Boosting Business Success with Professional Product Management

Shorten your time-to-market and effectively manage your portfolio through the market and product lifecycle

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Decision-makers are becoming increasingly aware that professional product management is an essential building block for business success. Product managers (PM´s) work at the interface of markets and product development: They analyze market and customer requirements and translate them into competitive products and services.

Depending on the industry and their role definition, product managers either have a special focus on the market or on the product. Ideally, they should be familiar with both worlds, so that they can provide the maximum contribution to business success.

Excellence in product management depends on three success factors:

1. Product management must be optimally positioned in the company, so that product managers can effectively assume their role and achieve the desired results.

2. Product managers must have the required personal skills and technical background.

3. The company needs a clearly-defined product management process, including generating new product ideas, managing portfolios through their lifecyle and re-launching or discontinuing products.

To illustrate these success factors, we have developed a ´Product Management Navigator´ (comp. fig.1, p. 4). It is an integrated frame of reference which provides a holistic overview of the success-critical areas in product management and helps identify potential for improvement.

The inner core of the navigator shows the product manager´s role, the integration of product management in the organization as well as the PM´s personal skills and technical know-how. The outer ring illustrates the product management process. The output of each process phase (grey area) serves as an input for the subsequent step.

In the following, we will provide a systematic overview of the individual elements of the navigator, going from the inside to the outside of the model.

Abb 1, Product Management Navigator
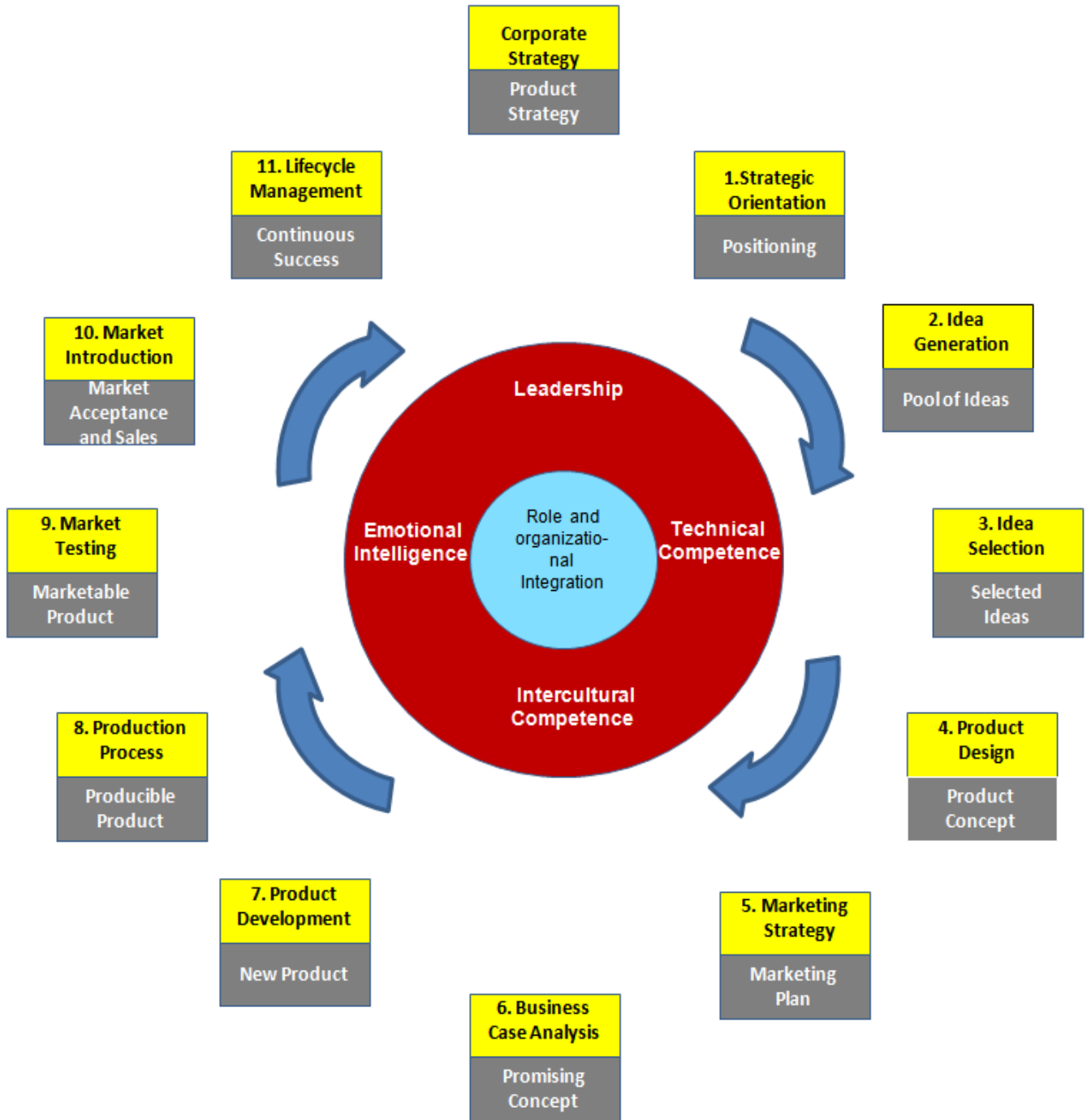
Role and organizational Integration of the PM

