

Guide to



Product Strategy

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Table of Contents

Why Is Product Strategy A Challenge?	2
The Process.....	3
Getting Started.....	5
Platforms and Products.....	6
Differentiation.....	8
Achieving Strategic Balance	10
Keys to Success	11



Why Is Product Strategy A Challenge?

Product strategy for technology companies is a unique challenge because:

- Trends like globalization, commoditization, innovation, and personalization have made technology product life cycles shorter.
- Individual customers need to be engaged, their sentiments monitored, their feedback captured – in real-time.
- Emerging technologies need to be constantly monitored, managed, and leveraged properly.
- New markets must be explored, researched, and created.
- Declining markets must be anticipated and exited in a timely fashion.



Always be on the lookout for new markets and technologies.

The Process

Product strategy, like all business processes, must be planned, managed, measured, and systematically improved.

Take a look at the diagram below to see how strategic vision flows down to product-line strategy. On a more detailed level, notice how your vision will lead you to differentiation strategies, innovation, and expansion.

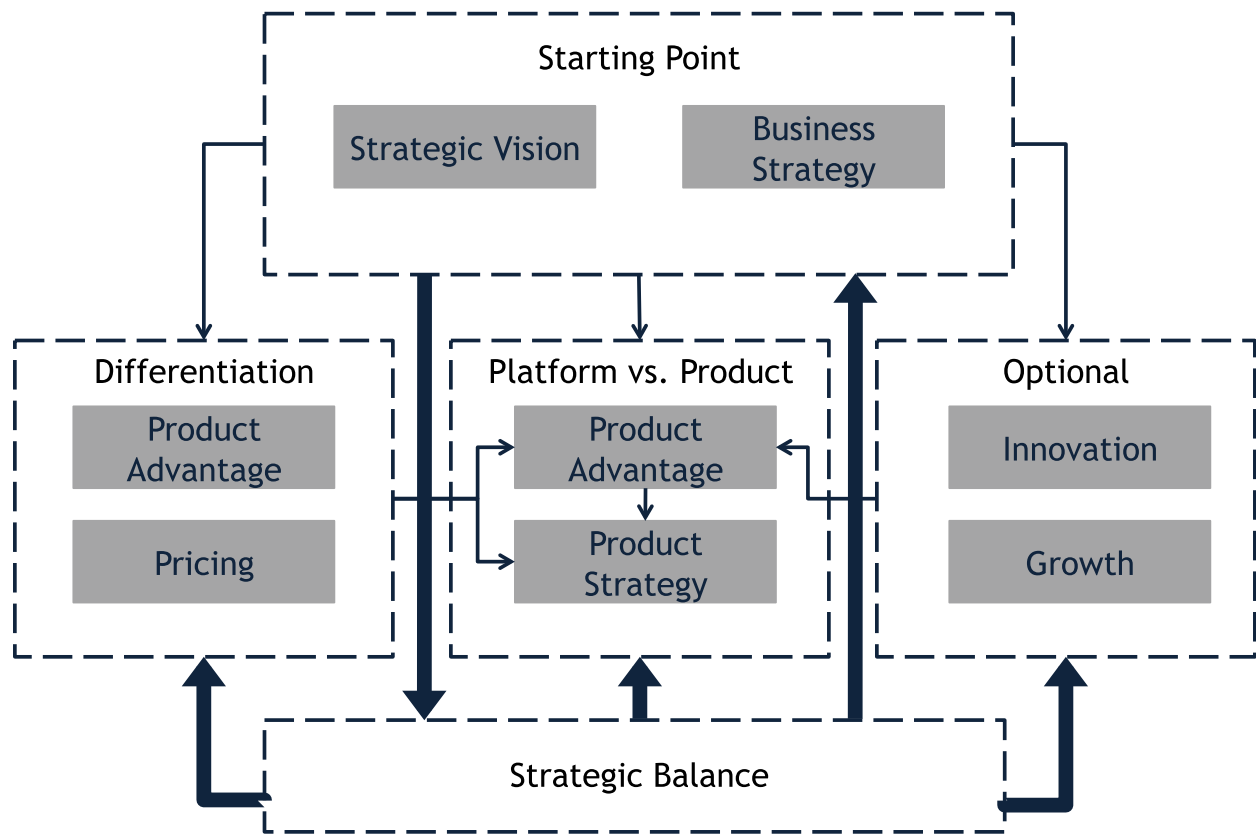


CHART 1. PRODUCT STRATEGY PROCESS

Execution of the Process

Usually, the owner or the CEO provides the strategic vision and business strategy. The actual execution of the process, however, involves vertical coordination from executives to engineers, and horizontally across various business and technical teams and roles.

During the execution of the process, it's important to continuously monitor:

- Customers
- Suppliers
- Partners
- Competitors
- Analysts

Skillful management of this process requires strong marketing, technical, and facilitation skills. Since product strategy is closely related to the process for new product development, the most suitable individuals for product strategy process ownership are technical product managers.



Getting Started

You can't go anywhere without some context and direction. Here are some questions to ask yourself before you begin.

- Where is the business going?
- How will it get there?
- Why do we think it will get there, anyway?
- Is our current strategy to grow market share, market size, or to profit?

