately empowering your business to improve EBITDA **by 3%** or more.



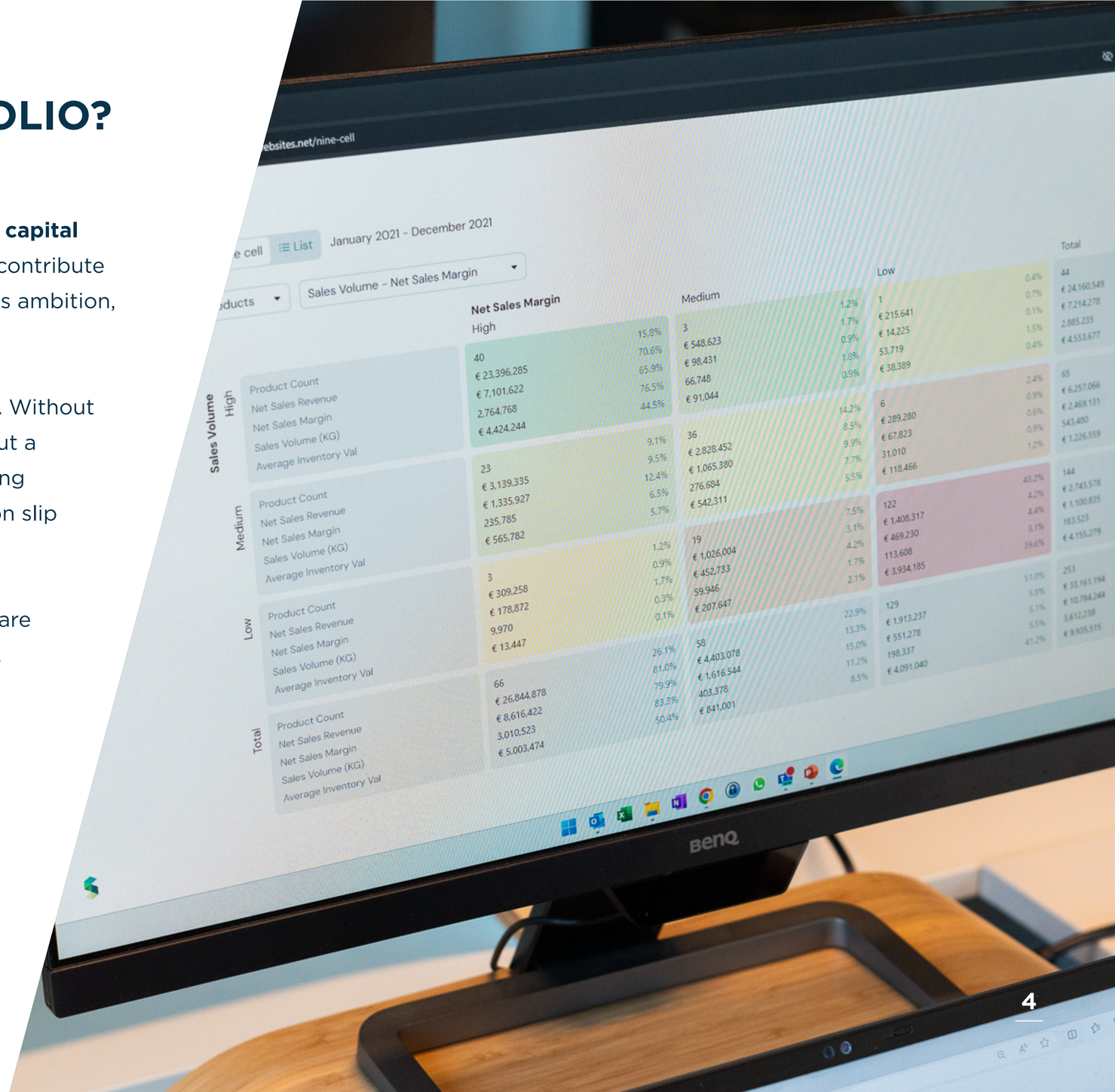
Figure 1 - Winning portfolios - growth, margin improvement, increased working capital and fixed asset efficiency

WHAT DEFINES A WINNING PORTFOLIO?

Winning portfolios deliver **long-term growth, profitability, and working capital efficiency**. They align with market needs, hold a competitive edge, and contribute measurably to financial performance. Every product is launched with this ambition, but in reality, only a handful truly delivers on all fronts.

Most companies struggle to separate value creators from value drainers. Without clear targets and financial metrics, decisions become guesswork. Without a structured process, underperformers linger, tying up capital and distorting priorities. Add a lack of accountability, and opportunities for optimisation slip through the cracks.

The challenge? Not just spotting weak links but ensuring that decisions are taken, implemented, followed up, and drive accountability across teams.



WHERE TO POSITION PRODUCT PORTFOLIO OPTIMIZATION?

Product Portfolio Optimization belongs **at the intersection of finance, strategy, and operations**. It's a methodology, not a goal, designed to sharpen profitability, optimize working capital, and maintain strategic focus.

THE CFO AS PORTFOLIO LEADER

In recent years, the role of finance has fundamentally evolved. Advancements in systems, services, and processes have moved finance beyond transaction processing and reporting to what truly drives value: decision support.

