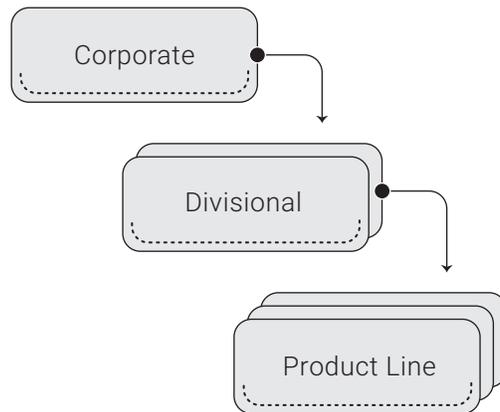


Product Manager's Desk Reference (3e)
 Illustration Insights – Chapter 10 – Figures 10.1, 10.2

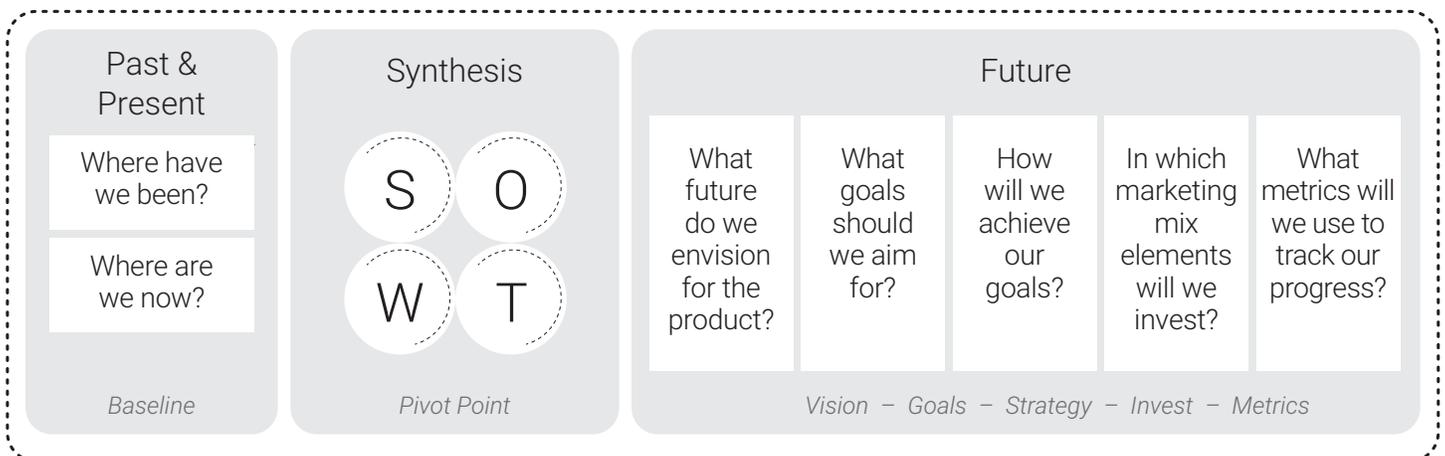
Product Strategy Formulation

Every successful business relies on a clearly articulated future vision and relevant, achievable goals. For product managers, the goals and strategies you create are dependent on the goals and strategies of the business unit and/or company where you work, as shown in the diagram below.



There's a process to help any product manager to formulate strategies. The diagram shown below portrays the product strategy formulation process. Taking this perspective will allow you to produce a meaningful analysis of data so that you can build a solid fact base on which to consider future options. The model should evoke five questions that should be asked and answered:

1. Where have we been?
2. Where are we now?
3. Where should we go?
4. How will we get there?
5. How will we know?

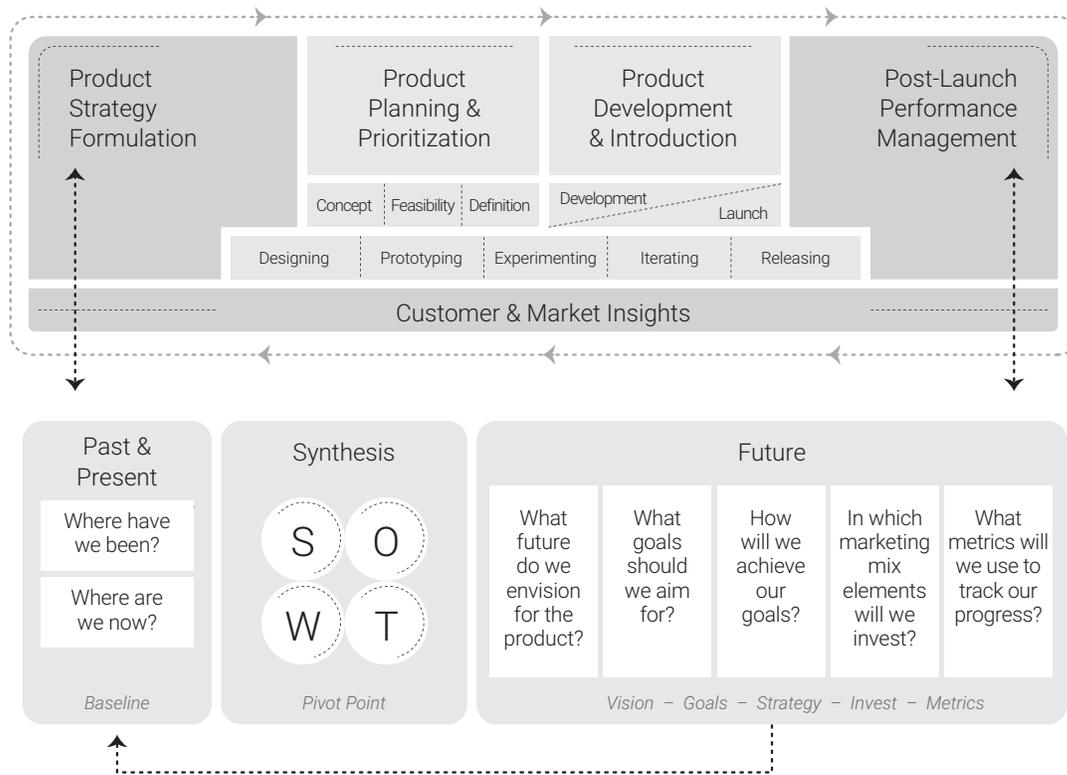


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Illustration Insights – Chapter 10 – Figures 10.3, 10.4

Product Strategy Formulation

An enhanced way of looking at the product strategy formulation process is to link it directly to the Product Management Life Cycle Model that was shown in Chapter 1. This visual is shown in the diagram below. With this context, you'll see that product strategy formulation does not operate independently; it's informed by an extensive amount of data from current product business performance as well as customers, competitors, and the overall industry environment.



The product strategy formulation process and its association with the Product Management Life Cycle Model provide a backdrop for the data needed to carry out your work. Having pertinent, timely data helps you develop mental models about your product's business. It also gives you the wherewithal to come up with innovative ideas and opportunities. A model you can use to capture data and insights about past and present is shown in the diagram below:

Product or Business Element Being Analyzed	CY - 2	CY - 1	CY

CY = CURRENT YEAR

Product Manager's Desk Reference (3e)

Illustration Insights – Chapter 10 – Figure 10.5

Product Strategy Formulation

Collecting data about the business of the product is organized into the following broad categories:

1. Acquiring external data about the industry and competitors
2. Obtaining customer activity data (validating segmentation models)
3. Capturing data about how the organization evolved in terms of capabilities and resources as well as its underlying financial health
4. Securing data about the product's market, financial, and operational results

The diagrams that follow are shown in the book as examples associated with the automobile industry. They are intended to be adapted for your own use.