As an ´intrapreneur´, the PM needs room for manoeuvre and decision-making power to move things forward and to drive projects to completion. These tasks are all the more challenging as the PM has to manage numerous internal and external interfaces. Depending on a company´s size, PM´s either report to Business Unit Heads or to the Head of Product Management. What is important is that the PM´s are positioned in such a way that they can communicate at peer level with their colleagues in sales and R & D and that they are accepted as equal partners. The basic mindset of the PM should be that of a ´driver´ - in the positive sense - who motivates his partners and convinces them to become active for him and his products.

Leadership

The capability to lead others without being their boss can be described as ´leadership without Authority´. This is best accomplished by understanding other people´s way of thinking and their particular situation as well as by focusing on the common goal – business success. Leadership in this context also means that there should be escalation mechanisms which the PM can refer to if he doesn´t get any further.

Emotional Intelligence

Understanding others requires ´Emotional Intelligence´. This includes…

- <u>Self-Awareness</u>: Understanding and critically reflecting one´s emotions.
- <u>Self-Regulation</u>: Controlling one´s feelings and actions in difficult situations.
- <u>Motivation</u>: Self-Motivation, not becoming de-motivated by defeats.
- <u>Empathy</u>: Understanding others and their situation.
- <u>Social Skills</u>: Ability to work in teams and to resolve conflicts in a positive way; building and maintaining long-lasting relationships.

Intercultural Competence

In an age of globalization, emotional intelligence is required at a cross-country and cross-cultural level – this is intercultural competence. Empathy is particularly important in this context as the challenge is to understand business partners and colleagues who often have completely different cultural backgrounds and therefore think and act differently. When negotiating with Chinese, the PM will, in most cases, not get a clear ´Yes´ or ´No´, but rather ambiguous messages which need further interpretation. Running quickly and systematically through an agenda is also difficult in this culture. It is a big challenge to produce concrete results under these circumstances.

Technical Competence

PM´s must have state-of-the-art technical knowledge and continuously work to expand it. In particular, this is indispensable in high-tech industries with short product lifecycles. What is important is that PM´s themselves should take the initiative and, e.g., ask their boss for permission to attend relevant seminars.

Strategic Orientation

The development areas for new products and services are defined by the corporate strategy. E.g. if a company wants to position itself in the field of ´renewable energy´, because it sees attractive growth potential there, the task for product management will be to develop product ideas in that field.

Idea Generation and Selection

Based on the strategic positioning, ideas for potential innovations will now be developed in this phase. This will be done using creativity techniques like, e.g., brainstorming, synectics and morphological analysis. In the next step, a pre-selection of the generated ideas will be carried out using screening und scoring methodologies.