Today, finance plays a dual strategic role: "Are we doing the right things?" and "Are we doing things right?" Its mission is clear: embed economic awareness into every business decision, from boardroom to shop floor.

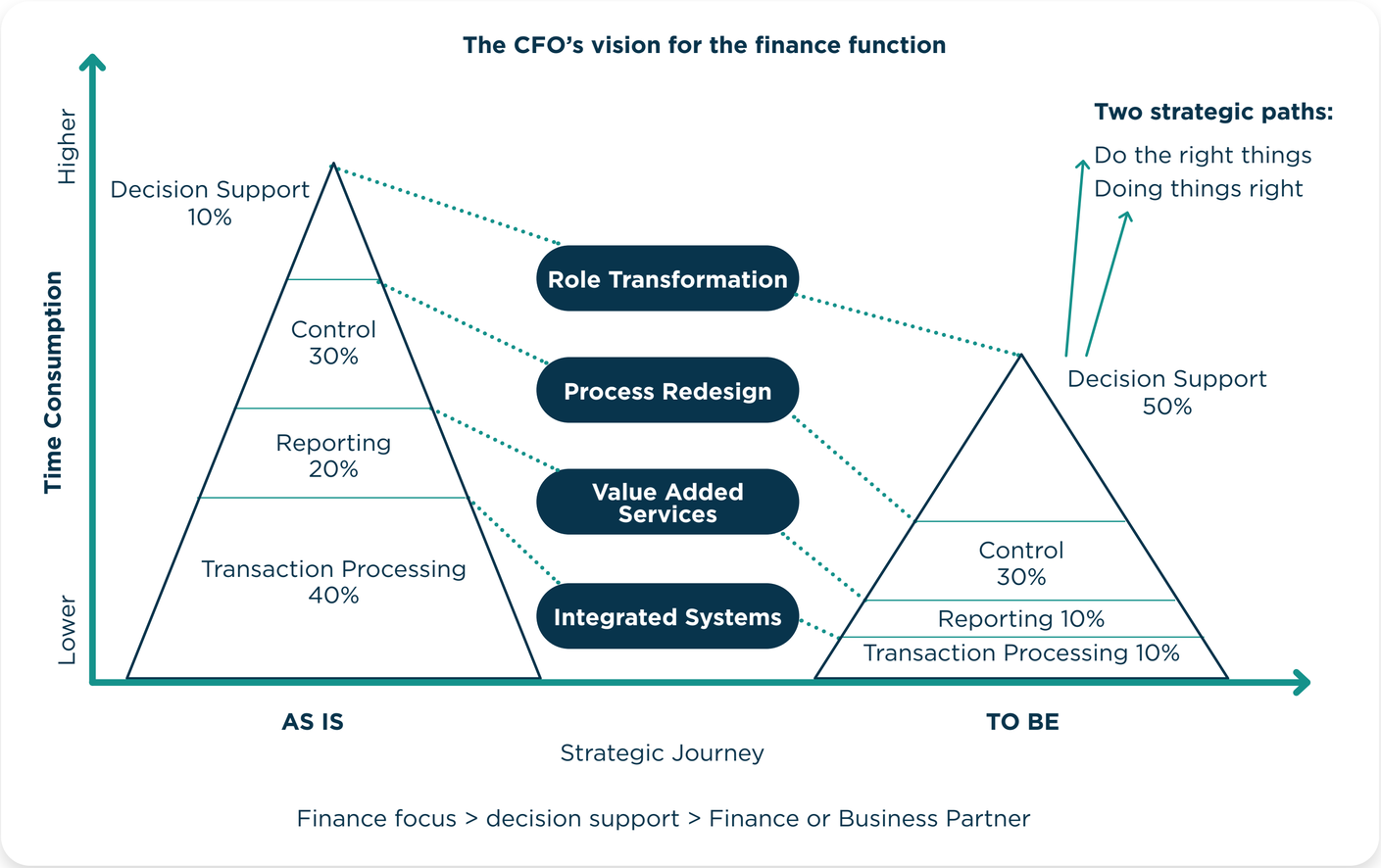


Figure 2 - The shift in the finance function
Adapted from: "CFO: architect of the corporation's future", PWC, John Wiley & Sons, 1997

As business partners, finance teams should direct a significant share of their resources and attention to guiding decision-making. This means driving cross-functional conversations with sales, marketing, operations, and supply chain, all while ensuring alignment with the company's mission, vision, and strategy.

To play this role effectively, finance must apply a structured approach to decision-making. Product Portfolio Optimization offers a structured method to assess every product, category, and customer decision by its contribution to profitability and growth.