Product or Business Element Being Analyzed	CY - 2	CY - 1	CY
<p>Industry Environment</p>	<ul style="list-style-type: none"> • Fuel prices fell 10% • 3% GDP growth • Regulators not concerned with fuel economy standards 	<ul style="list-style-type: none"> • Stable political environment • Regulators focus on safety issues • 3.5% GDP growth • Fuel prices stable • Automobile inventory buildup worries economists 	<ul style="list-style-type: none"> • Election year politics favors business-friendly candidates • Regulators begin to discuss importance of fuel economy standards • Economists feel a recession is on the horizon • A major automobile firm was taken private • Demand for fuel-efficient cars has increased
<p>Competitive Environment</p>	<ul style="list-style-type: none"> • Intense competition for SUVs • Compact car sales have fallen • Auto firms have not introduced many new or interesting compact car designs • SUV production is at capacity • Compact car inventories are higher than normal 	<ul style="list-style-type: none"> • Major competitor introduces stylish hybrid with heavy advertising • Competitors show SUV hybrids at auto show • Analysts praise the new SUV designs and technology • Excessive compact car inventories 	<ul style="list-style-type: none"> • More hybrids offered by more companies • Competitors advertising "safe and small" fuel-efficient cars • SUV sales are on the decline • Factory capacity is lower than forecast demand

CY = CURRENT YEAR

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Product Strategy Formulation

Product or Business Element Being Analyzed	CY - 2	CY - 1	CY
<p>Market Segment</p> <ul style="list-style-type: none"> • Young families • Two earners • Tech savvy • Age 28–36 • Family income: \$90k–\$120k 	<ul style="list-style-type: none"> • Need reliable transportation • Comfort for long commutes • Need to feel safe because of so many large vehicles on the road • Growing families—ease of access for child seats, etc. 	<ul style="list-style-type: none"> • Need reliable transportation • Safety becomes more important on crowded roads • Concern for the environment • Time challenges; maintenance appointments are difficult 	<ul style="list-style-type: none"> • Interest in advanced technology (lane departure, anti-collision) as safety features • Families becoming more active and need more space • More cost conscious due to increasing family expenditures • Ability to connect navigation and entertainment from portable devices

CY = CURRENT YEAR

Product or Business Element Being Analyzed	CY - 2	CY - 1	CY
<p>Financial Health and Organizational Capabilities</p>	<ul style="list-style-type: none"> • Revenue stable, but not growing • Costs under control • Market share stable but beginning to fall • Engineering team losing valuable people • Design team for compact & mid-sized cars challenged to understand customer needs 	<ul style="list-style-type: none"> • Introduction of an innovative larger compact sedan for growing families increased revenue in the segment by 10% • Design team hired head of leading firm to spearhead efforts to improve on the new innovative design • Engineering team hired digital experts for telematics complex in the automobile 	<ul style="list-style-type: none"> • Revenue and profits increasing due to increased sales in Europe • Engineering team on the verge of introducing semi-autonomous features in compact & mid-size vehicles • Infotainment and technology systems easier to integrate and use by drivers

CY = CURRENT YEAR

Product Manager's Desk Reference (3e) Illustration Insights – Chapter 10 – Figure 10.8

Product Strategy Formulation

Whether you are starting out as a product manager for the first time or inheriting an existing product, you can create a *retrospective product roadmap* that describes the path the product has traveled up until the current time. If you have never done this before, here's how it works: First, create a chart like the one shown below. I've provided some descriptors for you—some hints to help you find the relevant categories needed for your product's relevant retrospective roadmap.

You can create your own table with rows and columns that show various dimensions of the product's evolution. You can then summarize the rows in key product attribute categories to yield a diagram similar to the one shown in the diagram. You might include items such as technologies, platforms, user experience (UX) designs, performance and capacity, regulatory compliance, and other items. You can trace the product back for as many years as data may exist to tell a story of how product investments were deployed and results obtained.