The answers you come up with will help you establish two key items: Your strategic vision, and your business strategy. Together, they can:

- Establish the necessary framework for product strategy
- Focus the efforts of those responsible for identifying new product opportunities
- Guide product development and go-to-market activities
- Provide general direction for technology, platform, and product development
- Set expectations for customers, employees, partners, suppliers, and investors



Platforms and Products

Are platform and product-line strategies the same?

No, they're not. In fact, one of the most critical mistakes that small to medium size technology companies make is treating these strategies similarly. Ignoring their specific, individual needs causes major problems in the overall strategic vision.

Platform is	<ul style="list-style-type: none">• driven by business strategy• is a base architecture upon which market-specific or time-specific functionalities are built• may not entail complete functionalities• may be a combination of fundamental key solution elements
Product is a collection of features that	<ul style="list-style-type: none">• entail complete set of functionalities perceived as valuable to customers in a given market (segment) under specific time frame (product life)• can be a physical product sold as finished product to end customers, or a non-traditional or amorphous product (a service product)

TABLE. PLATFORM VS. PRODUCT

What's the difference?

Platform strategy is the first manifestation of the strategic vision in a specific strategy. The more important of the two, platform strategy affects the resulting product lines and their development.

The key attribute of any product platform is underlying technology, which provides the basis for differentiation. Your choice of underlying technology and its available core competency will determine the success of your technology products.

Other important considerations for a successful platform strategy include:

- Product life cycle management
- Supply chain efficiencies
- Sustainability
- Business model adaptability

Product-line strategy is a subset of the platform strategy, serving as a guide to development, product engineering, and test planning. If you can't combine product-line strategy with product development plans, you'll end up wasting scarce technical resources.