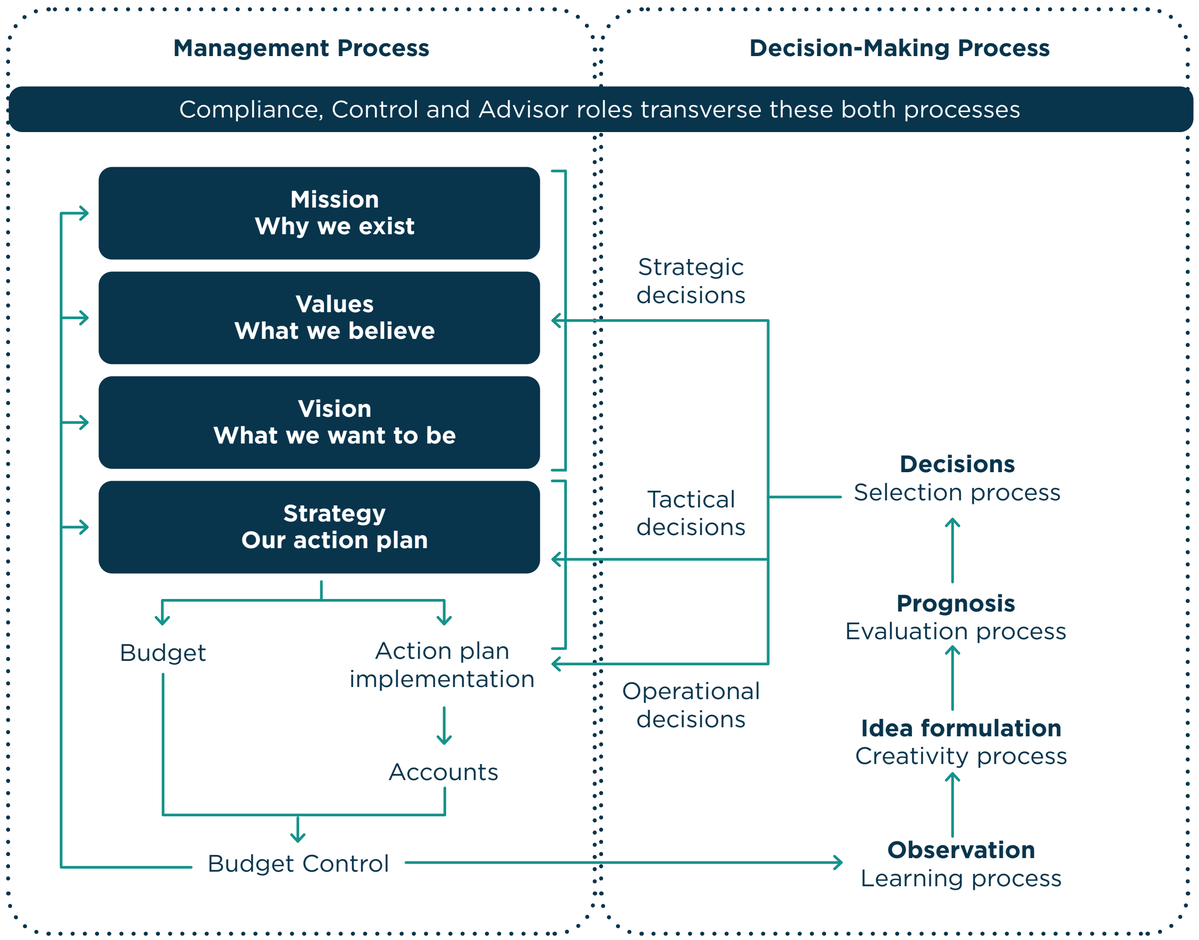


Figure 3 - Necessary inputs into the decision-making process
Adapted from: Create value as a finance business partner, Foged, Liu-Lindberg, Fynsk , 2018

In line with our Solventure DNA, we review and execute Product Portfolio Optimization from four different angles: people, process, tools, and analytics. From a people perspective, one key factor stands out. **Sponsorship by the P&L owner** is critical. Whether at the product line, business unit, or corporate level, they determine the financial direction.

The **most effective setup** is to have a **dedicated portfolio manager** with strategic and tactical oversight. This role should not be reduced to master data administration, as seen in some organisations. Instead, it should sit within marketing or strategy or report directly to the P&L owner, ensuring portfolio decisions are financially sound and commercially viable.

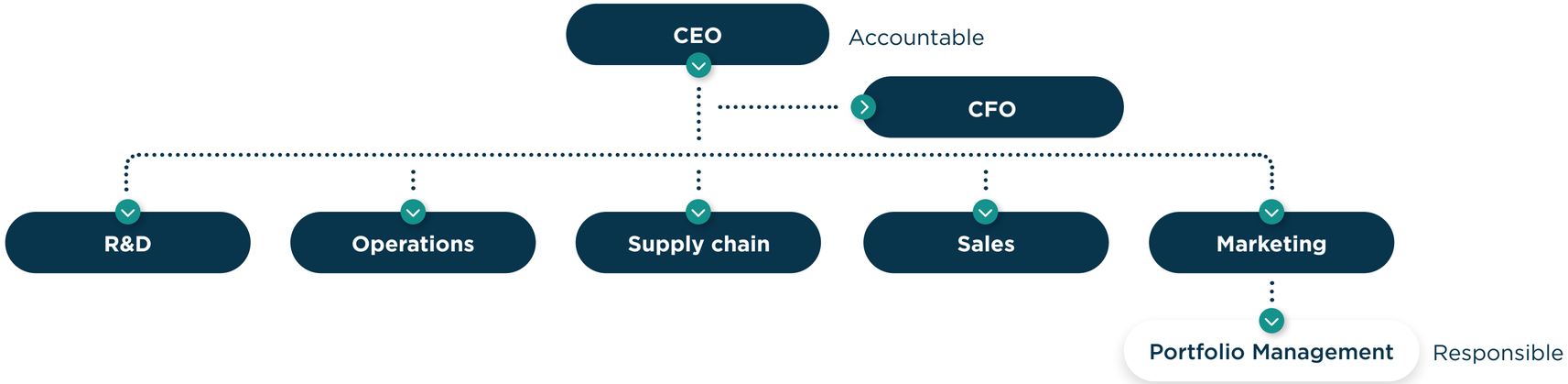


Figure 4 - Where to position portfolio management

THE PORTFOLIO LADDER: A STRUCTURED APPROACH

The Portfolio Ladder provides a structured framework to assess product performance and guide portfolio decisions. The **Golden Core** segment signals products delivering high value across sales, margins, and capital efficiency.

