

SKILLS

9 STEPS TO AN EFFECTIVE PRODUCT STRATEGY

CLOSING THE STRATEGIC BUSINESS SKILLS GAP



**Product
Growth
Leaders**

DEFINING PRODUCT STRATEGY IS HARD

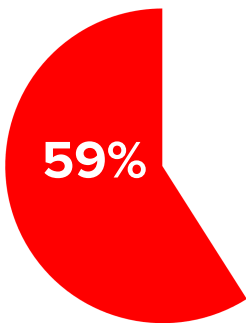
Many organizations complain they lack a product strategy. In fact, many admit they have no discernible *corporate* strategy.

And product managers know it. But they're often not involved in strategy anyway. Instead, they have been pulled into agile product teams to become a tactical resource supporting development and design. The writer of Jira tickets. The admin to the development team.

Lack of strategy is a major issue, an issue compounded by a tremendous business and strategy skills gap in product managers.

91% of product leaders called **business and strategy skills important or very important**

32% of product leaders ranked their teams' business and strategy skills as good or very good



A shocking 59% gap.

And it is not just at the product manager level. Many product leaders say their directors and even vice presidents are lacking fundamental business and strategy skills as well.

STRATEGY BY TEMPLATE

Many thought-leaders offer their insights on product strategy in the form of fill-in-the-blanks templates.

- “The five slides every product strategy needs.”
- “Just fill in the blanks in this boilerplate.”
- “Everything you need in one PowerPoint slide.”

These so-called “solutions” are merely product strategy by template... without all that tedious thinking. And honestly, many of these slides, templates, and boilerplates are helpful, if you can figure out how to apply them to your unique situation: your company, products, and services.

Unfortunately, “one size fits all” solutions rarely fit.

The reality: there is a lot of work to be done to make these templates valuable to your company and products. And because product management professionals have a big skill gap when it comes to business and strategy, simply filling in a template skips the strategic thought necessary for the templates to achieve their intent.

CLOSING THE SKILL GAP

Product strategy is a process, not a template.

Good strategy requires clarity on which market you serve, the problems your personas experience, and the positioning of

your solution in a context that connects directly to the customer problem.

9 STEPS TO EFFECTIVE PRODUCT STRATEGY

A successful product maximizes the value created for the market and the company across each stage of a product's lifecycle.

A successful strategy requires you to:

1. Analyze the market landscape
2. Assess your product performance
3. Define a winning product strategy
4. Identify strategic initiatives
5. Focus your strategic initiatives
6. Validate your product strategy
7. Position and differentiate your product
8. Justify your product's business model to leaders and investors
9. Communicate the product strategy to all stakeholders

1. ANALYZE THE MARKET LANDSCAPE

“If you know the enemy and know yourself, you need not fear the result of a hundred battles.”

– Sun Tzu

Any strategy needs to be grounded in strong knowledge of the current situation. Product strategy is no different.

Begin by analyzing the market landscape. Where is the product in its lifecycle? Is the product a leader, challenger, or follower in the market? What external factors are, or could be, impacting the product and market? How big is the future market opportunity?

As part of market analysis, don't simply examine internal metrics and opinions. Engage with actual customers (and non-customers) in your markets. These conversations provide insights into trends in the market. You will discover under- and un-met problems to solve, new jobs to be done, and new market segments to target.

2. ASSESS THE PRODUCT PERFORMANCE

“Metrics can tell you what has happened—if you can understand what they're telling you.”

–Steve Johnson

Balance your understanding of the market landscape with a product performance assessment. How is the product performing financially? Can you quantify the value created for our customers? Are there any holes in the buyers' journey?

Are customers using the product? How is your customer satisfaction?

As part of this internal analysis, leverage win/loss interviews. Win/loss analysis is the strategic product manager's secret weapon. Win/loss interviews reveal how your product is perceived but also how your sales team is enabled. It reveals keys to better positioning, packaging, and pricing. It helps you understand why you are winning and why you are losing. The results from win/loss analysis help you better understand what your metrics may be telling you.

3. (RE)DEFINE A WINNING PRODUCT STRATEGY

“To connect strategy to execution, you need good product management.” –Grant Hunter

The insights from your assessments and research inform your product strategy. And a solid strategy guides your product decisions, objectives, and key activities.

Research from Bain & Company found companies with well-defined core strategies were able to grow their revenues and profits faster and more reliably than those who strayed from their strategies—or those with no strategies at all.

You don't need a 150-page PowerPoint presentation. Your product strategy merely needs to address four key questions:

1. Who is your ideal target customer?
2. What is the strategic opportunity you are pursuing?
3. What competitive differentiation will enable you to be successful addressing this opportunity?

4. How are you going to measure the success of your efforts going after this strategy?

With answers to these questions, you have what you need to guide future product decisions.

4. IDENTIFY STRATEGIC OPTIONS

“People think focus means saying yes to the thing you've got to focus on. But that's not what it means at all. It means saying no to the hundred other good ideas that there are.”—Steve Jobs

Determining which initiatives to focus on is a critical process. Brainstorm your strategic options. These options are often based on where your product is in the lifecycle, regardless of whether your product is the leader in its category. Consider which new markets would get value from your existing products and which products would be valued by customers in your existing market. Research has shown that the more ideas you have the better chance you have of identifying successful options.