Product Design

Now the selected ideas will be translated into product concepts. Product performance and functionality requirements will be defined taking a market and customer perspective. In the next step, these requirements will be turned into technical specifications taking a production perspective. This involves a break-down of the product concept into building blocks and individual parts. Using value engineering, the most cost-effective way of production will be determined.

Marketing Strategy

Based on the product concept, a marketing strategy will be developed. The output of this phase is a strategic marketing plan. This has the following structure:

- <u>Analysis of the market and competitive environment</u>: How big is the market? Which competitors are there? What are the customer´s needs? Which strengths and weaknesses do our products have?

- <u>Future developments:</u> Which future scenarios are most likely? How is the market going to develop?

- <u>Strengths/weaknesses-Opportunity/threats analysis:</u> Summary of steps 1 and 2 and identification of the resulting key challenges.

- <u>Setting targets</u>: Based on the preceding analysis, the targets will be defined. Which turnover and profit is possible? Which market share can be achieved?

- <u>Formulating the marketing strategy</u>: Which are the strategies to achieve the targets? The marketing strategy includes the definition of target segments, a positioning statement and the marketing mix (7 P´s).

- <u>Action plan</u>: Action plan for implementing the marketing strategy.

- <u>Marketing control:</u> Controlling metrics (KPI´s) to track implementation success.

Business Case Analysis

In the business case analysis, those product concepts which are in line with the company´s economic goals will be identified. Concepts which stand this test will be developed into marketable products. Business case analysis includes an assessment of expected turnover, cost and profit. This is done by applying methods like Break-Even-Analysis, Discounted Cash Flow and Pay-Off Calculation.

Product Development

Following the business case analysis, the chosen product concept will be developed into a new product. The direction of the development will be determined by the product characteristics required to provide the expected customer benefits. The product development process can be divided into 3 steps: ´Designing´, ´Drafting´ and ´Implementation´. To manage the complex processes in this phase, disciplined project management is required. Throughout the entire product development process, efficient cost management has to control the cost drivers. In B-to-B-Businesses, customers are often included in the product development process, which facilitates market entry and saves time through early adjustments.

Production Process

In this stage, the processes for producing the developed products, now available as prototypes, will be defined. The output is a product which not only performs to specification, but which can also be produced on an industrial scale. This phase includes, e.g. the organization of production flows, capacity planning, supply chain management, order management and logistics.

Market Testing

The aim of market testing is to turn an optimally producible product into a marketable product which meets or exceeds customer expectations. The results of the market tests serve to optimize the marketing strategy. Analyzing different target groups´ price sensitivities is a key issue here. The information thus gained helps decision-makers define the profit-maximizing price strategy. With consumer goods, market tests are done through test markets, store tests and sales wave research. With industrial goods, tests are predominantly carried out by users. In this context, ´Lead Users´ play a special role. They have an interest in solving a particular problem and they are open to cooperation and information exchange.

Market Introduction

In this step, a number of strategic decisions have to be taken. They include the timing of market entry, selecting target segments and target customers and defining the marketing mix. The timing of market entry decision concerns pioneer or follower strategies. Target segments are selected by applying criteria of attractiveness like, e.g., segment size, segment potential and competitive intensity. Defining target groups requires a deep insight into customers´ purchasing behavior (e.g. early adopters and laggards). Finally, the marketing mix (7 P´s) has to be formulated in line with the selected marketing strategy.

Lifecycle Management

The objective of lifecycle management is to manage products effectively through the different lifecycle phases and to maximize their lifespan and competitiveness. A typical lifecycle has the following phases: ´Introduction´, ´Growth´, ´Maturity´ and ´Decline´. However, not all products necessarily go through all the stages of the product lifecycle. Especially with newly-launched products, it is often difficult to precisely determine the product´s position. Nevertheless, the product lifecycle is a useful framework for defining and adapting the marketing mix in the different phases.

Summary

Excellence in product management is based on 3 success factors: 1. Product management must be effectively positioned in the company, 2. The product manager must have the required personal skills and technical know-how, 3. The product management process must be clearly defined.

This triad enables companies to accelerate their innovation speed, shorten the time-to- market and successfully respond to changing market conditions and customer requirements.