The ladder consists of distinct segments: Golden Core (high-value products driving EBITDA), Value Protect (products with margin potential through cost or price actions), and Phase-out (underperforming products requiring intervention or discontinuation).

Products that decline in financial contribution move down the ladder. If they reach the **phase-out zone**, they require intervention, whether through margin optimisation, repositioning, or discontinuation.

The key to effective Product Portfolio Management is ensuring products are either actively moved up or managed out before they erode profitability. Tracking ladder movements through margin contributions ensures portfolio decisions directly support EBITDA goals.

	Sales	Margin	CE Efficiency	Action
1	UP	UP	UP	Nurture
2	UP	UP	DOWN	Increase Agility
3	UP	DOWN	UP	Pricing/Efficiency
4	UP	DOWN	DOWN	Pricing/Agility
5	DOWN	UP	UP	Growth Tactics
6	DOWN	UP	DOWN	Growth/Agility
7	DOWN	DOWN	UP	Cure or Kill
8	DOWN	DOWN	DOWN	Cure or Kill

U^3 = Golden Core

D^3 = Phase Out zone

Moves products up ...

Or move them out ...

Portfolio Guidelines

Figure 5 - The portfolio ladder, where we move products up or out!

MANAGING COMPLEXITY TO PROTECT MARGINS

Complexity is a silent profit killer. Misallocated overheads and hidden costs blur the true picture of profitability. While direct costs are tightly managed, some very relevant costs, like changeovers, production losses, transport, and warehousing, often slip under the radar.

The result? High-volume products subsidise complexity, while low-margin items quietly erode profitability. A pragmatic cost allocation approach, by integrating complexity and customer margin variants, sharpen insights into cost-to-serve.
A pragmatic cost allocation approach is essential to integrate product complexity margins and customer margin variants, providing a more accurate view of financial performance.

Smart move: implementing complexity margin analysis can directly boost net EBITDA contribution by reallocating hidden costs from high-volume SKUs to low-margin outliers.

HOW TO SET PORTFOLIO GUIDELINES AND ACTIONS

Clear portfolio guidelines are essential, as they help maintain a healthy portfolio by setting minimum thresholds for volume, margins, or returns. Portfolio guidelines should tie directly to company strategy and annual budget targets to ensure a smooth transition from the current to the optimized portfolio. Different groups, such as private label versus branded offerings, often need distinct criteria to reflect their structural differences. By translating company objectives — whether focused on growth, margin expansion, or reduced inventory — into clear guidelines, the portfolio manager turns Product Portfolio Optimization into a tactical process that supports overall financial goals.

Portfolio guidelines also highlight how many products land in the danger zone. For example, if 35% of products violate the set thresholds, a target might be to reduce that to 20% within a clearly defined period, with intermediate targets defined. Each guideline violation signals a specific need for action, whether to adjust pricing, cut costs, or rebalance inventories.

If a product ends up in the triple D segment, where issues persist across multiple dimensions, phasing out or substituting it is often the only feasible move. Attempting to fix everything at once rarely yields results.