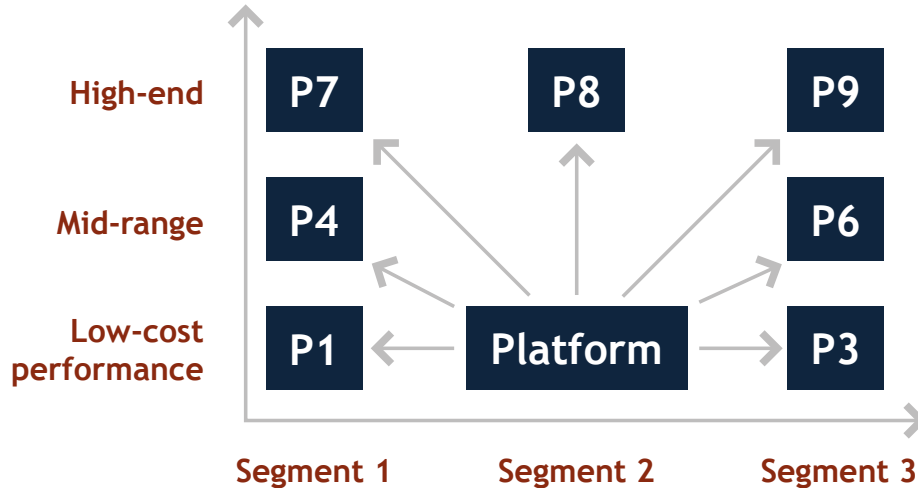


CHART 2. BEACHHEAD STRATEGY

Beachhead strategy that can launch products for specific market segments and price performance tiers. Source: Product Strategy for High-Technology Companies, by Michael E. McGrath.

For startups the beachhead strategy is about focusing your resources on one key area, usually a smaller market segment or product category, and winning that market first, even dominating that market, before moving into larger markets.

Differentiation

Selecting the differentiation strategy is one of the most important product strategy decisions for a small to medium size company. There are two types of differentiation:

- Product Advantage (the most effective and preferred strategy)
- Price-based

Differentiation segments the market, and 'vectors of differentiation' define the relative position of products in the market. Unlike market segmentation based on demographics, segmentation based on vectors of differentiation is dictated by competitors.

Below are some typical product advantage based vectors of differentiation for technology products:



Vectors of differentiation for technology products.

Price based differentiation strategy can be highly effective when combined with the performance vector of differentiation. Price performance competition always trumps competing on the lowest price.

Time, risk, and sustainability

These are the 3 key considerations for selecting the vectors of differentiation and evolving your differentiation strategy. Why?

Vectors of differentiation can change

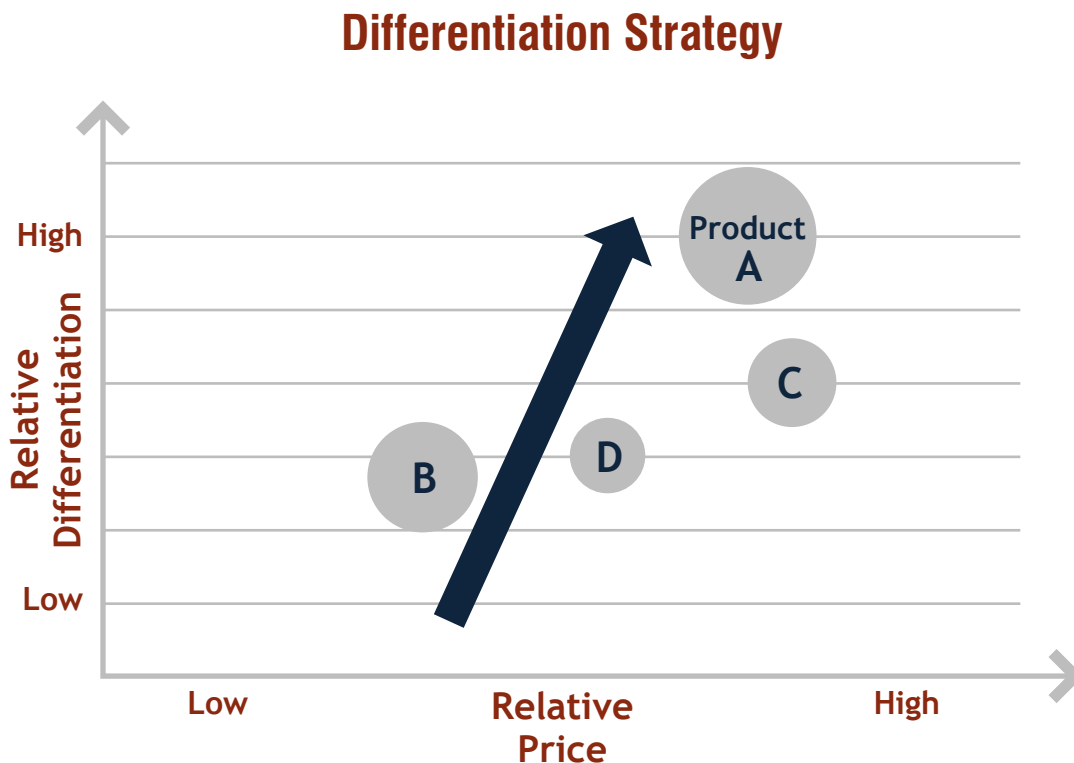
- What works in the early adoption stage may not work in the maturity stage.