Product Road Map Element	CY - 2	CY - 1	CY
Safety Features	Collision Avoidance & Auto Braking	Lane Departure Warning	Autonomous Capability
Engines	4-Cylinder Turbo	6-Cylinder Gasoline	Hybrid Internal Combustion/Electric
Models/Designs	2-Door Coupe	4-Door Sedan	4-Door Hatchback
Technology	Back-Up Camera	Advanced Navigation Telematics	Connected Vehicle Technology

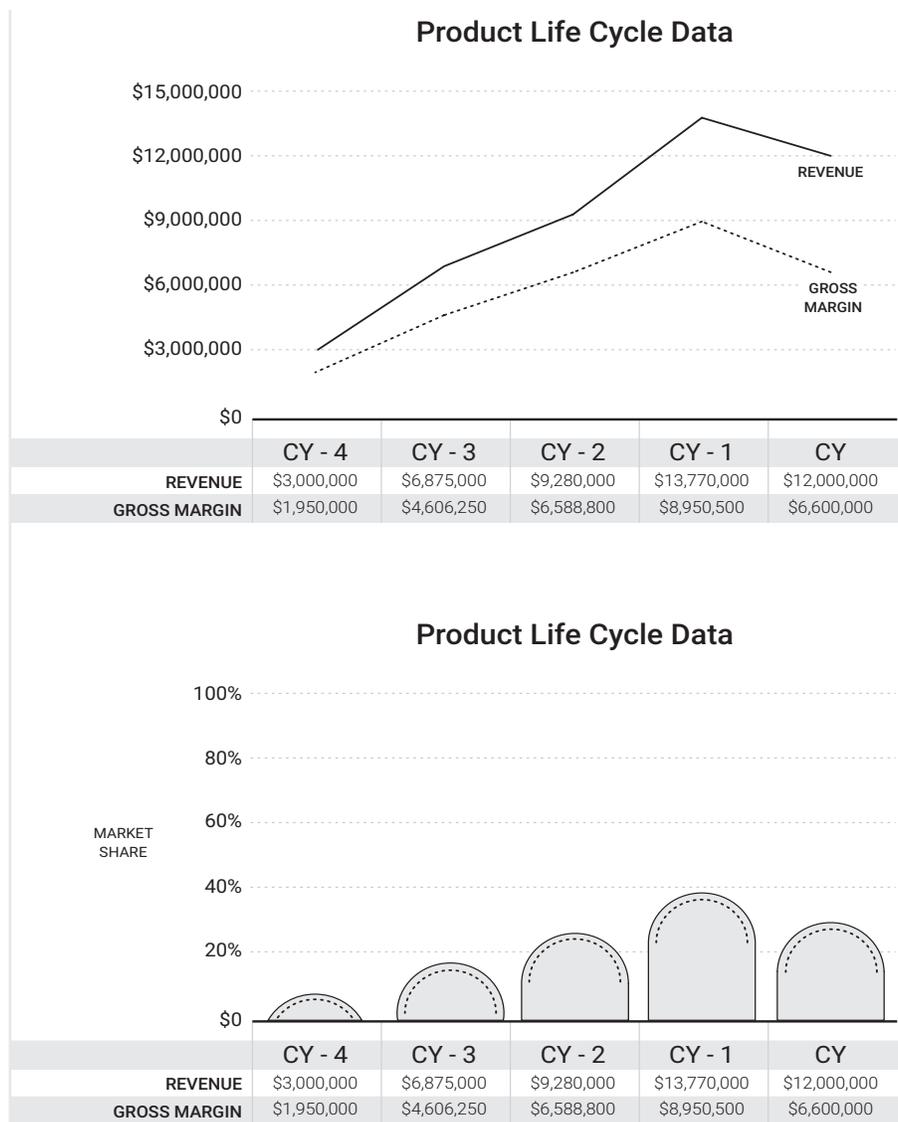
CY = CURRENT YEAR

Product Manager's Desk Reference (3e)
 Illustration Insights – Chapter 10 – Figure 10.9

Product Strategy Formulation

It is essential you know where the product is situated in its life cycle. To reinforce what was discussed in the book about the product strategy formulation process, your job is to build a bridge from the products' current state to the future. When you have this perspective, you can more effectively shape future product investment options and avoid wasting scarce human and financial resources. To review: the main phases are growth, maturity, and decline. Growth is characterized by sales that increase rapidly with growing market share and growing profits. Maturity is characterized by revenue that grows more slowly or where product revenue may modulate slightly. Mature product profits may follow a similar pattern or shift with increasing or decreasing costs. Decline phase products exhibit sales or profits that decrease at an increasing rate. In addition, the product's historical and current market share should be tracked against originally established forecasts.