PRODUCT PORTFOLIO OPTIMIZATION AS A CROSS-FUNCTIONAL PROCESS

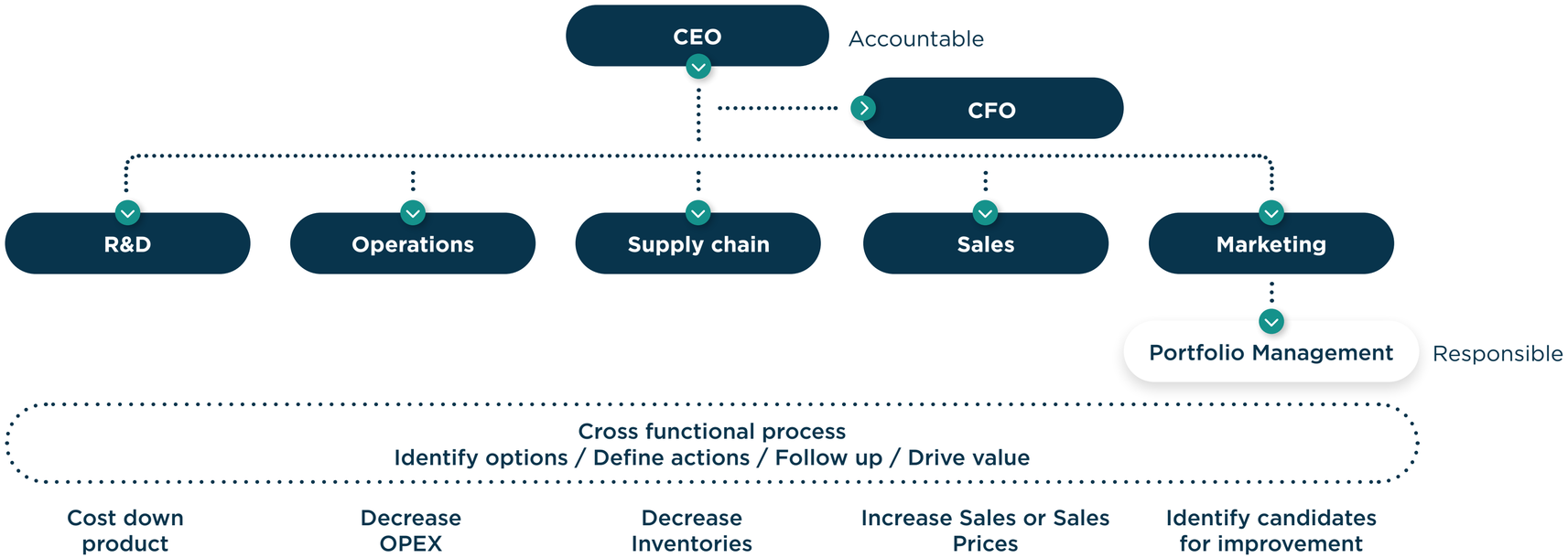
As discussed earlier, Product Portfolio Optimization requires input from every business function. The CFO ensures cross-functional accountability, aligning financial outcomes with operational decisions.

Changes to sales or pricing involve Sales. Redesigning a product to lower costs involves R&D. Improving efficiency is the domain of Operations, while reducing inventories depends on Supply Chain.

A key challenge is **follow-through**. All too often, we see companies implement less than 20% of decisions within three months. By establishing clear ownership and a structured process, that rate can jump to 80%, driving a marked improvement in financial outcomes.

The ability to measure and track the impact of these decisions is what ultimately moves the needle on profitability and growth. This cross-functional accountability, in which the CFO plays a leading role, lays the foundation for effective executive portfolio reviews and ensures decisions align with broader financial targets.

Figure 6 - Portfolio Management as a cross functional process



IMPLEMENTING AN EXECUTIVE PRODUCT PORTFOLIO OPTIMIZATION PROCESS

Executive sponsorship is essential for a sustained and successful Product Portfolio Optimization cycle. Cascading financial targets from EBITDA goals down to product-level KPIs ensures clear accountability and alignment with financial outcomes.

One effective way to maintain that sponsorship is through executive portfolio reviews on a quarterly basis. These reviews:

- Assess how well innovation or promotion plans are realized
- Monitor portfolio performance over the past quarter
- Identify root causes of any shortfalls
- Monitor progress on open portfolio actions
- Decide on portfolio actions for the coming quarter

Outcomes from these quarterly reviews should also feed directly into financial planning cycles and inform adjustments to quarterly forecasts.



A dedicated process owner coordinates these reviews, tracking progress on all agreed actions. Every month, they align with the respective teams to ensure continued momentum. This monthly cadence also closes the loop with S&OP by ensuring that portfolio decisions impact demand planning and inventory targets.

Annually, the executive team sets clear portfolio targets for the coming budget year, reflecting both the strategic direction of the company and the roles that specific product categories will play.

These annual targets should:

- Cascade the overall EBITDA goal to margin targets on the different portfolio subset levels.
- Cascade the overall working capital target to different portfolio subsets.
- Balance margin targets and working capital intensity by reviewing GMROI targets in line with the company's overall ROCE target
- Decompose revenue growth target across subsets.



Figure 7 – Executive Portfolio Reviews

LINK TO THE S&OP AND IBP PROCESS

Product Portfolio Optimization targets and action plans should be fully embedded in the S&OP cycle. Introducing a dedicated “Product Management Review” step within the S&OP (or IBP) process ensures that portfolio evolution is tracked and the impact of portfolio actions is reflected in demand, inventory, and supply plans.