Once you have identified product opportunities and strategic options, use a business canvas or product proposal to articulate the opportunity.

5. FOCUS YOUR STRATEGIC INITIATIVES

“If you have more than three priorities, then you don't have any.” – Jim Collins

You can't do everything. Which is the one idea you want to move forward?

Which of your strategic options aligns best with the current situation?

Which of your strategic options aligns best with the product strategy you defined?

Use an objective scoring model. This model should take into account how each option aligns with your strategy and the current situation, and it helps you work through the larger list of options.

An opportunity scoring model will guide you to the top options for final consideration and to inform (not make) your decision. While it is great to have a quantitative model for scoring, the final decision of which initiatives to pursue should be qualitative, taking into consideration all your knowledge and choosing where to focus.

6. VALIDATE YOUR PRODUCT STRATEGY

“Never write a line of code or produce a product until you have confirmation of buyer intent.”

– Steve Johnson

Product management is really a risk management role. The data used to prioritize initiatives is one part of that risk management, but we need to go further.

Decisions on which initiatives to choose are based largely on assumptions and hypotheses. From the conversations you have had. From what you have heard from stakeholders. From the dynamics and trends you see in the market.

Once you have determined the optimal strategic initiatives, re-engage with the market to gain deeper understanding of the impact of those initiatives on the market segments, personas, and problems.

Validate every hypothesis or opinion. Use a survey or other experiment to determine how many are in the target market segment or how many fit that persona profile. Validate which problems would be the most valuable to solve, and even the intent to buy if you were to solve that problem.

This phase is key to ensure you are focusing on the right initiatives. Validation provides better context to the rest of the organization as they focus on execution. It provides the insights needed for compelling positioning, value-based pricing, and packaging.

7. POSITION AND DIFFERENTIATE YOUR PRODUCT

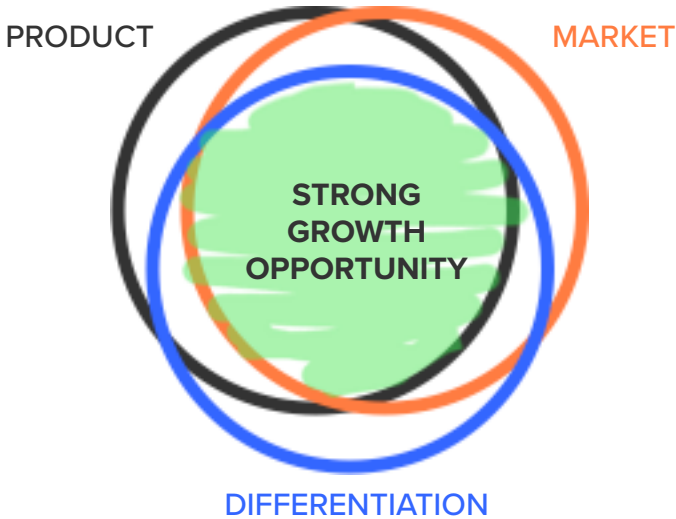
“A business unit needs to decide what need it aims to satisfy in what group of people and with what value proposition that distinguishes the business from its competitors.” — Philip Kotler

Your product cannot be all things to all people. Product strategy is about making decisions about what to do and what not to do. Strategy is inherently saying “no” to most things so you can say “yes” to the vital few. With a cogent product strategy process, you will have identified the right initiatives.

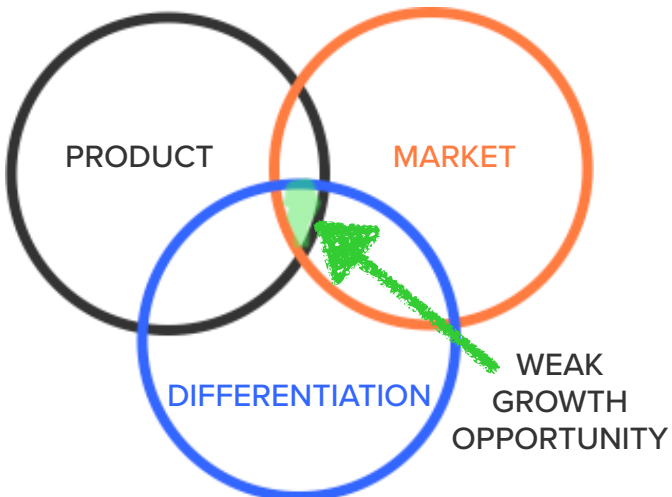
Good positioning is dependent on aligning around three key components: the value your product delivers, the target

customers who need that value, and the competitive differentiation that makes your product the right choice, the only choice.

The better you align these three, the stronger your growth opportunity.



And the worse these three are aligned, the weaker your growth opportunity.



You must be able to measure the value your customers will gain by using your product, such as increased revenue, decreased internal costs, and increased satisfaction. You must also understand the unmeasurable value your customers will gain, such as job satisfaction, peace of mind, certainty, and status.