The retrospective method can be used to construct a product life cycle state model, and to portray it visually. The chart below shows you how to build a product life cycle state model with a data table and a graphic. Visualizing data related to product life cycles provides a very illuminating portrait of the past financial and market performance of a product. It also provides you with the means to tell a story about the path the product has traveled.



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Illustration Insights – Chapter 10 – Figure 10.10

Product Strategy Formulation

The marketing mix represents the combination of investments in the product, its pricing, promotional programs, and paths to the end customer (place). The goal in this part of your retrospective analysis is to understand how pricing adjustments, promotional investments, or channel shifts contributed to or influenced changes in unit volumes, revenue, cash flow, and product profitability. These analytics are a vital part of the retrospective review because you don't want to be introducing new versions if they don't deliver the envisioned benefits. Using the example of the automobile company once more, the evolution of the other marketing mix elements is shown in the diagram below. Afterward, use the space below to capture your own ideas that provide an appropriate marketing mix retrospective.

Marketing Mix Element	CY - 2	CY - 1	CY
Pricing Activity	Rebates of \$2000	0% financing	Low cost of leasing
Promotional Activity	Radio, TV	TV, paid search	Social media, influencer marketing
Distribution	Dealers	Dealers	Online orders & delivery

CY = CURRENT YEAR

Product Manager's Desk Reference (3e) Illustration Insights – Chapter 10 – Figure 10.11

Product Strategy Formulation

In the creation of product retrospectives, there is an ancillary list of “things to examine.” It has to do with the other parts of the business that support the product. You can examine aspects of these items that work well for, or detract from, the product’s business contributions. These elements include:

- Information technology (IT) and systems
- Supply-chain and logistics performance
- Manufacturing capacity and efficiency
- Sales and marketing activity
- Customer service and support activities

Based on what was discussed in the book, the retrospectives that can be assembled for all the captured data into a unified strategic product profile. In reality, it would be unrealistic to capture all the data on one page. However, the diagram below provides a visual snapshot of how all of the data collected might actually be organized.

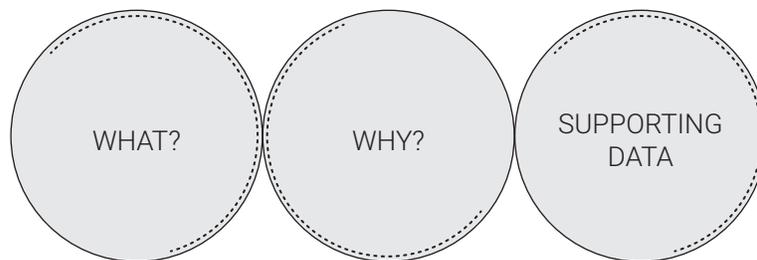
	Product Element	CY - 2	CY - 1	Current Year	Competitive Position
MARKET INDICATORS	Customers				
	Competitors				
	Competitor Products				
	Industry Activity				
PRODUCT INFORMATION	Functionality				
	Features				
	Designs				
	User Experience				
	Technology				
	Performance				
	Capacity				
	Safety				
	Security				
	Regulatory				
	OTHER MARKETING MIX ELEMENTS	Prices/Value			
Promotion					
Place/Channel					
PRODUCT PERFORMANCE	Revenue				
	Volumes				
	Gross Margin				
	Market Share				
	Life Cycle State				

Product Strategy Formulation

Collecting the data up to this point is only part of the journey to the baseline. Referring to the Product Strategy Formulation Process, the next step is to synthesize the data—or to knit the data together in a way that creates informational tip-offs, which can help you visualize and think of new ideas and opportunities. The acronym SWOT stands for strengths, weaknesses, opportunities, and threats and is represented by the diagram shown below:

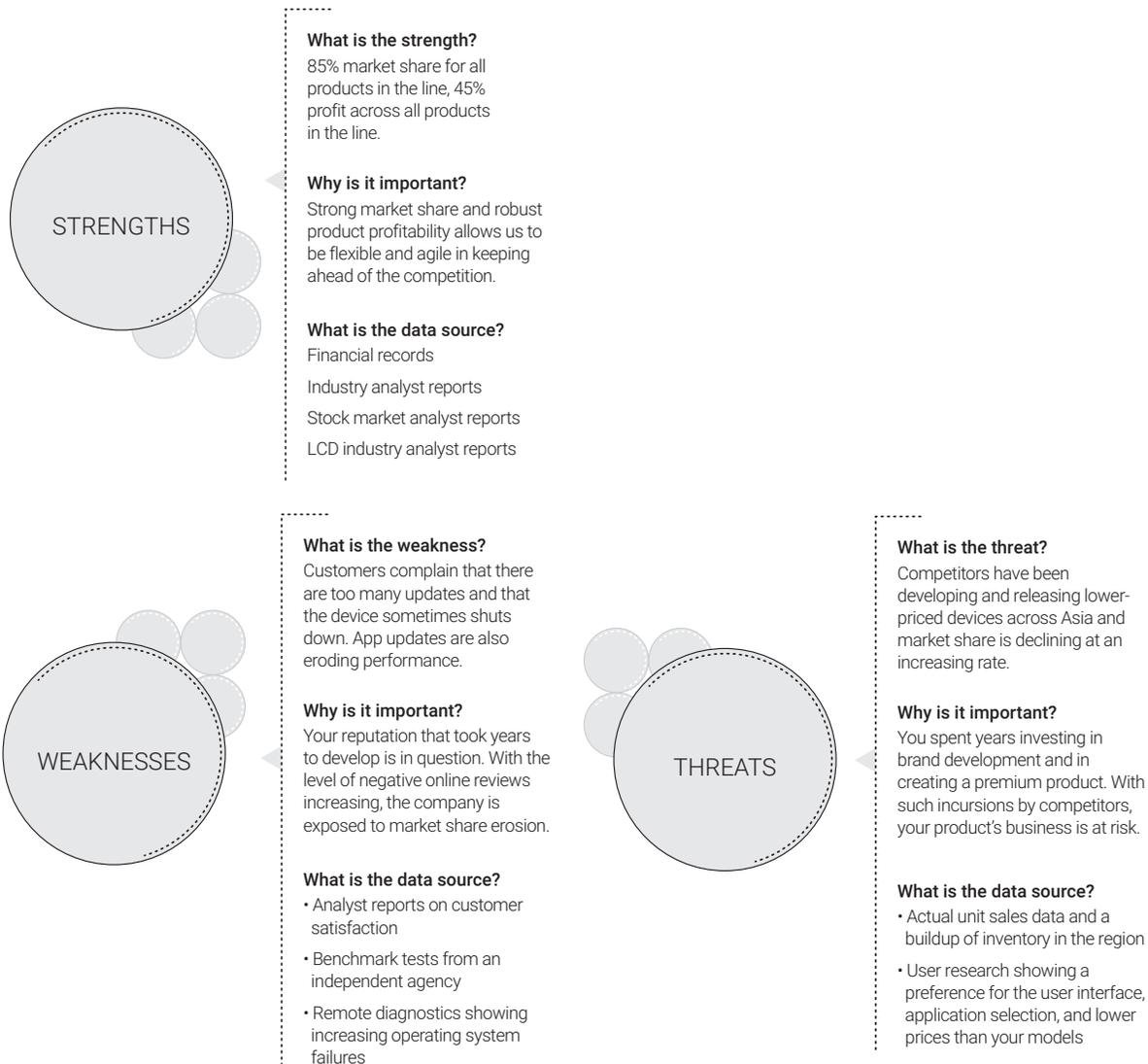


With this foundational model, it's easy to insert information you believe is important. However, if it's not backed by relevant data, opportunities may not be relevant. Therefore, for each quadrant (except opportunities), three "columns" can be added, represented by what's shown below:



Product Strategy Formulation

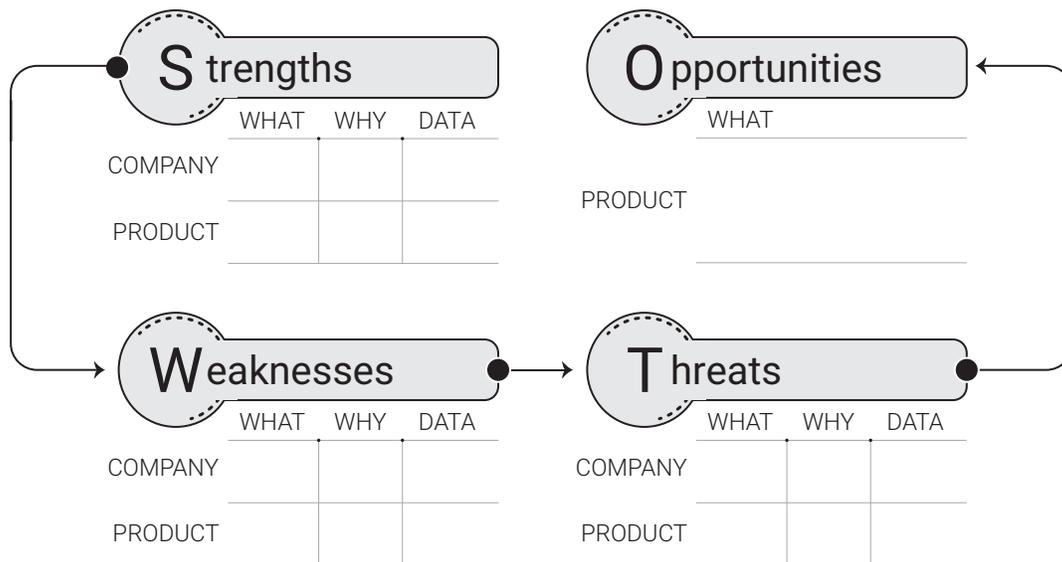
Here's how you might go about assembling your product SWOT by using some different examples for each quadrant. Suppose you are the product team leader for a well-known smartphone and you wanted to write about the product's strengths. In the three figures on this page, examples are provided to show how you might portray strengths, weaknesses, and threats using the "what, why, and data" method. Note, there is no "opportunity" section on this page. Additional context is provided on the next page.



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Illustration Insights – Chapter 10 – Figure 10.17

Product Strategy Formulation

Until now, I've been discussing the product-level SWOT model. The data points have centered on items associated with the product. The other perspective needed is associated with the strengths, weaknesses, and threats of the company itself. But how can we deal with two distinct areas, company and product? Here's how. Refer to the diagram below. It shows you how you can break down the quadrants into both product and company! To utilize this model, you'll need to gather the relevant data on your company, and then come up with meaningful associations and insights. Also, note in this diagram the overlay of an arrow showing the counterclockwise direction from strengths, through weaknesses and threats, to opportunities. Use the space below to record any notes or observations.



Product Manager's Desk Reference (3e)

Illustration Insights – Chapter 10 – Figure 10.18

Product Strategy Formulation

When you're able to articulate a vision or some desired future state for your product's business, you're ready to formulate some clear goals. Yet, goal-setting can be a challenge. Consider some goals that are more near-term, as well as some that can be achieved in the longer-term.

Here is a way you might take a broad view of the array of goal-driven opportunities so that you can select the most appropriate next steps. This is where the template, shown in the diagrams below may help. As in many of the diagrams used in the book, it contains descriptive categories and a series of cells. Each cell has to be populated with a piece of data, an activity, or action. In this case there are six main categories (listed here) supported by a host of subcategories, as well as three columns that represent specific future time frames. For your product, you'll want a matrix like this, with the proper level of detail, to establish your strategic intent. The two diagrams that are shown below, appear in the book on facing pages, but are consolidated here for simplicity.