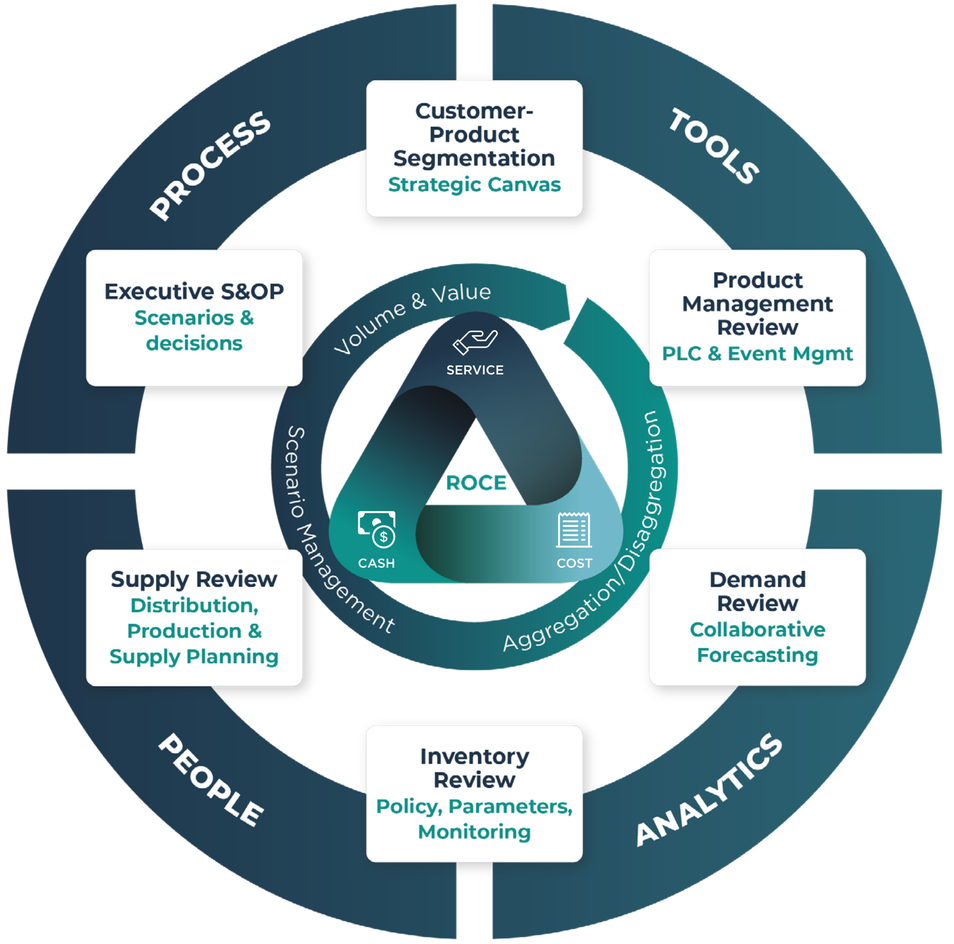


Figure 8 - Portfolio Management as part of the S&OP or IBP process

TOOLING FOR EFFECTIVE PRODUCT PORTFOLIO OPTIMIZATION

Product Portfolio Optimization is a blind spot in the tooling landscape. It is not supported by default functionality in financial planning tools, supply chain planning tools, product lifecycle management tools, or ERP systems.

Recognising this gap, Solventure developed **Solventure Perform** to support companies in embedding a structured, financially driven Product Portfolio Optimization process.

Solventure Perform:

- Aligns portfolio actions with financial plans and provides real-time visibility into goal attainment.
- Integrates with ERP systems to ensure real-time data availability
- Leverages proprietary algorithms to identify value-driving opportunities.

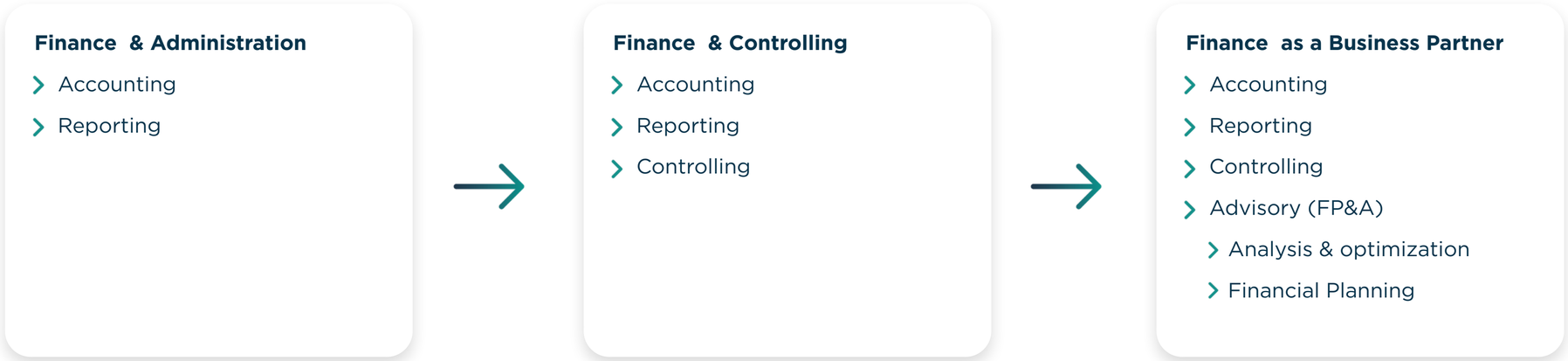
It allows businesses to track and manage the financial impact of their portfolio decisions, ensuring that insights are translated into measurable results.

By facilitating both product and customer dimension analysis, Solventure Perform enhances negotiations, optimises portfolio profitability, and strengthens decision-making. The built-in workflow and action management tools ensure that defined actions are executed, tracked, and contribute to measurable financial improvement.

PART OF THE FP&A TOOLKIT

As discussed earlier, finance has come a long way from its traditional focus on accounting and reporting. As systems automation freed up resources, the function expanded into finance and controlling, with a stronger emphasis on analysis and performance monitoring.

Over the past decade, a new shift has emerged: finance has stepped into a business partner role, driving decision support through analysis, optimization, and financial planning. This evolution is known as Financial Planning & Analysis (FP&A).