With that understanding, identify a market segment that is as large as possible while ensuring your competitive differentiation matters to the segment. These two are inextricably linked. Your ideal target customers should be those who value your competitive differentiation. The larger that market segment is, the better your opportunity.

Once you can clearly define your strategic value, ideal target customers, and competitive differentiation with strong alignment, you have the foundation for your marketing and sales efforts. This clarity inspires confidence within the organization.

8. JUSTIFY YOUR PRODUCT'S BUSINESS MODEL

“Profit is not a cause. It is the results—the result of the business performance of the business in marketing, innovation, and productivity.”

— Peter Drucker

Larger initiatives likely need to go through a formal planning and approval process with the business leaders and investors. To do this successfully, you need to show how the investment in this initiative will result in gains for the organization.

And you don't have to do this work alone. Partner with your organization's finance team for the skills, process, and standard templates.

From your validation work, you have insight into the market's perceptions of your product's value and its differentiation.

Leverage your market analysis with data that could inform assumptions about Total Addressable Market (TAM), Serviceable Addressable Market (SAM), and Serviceable Obtainable Market (SOM).

Details from your product metrics will be helpful here as well.

Finally, use your product strategy to define your aspirational objectives, and identify the key metrics that signal whether you are on your way to meeting your objectives.

While often led by product management, all stakeholders should be consulted in making the business case. Sales, customer success, and marketing should be involved in modeling revenue projections. Design, development, marketing, and often customer support should be involved in defining timelines and costs. Any function that will be impacted by the product or release should be engaged.

Gaining buy-in from all relevant teams helps ensure you're focused on a product that will be supported, not undermined by other teams.

9. COMMUNICATE YOUR PRODUCT STRATEGY

*“Your roadmap is a prototype of your strategy.” —
Janna Bastow, CEO, ProdPad*

Once you have leadership commitment for the initiative, start communicating your product strategy with stakeholders inside the company. You may also need to build support from those outside the company such as investors and key customers.

One of the key tools for communicating product strategy is the product roadmap. The roadmap is a plan of sequenced initiatives to achieve the product’s goal. It is not a release plan detailing when key features will be delivered; the roadmap is a vision document, a prototype of your strategy.

Internally, the roadmap is a key tool to help stakeholders understand your strategy and long-term plan. It should include the strategic initiatives, but also information on markets and segments, alignment with the product portfolio, market problems being addressed, major technology initiatives, key company and industry dates, and more.

Focus your roadmap on themes and problems, not features or requests.

That said, be aware of Johnson’s Resourcing Conundrum:

“We allocate 100% of our resources to the roadmap—and then plan to use the other 100% for special situations.”

There are many ways to derail the roadmap: pandemics, special (and contracted) requests from key buyers, changing requirements, and changing market conditions. When changes occur, your roadmap must be reimagined.

A public version of the roadmap can be used to communicate with external stakeholders but do this with caution. External stakeholders take items on the roadmap as commitments. To overcome this, make sure to share details at a thematic level, not specific features. Also, use a disclaimer like “items on the roadmap are subject to change without notice.”

When you do this well, you can align the entire company around your product strategy, and the expected initiatives to achieve that strategy.

BECOME A STRATEGIC PRODUCT MANAGER

“Strategic planning . . . is the continuous process of making present entrepreneurial (risk-taking) decisions systematically and with the greatest knowledge of their futurity.” — Peter Drucker

Business planning—from market insight to assessing performance to validating your product strategy—is a continuous process. It's not just done once a year and then forgotten. Your business planning documents are living documents that are continually revised and updated.

Markets and customers change, problems to solve change, business priorities change. Planning and re-planning is never-ending. And good product managers are continually gaining insights that impact their product throughout its lifecycle.

And this is a critical point: You must be engaging with the market on an ongoing basis to sense changes in the market.

With these steps, you will define and redefine an effective product strategy.

That's how you become a Strategic Product Manager.

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If you'd like training which focuses on becoming a Strategic Product Manager, you may be interested in our course, **Principles of Product Strategy** where you will learn how to:

Become the business manager of your products, with emphasis on strategic planning and product financials

Manage the business of the product through its lifecycle

- Analyze the market and competition
- Assess your product performance
- Evaluate product strategy options
- Validate in the market
- Create the business case
- Communicate the portfolio strategy

For more information, visit our website at:

<https://www.productgrowthleaders.com/strategy>

ABOUT PRODUCT GROWTH LEADERS

Our belief in the importance of application in learning is so strong that we incorporate these concepts in all of our professional development programs. Each program combines lessons with coaching, theory supported by application.

Guided by Steve Johnson, an industry pioneer with decades of experience training and coaching product professionals, our courseware addresses the most common areas of chaos and confusion in product management including product strategy, business planning, and prioritization as well as standardizing roles and processes.

Using the modern **Quartz Open Framework™**, participants learn how all the parts fit together into a coherent whole.

Product Growth Leaders offers product management training and coaching via a broad set of delivery methods. Our goal is to help you create a high-performing, world-class product definition and delivery team.

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