Strategic Elements for the Product as a Business			Less than 1 Year	1-2 Years	3+ Years
Market Focus	Industry	<ul style="list-style-type: none"> Industry trends & movement (PRESTO) Areas on which to focus 			
	Competitors	<ul style="list-style-type: none"> Who will we face in the market? What products will we need to compete? How will we attack or defend our position? 			
	Customers	<ul style="list-style-type: none"> Which market segments are the most attractive? Which customer types within a segment are worth pursuing? How will customer needs evolve? 			
Needed Resources	Financial	<ul style="list-style-type: none"> Money required for product investments Money required for product marketing programs 			
	People, Skills, Capabilities	<ul style="list-style-type: none"> What are the technical skills that are required? Which functional disciplines are most critical? 			
Product Roadmap Elements	Functional Evolution	<ul style="list-style-type: none"> Which functionality will be created or added? Which attributes/features will support the functionality? What are the requirements for performance, reliability, etc.? 			
	Platforms & Technologies	<ul style="list-style-type: none"> What are the key architectures to be deployed? What technologies will be leveraged across the organization? 			
	Designs, Styles, Colors, Models, Etc.	<ul style="list-style-type: none"> What designs & versions are needed for each segment? How will these attributes variations or versions be produced? 			

Strategic Elements for the Product as a Business			Less than 1 Year	1-2 Years	3+ Years
Other Marketing Mix Elements	Pricing	<ul style="list-style-type: none"> What value proposition will suit a given market segment? What list prices & discounts will be established? How will prices be set with respect to the other mix elements? 			
	Advertising & Promotion	<ul style="list-style-type: none"> Which programs will be used to generate leads? Which campaigns will be used to drive website traffic? 			
	Sales & Channels	<ul style="list-style-type: none"> Which sales people will be deployed to sell the product? What are the optimal channels of distribution? 			
Future Life Cycle Performance Indicators	Unit Volumes	<ul style="list-style-type: none"> What are the forecast volumes by product/category? What is the optimal sales mix? What production capacity is required? 			
	Customer Satisfaction	<ul style="list-style-type: none"> What "net promoter score" or equivalent metric will we track? What items will we track on our customer report cards? 			
	Market Share	<ul style="list-style-type: none"> What market share will we obtain based on volumes and prices? How will we grow market share in desired market areas? 			
Strategic Operational Performance Indicators	Product Quality	<ul style="list-style-type: none"> How will we source and manage our ecosystem partners? What performance and quality standards will we employ? 			
	Service, Repair, & Return	<ul style="list-style-type: none"> What are acceptable defect levels? What service levels will we work toward? 			
	Inventory Management	<ul style="list-style-type: none"> What are acceptable turnover levels? What are the decision criteria for safety stock? 			

Product Strategy Formulation

The product roadmap is deeply rooted in the strategy of the firm or the business unit in which you work. It's a good tool to:

- Link market movements and strategic goals to the products, platforms, and technologies required to execute on the strategy
- Represent the functional and nonfunctional requirements to the technical community and other concerned stakeholders
- Align cross-functional team members so they can deploy the resources needed to support the product's business

In short, roadmaps are good planning tools that integrate business and market information with the evolution of product capabilities, technologies, and platforms. When used consistently, they can set the stage for more effective prioritization and can set the cadence for the work to drive the future of the product's business. An integrated roadmap provides the holistic perspective to portray how many of the elements of the product's business will be assembled to address the needs of customers and the challenges of groups of customers within broad market segments or geographies. These diagrams represent templates you can use to assemble your strategically oriented product roadmap.

Roadmap Element	WHAT	WHY	DATA
Main Market Drivers			
Functionality			
Features/Attributes			
Design			
Platform			
Technology			
Components/ Building Blocks			

Roadmap Element	YEAR 1	YEAR 2	YEAR 3
Main Market Drivers			
Functionality			
Features/Attributes			
Design			
Platform			
Technology			
Components/ Building Blocks			

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