"It's the role of finance to enable an economic conscious decision-making within the organisation."
- Joerg Hoenneman, CFO Julius Meinl

As a business partner, finance requires a methodology to drive analysis & optimization, and facilitate cross-departmental decision-making in line with the company's strategic plan.

Figure 9 - The evolving role of the finance function

FP&A works in close alignment with the S&OP cycle, translating operational plans into clear financial outlooks and setting the annual budget based on these insights.

Product Portfolio Optimization plays a critical role within this process. It provides the decision-making framework that ensures every portfolio action supports the targets set in the budget, always in line with the company's vision and strategic plan.

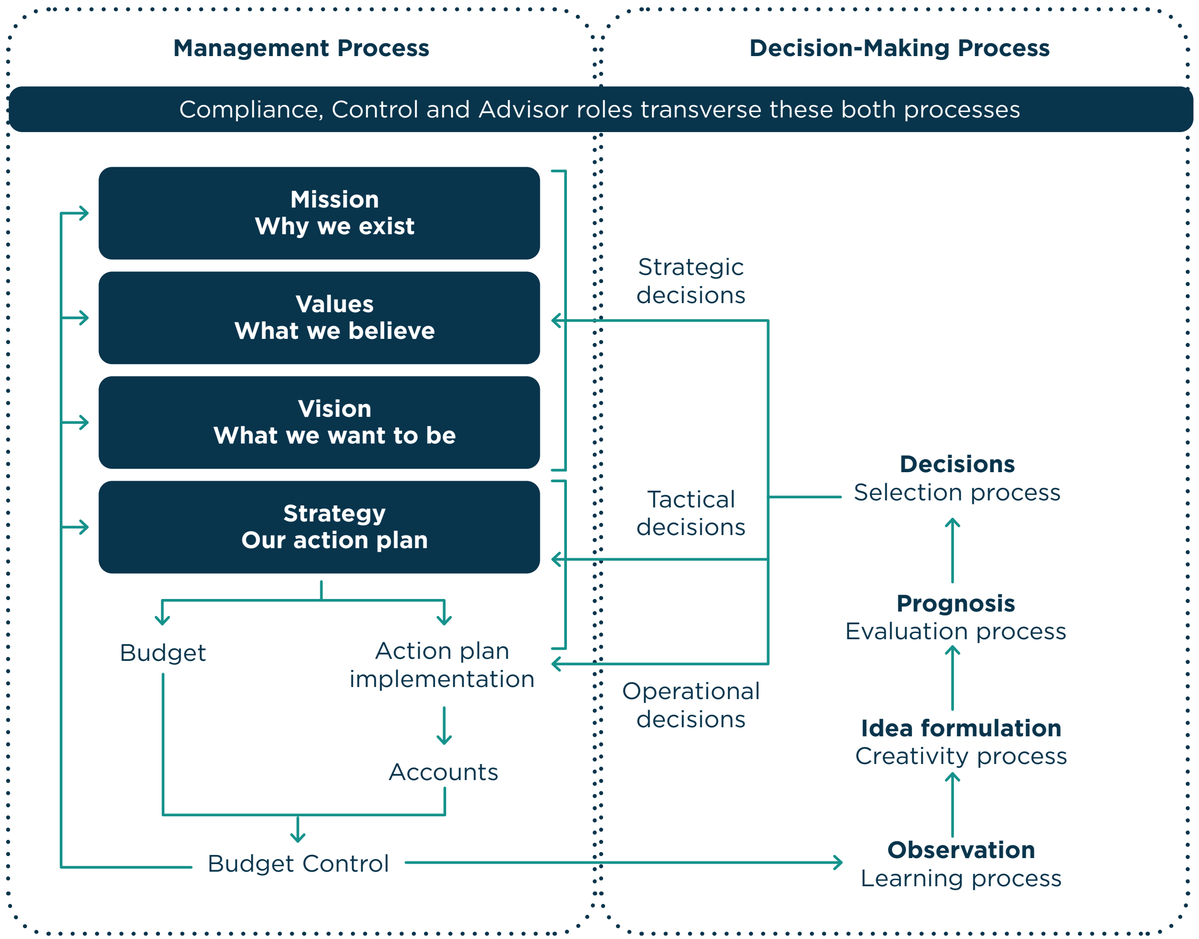


Figure 10 - Necessary inputs into the decision-making process
Adapted from: Create value as a finance business partner, Foged, Liu-Lindberg, Fynsk , 2018

LEVERAGING AI FOR ENHANCED DECISION-MAKING

The real power of AI is its ability to forecast potential problems before they materialise.

AI insights should be integrated into all financial dashboards, aligning predictions with profitability metrics. At Solventure, we use a proprietary algorithm — supported by VLAIO subsidies — that analyses historical data across multiple levels, from individual products to entire product hierarchies.

By spotting early signs of declining sales, inventory build-up, or margin erosion, the tool gives teams time to intervene and avoid more serious impacts.

As actions are taken and tracked, the algorithm refines its recommendations, predicting likely outcomes based on past results. In doing so, AI not only highlights which areas of the portfolio need attention but also suggests targeted interventions. AI-driven predictions should feed into financial dashboards, enabling CFOs to track EBITDA risks in real-time.

