Product Management and Strategy

Module 1: Introduction to Product Strategy

Quick Reference Guide

Learning Outcomes

1. Define how products, and therefore product management, contribute to organizational performance and competitive advantage.
2. Evaluate the diversity of roles that occur under the product manager (PM) title.
3. Evaluate in which settings PMs are most valuable and therefore in which settings the role is explicit.
4. Analyze the role of a PM in key organizational decisions related to products.
5. Judge the value of a product as a solution to a problem.
6. Evaluate the use of PMs in practical settings.

Products and Product Users

Products are solutions such as physical artifacts, software, and services for doing a job that are delivered by a producer to multiple product users. Many products combine tangible goods with services or software. The function of products is synonymous with the job to be done, problem, gap, pain point, and demand which is a job to be done that you cannot or will not do yourself.

Products users may both purchase and use the products or purchase products for others to use such as businesses serving their own customers.

Products Managers

Product managers (PMs) stand at the interface between customers and the organizations that deliver products to them. They oversee the planning, creating, and improving of products.

PMs serve as the:

- Creators or guardians of the product vision
- Interpreters and protectors of the customer experience
- Guides for the technical resources to create or improve the product
- The one who prioritizes features and improves road map

PMs are not responsible for the profit and loss of the product. These are usually handled by the business unit manager or CEO. They also are not responsible for the technical resources which are usually handled by the engineering manager.

Types of PMs:

- Innovators that recognize and develop new opportunities.
- Builders that start with a target and lead developers to create a great product.
- Tuners that optimize the success of the product over its life cycle.

The Product Life Cycle

There are four stages of a product life cycle: Sense, Solve, Scale, and Sustain.

1. The sensing phase lasts for several months and involves recognizing an opportunity for a new product due to disequilibrium in the market or technological landscape.
2. The solving phase lasts for several months and involves creating a product to respond to the opportunity as well as launching its first version.
3. The scaling phase lasts for a few years and involves tailoring the product to deliver to the bulk of the market.
4. The sustaining phase can last for decades and involves refining the product over its life as well as advancing cost and product performance.

The role of PMs in a product life cycle

- In the sensing phase, PMs innovate new product opportunities.
- During the solving and early scaling phases, a dedicated PM builds the zero-to-one product development (creating a new product from a clean slate).
- The scaling phase is less clearly demarcated. PMs in this phase can be thought of as builders, tuners, or a hybrid of the two.
- In the sustaining phase, dedicated PMs serve as tuners and are typically only found in highly dynamic product environments where the product changes at least quarterly.

The RACI Framework

The RACI framework stands for:

- Responsible
- Accountable
- Consulted
- Informed.

A stakeholder in a key decision may be:

- Responsible for working to support a decision and delivering the outcome
- Accountable for owning the results, approving decisions, signing off on actions, and having veto power
- Consulted on information, perspectives, resources, and support.
- Informed on progress and results but they do not have to be consulted.

More than one person can be responsible, consulted, and informed. However, only one person can be accountable.

PMs are responsible and accountable for the product vision, concept, and road map. In addition, they are consulted on branding, go-to-market strategy, pricing, growth, and partnerships.

Alpha Assets

To outperform competitors, an organization must possess resources known as "alpha assets". Alpha assets are based on the 'resource-based view of the firm' idea from competitive strategy.

An asset must enhance performance and be hard for others to acquire to qualify as an alpha asset. Assets that are hard to require need significant time, effort, and money and may even be unattainable. Furthermore, almost no asset can remain alpha forever.

Sources of alpha assets:

- Inventive spark or organizational founding conditions
- Good fortune and random endowments
- Deliberate action and managerial attention over time of cost efficiency and product performance

Flywheels

The most important alpha assets in most organizational settings are called "flywheels". They represent tremendous sources of strength and resilience for organizations that can create them.

The flywheels are:

- Customer network
- Cost efficiency
- Product performance
- Brand equity
- Organizational capability and culture

Product as an Alpha Asset

Opportunities for product improvement

Use case: All organizations that receive customer complaints

Steps of the product improvement process:

1. Observe where the customer complaints are.
2. Think of ways to improve competitive performance.
3. Initiate projects to improve your product over time.

Assets that do not qualify as alpha are not sources of sustained advantage, but they do require competent implementation to ensure success. Good products and effective product management are important resources, even if they do not qualify as alpha assets.

However, product can be an alpha asset in settings with zero-to-one product development and strong intellectual property barriers.

Zero-to-one product development:

When there is disequilibrium in the technology or market, an organization should quickly take advantage of it and create a product that is dramatically better than the pre-existing alternatives.

Better product gives you a competitive advantage and can be an alpha asset for a finite time after disequilibrium. Use this period to kickstart and accelerate the other flywheels for sustained advantage.

Sources of intellectual property barriers:

- Legal protection
- Trade secrets

Dynamic products

In dynamic markets, you have quickly changing and enabling technologies, competitive actions, and customer behaviors.

Characteristics of dynamic products:

- Incremental product improvements
- Less frequent substantial product changes
- Engages its users
- Understands improvement opportunities
- Prioritizes product road map changes

These characteristics are due to the data and experience with its user base as well as the refined organizational process of product management.

Product Strategy and Competitive Positioning

Defining business strategy

Business strategy is defined by Michael Porter as the "...broad formula for how a business is going to compete, what its goals should be, and what policies will be needed to carry out those goals".

The strategy considers competition, markets, resources, approaches, and how these elements change over time.

Defining product strategy

This strategy is the broad formula for how a product is going to compete. Almost any new technology initially has high unit cost before it can be optimized.

Steps for a good default product strategy:

1. Start with a focused product targeting a high-need and high-willingness-to-pay customer.
2. Use your experience to refine a plan for a more mainstream model.
3. Ride the learning curve and scale economies to get to a lower price point.

Identify the:

- Target customer
- Job done by the product
- Approach to the solution
- Source of competitive advantage
- Map of product platforms and derivatives in a product line

Initially, there may not be much difference between a product strategy and a business strategy. Over time, however, your strategy will likely evolve. The larger and more diffuse the organization, the larger the difference between corporate strategy, business unit strategy, and product strategy.

Competitive positioning

Know the customer and figure out the attributes that best describe differences in products and market preferences. All else equal, a product should be positioned where there is demand and little competitive intensity. The main takeaway from *Blue Ocean Strategy* is to avoid head-to-head competition when tuning product parameters within a highly evolved product landscape. Instead, introduce new attributes to it.

Problems with competitive positioning:

One problem is that not every location in your product space is feasible. Note that product strategy and positioning in technology intensive industries are cross functional challenges. The engineering breakthroughs allow for differentiation. Another problem is that you may be in a stagnant industry, where tuning is done based on mathematical models and consumer data.