Certain strategies are riskier than others

- Being first to market can become a handicap rather than a differentiator if the product has bugs or fails to perform.

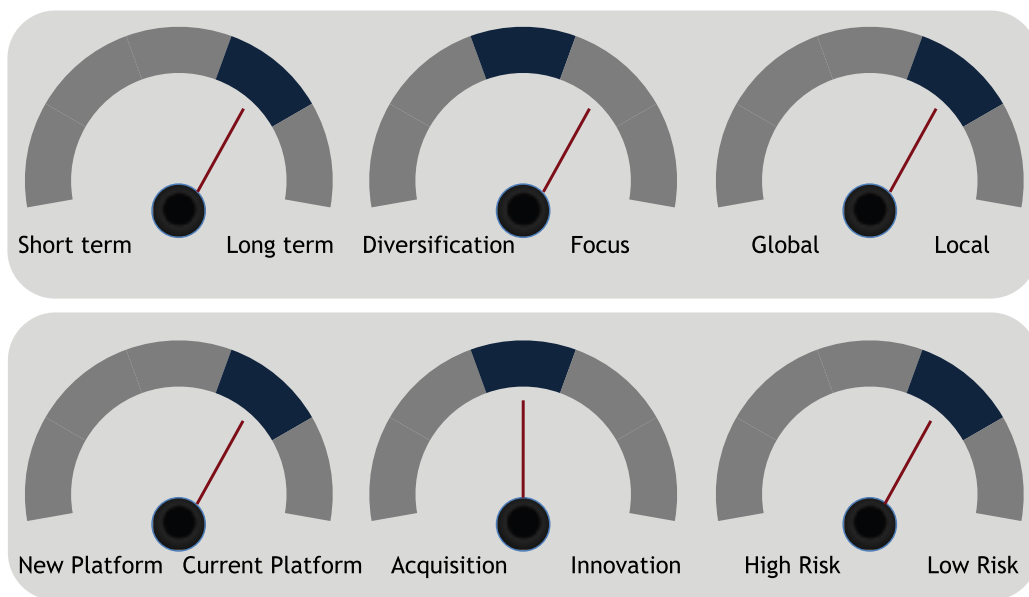
Some vectors of differentiation are more sustainable than others

- Differentiation based on globalization can be sustained longer than performance or quality if the competitors are focused locally.



Achieving Strategic Balance

You can achieve strategic balance by reconciling the unlimited options inherent in the strategic vision with the realities of your limited resources, including time and money. You have to set priorities, organize resources, and optimize the allocation of resources to projects. Portfolio management tools will enable the assessment of your current project mix and the simulation of possible future project mix scenarios.



Below are typical trade-offs that you need to balance out:

- Short term vs. Long Term
- Focus vs. Diversification
- Local vs. Global
- Current Platform vs. New Platform
- Innovation vs. Acquisition
- Low Risk vs. High Risk

Ideally, you should evaluate the project mix and rebalance the trade-offs on an annual basis.

Keys to Success

- Establish a clear strategic vision and define current business strategy
- Product strategy cannot be a personality driven process
- Manage and improve product strategy like any other business process
- Assign process ownership to an individual with technical marketing skills
- Define platform strategy first and product-line strategy next
- Link the product line-strategy with the product development plan and process
- Consider time, risk, and sustainability for selecting and evolving differentiation strategies
- Reconcile the unlimited opportunities implied in the strategic vision with reality
- Evaluate project mix and rebalance the trade-offs on a regular basis.



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***For further reading on product strategy,
please visit our [recommended reading list](#).***