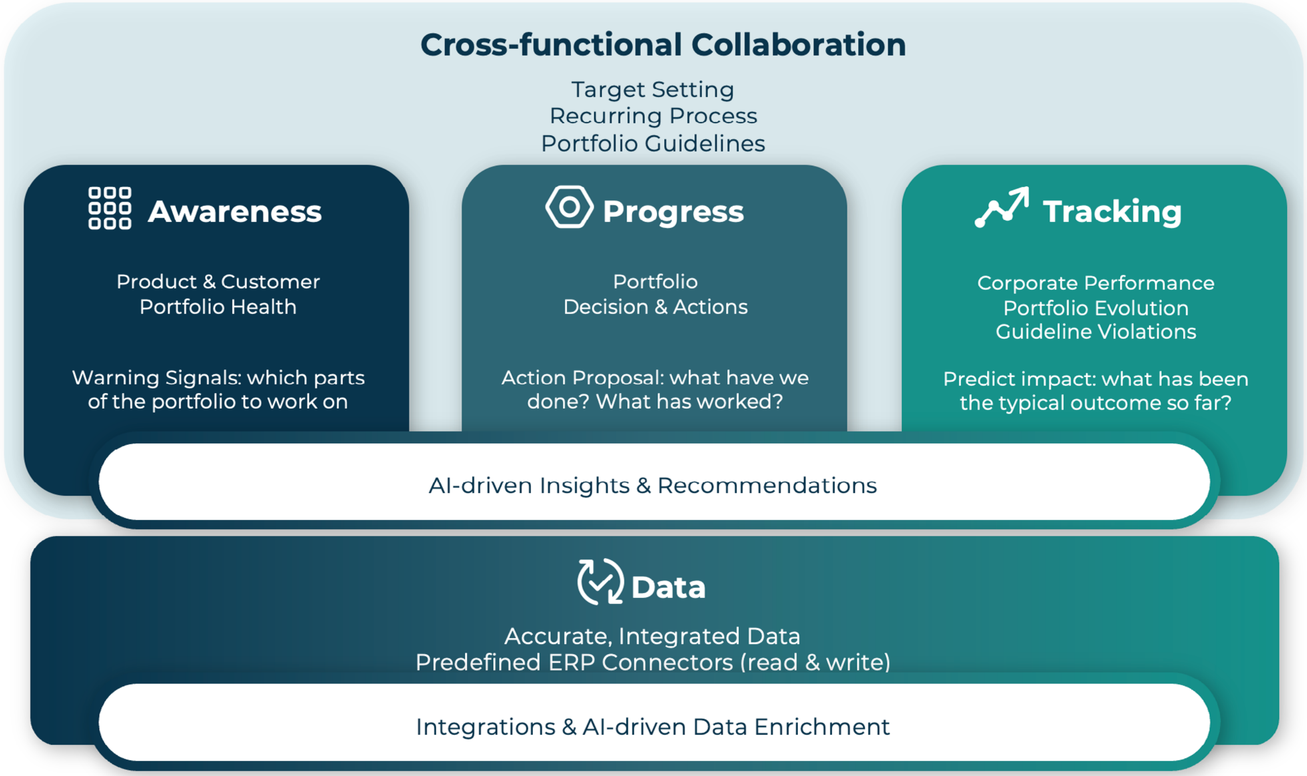


Figure 11 – Solventure Perform Approach including AI

IN SUMMARY

At Solventure, we believe Product Portfolio Optimization is a key enabler of value creation along three critical dimensions: **sales growth, margin improvement, and working capital efficiency**.

The CFO's role is pivotal, because without financial ownership, Product Portfolio Management risks becoming an operational exercise rather than a strategic lever.

A strong Product Portfolio Optimization process should include:

- A clear definition of ownership for portfolio decisions at a tactical and strategic level.
- Structured analysis to determine which parts of the portfolio to optimise, phase out, or expand.
- A solid Product Portfolio Optimization tool to track actions, support execution, and measure financial outcomes.
- AI-driven insights to guide decision-making and prioritisation.

By taking a structured, finance-led approach to Product Portfolio Optimization, companies in the Food & Beverage industry can:

- Improve EBITDA up to 3% or more
- Reduce complexity costs
- Drive sustainable profitability.

ABOUT THE AUTHOR

Bram Desmet - CEO | Professor | Author
As CEO, since 2009 Bram has led the Solventure Group to transform organization's S&OP processes into a competitive advantage using his innovative Supply Chain Triangle® and Strategy-Driven approach.

As an adjunct professor at both Vlerick Business School and Peking University, Bram bridges the gap between academia and industry practice.

As an author, he has encapsulated his experiences into elegant and practical frameworks for cohesive alignment of strategy, supply chain, and finance.

Nick Verstraete – CTO
As CTO since 2020, Nick leads Solventure's technological vision and strategy.

A trusted advisor since 2010, he plays a key role in strengthening partnerships with Solventure's top clients, guiding Planning Directors and VPs across industries.

Beyond technology, Nick is also a coach and mentor, supporting Solventure's internal delivery teams in driving success.

ABOUT SOLVENTURE

As Solventure we proud ourselves of being experts in designing and implementing Integrated Value Planning. We do that through a unique combination of people, processes, tools and analytics.

Visit www.solventuregroup.com or contact us at contact@solventure.eu for more info.