

Executive Summary

1. Product managers and their teams are responsible for optimizing the performance of their existing products, consistent with the strategies of the organization.
2. In order to optimize the performance of current products, product managers must be able to harness data and associated metrics—and to tell a meaningful story about the product's business.
3. When products are active in the market, the cross-functional product team serves as the “board of directors” for the product, analyzing the product's performance and making the most appropriate strategic and tactical decisions for the product's business.

Product managers will earn greater levels of credibility across the organization when they understand and act on proven facts and relevant data. Metrics, or measurements, are standards that allow managers to quantify, evaluate, diagnose, and explain findings and to consider future options. The key is to ensure that the right data is available and to actively facilitate the integration of myriad data elements.

The four main categories of metrics are market; financial; sales, service, and operations; and observational.

- *Market metrics* focus on market share, which shows how a product is faring against competitors' products. Units of measure may include revenue (price x quantity) or simply, units sold or transactions conducted. Market penetration rates allow for the verification of forecasts, especially when compared to strategic goals, or what was included in the Business Case. Lastly, customer usage metrics can reveal how often a product is used and how it's used.
- *Financial metrics* include unit volumes, that is, the number of units sold or the number of transactions produced; average price per unit, which reveals patterns based on discounting or competitive activity; gross margin, calculated by subtracting the cost of goods sold (the materials, labor, and overhead) from total revenue, resulting in a rough approximation of profitability; channel margins, or the profits that can be calculated by multiplying the unit volumes sold through a given channel (online, direct sales, etc.) by the unit revenues in that channel; monthly recurring revenue, which is used for applications where monthly fees are being collected; and customer acquisition cost, which is a measure of the sales and marketing investment involved to obtain a new customer over a specific time frame.
- *Sales, service, and operations metrics* include sales force effectiveness, which may include the number of calls made by a particular salesperson, effective contacts (actually connecting with a customer), percentage of sales that are from new customers, and average revenue produced by the salesperson; out-of-stock metrics, which are important to determine whether the inventory held for tangible goods is sufficient to fulfill demand; inventory turns, or the number of times inventory (for tangible products) is sold and replenished during a given time period; customer quality of service metrics, which focus on how customers feel about their experience interacting with the company; and incident-based metrics, which gauge how effectively the company engages with customers when they contact it to resolve a problem.

Post-Launch Performance Management also involves assessing the impact of the cross-functional product team, identifying the life cycle state of the product, evaluating financial and business data using product scorecards, and using a product dashboard and a product health report to gauge the product's current performance.