

How Digital Product Management Unlocks Opportunities for New Value Creation

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Digital product management is a blend of art and science, an emerging discipline that expands the scope of the product manager's role. Organizations that embrace and invest in this discipline are better-equipped to capitalize on market shifts and changes in business dynamics, including disruptions.

Opportunities and Challenges

- The majority of CEOs expect to change business models in the next two years, requiring product managers to fundamentally rethink how value is perceived, created and consumed.
- Today, two out of three product management initiatives are disconnected from business strategy.
- New capabilities, new customer experiences (CXs) and an alignment of strategy to execution become critical as business models shift to capture new value.
- Most organizations today overinvest in execution at the expense of strategy, design and quantitative analysis.
- Organizations that embrace and invest in digital product management will be better-equipped to capitalize on market shifts and changes in business dynamics, including disruptions.

What You Need to Know

- Technology and service providers (TSPs) that do not embrace digital product management now will be at strong risk of disruption within the next two years.
- Strong cross-functional collaboration is crucial to unlocking opportunities to improve digital experiences, including how your customers experience the buy/own/advocate cycle.
- Strong linkage between strategy and product management activities is crucial, and today, most organizations are misaligned.

- How well you market, partner or sell is paramount to success. Without a synergistic and integrated approach for go-to-market strategy and execution, failure is practically a given.

Insight From the Analyst

Digital Product Management — An Inescapable New Discipline and Practice



Lars Van Dam, Distinguished VP Analyst

Growth is top of mind for practically any technology company. However, successfully sustaining growth proves to be difficult. To achieve growth objectives, CEOs expect to change business models, while general managers cite a disconnect between business strategy and product management as a success inhibitor.

Regardless of whether you are a software, hardware, solution or service provider, digital product management is an inescapable new competency.

Significant investments in engineering organizations have been made, shifting to agile development practices, with cultural shifts toward continuous development, integration and delivery. Efforts to modernize parallel and related business aspects through corporate strategy, product strategy and product management are lagging.

Many TSPs overinvest in a development focus on tactical execution from an inside-out perspective. This causes disconnects with product management teams that are trying to keep the focus on outside-in, strategic investments. Many organizations cite that strategy trails development. Part of the issue is that most organizations overinvest in execution and underinvest in strategy, design and planning.

The result can be a lack of strategic direction or an inability to make crucial business pivots. These dynamics necessitate the new discipline and practice of digital product management. Value creation is a key starting point, with the discipline covering the full spectrum of discovery, validation, design, prioritization and maintenance. All this changes when product management shifts to a digital approach.

Finally, digital product management requires connected, whole product teaming and thinking. With it, your success odds are high.

Kind regards,

Lars Van Dam

Executive Overview

Definition

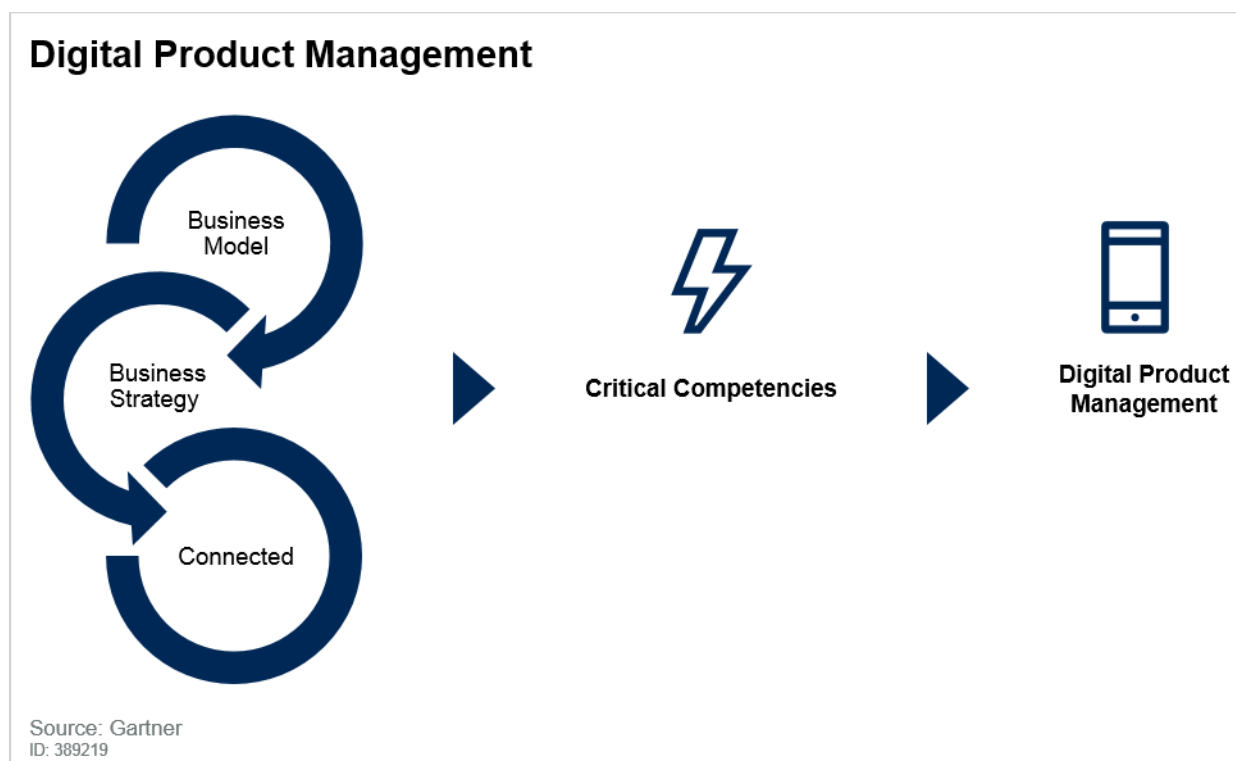
Organizations that invest in digital product management will be at strategic advantage to capitalize on changing market dynamics, the ability to pursue adjacent markets and to successfully enact disruptive strategies. Core to digital product management is a recognition that a deep understanding of the customer's value chain, and your role within it, is foundational to market success. This necessitates an expansion of the product manager's role, as well as a shift toward whole product, connected teaming and whole product thinking. This special report defines digital product management, and it includes Gartner research and tools that outline pragmatic steps on how to mature and implement this critical new discipline within your organization.

The report is organized into four major themes:

- Developing the discipline of digital product management
- Identifying, attracting and establishing the right talent mix
- Forging a synergistic go-to-market that scales the business
- Using digital product management to shape offerings for competitive advantage

Digital product management is a blend of art and science, an emerging discipline and practice that extends the scope of the product manager's role, embracing design principles (the art) and quantitative insights (the science) to inform product vision, direction, trade-off decisions and differentiating customer experiences.

Figure 1. Digital Product Management — An Essential New Discipline to Master



Research Highlights

Develop and Mature the Discipline of Digital Product Management

To meet the challenge — and capture the opportunity — of digital product management, product managers must develop new competencies. Heated competition drives the creation of better solutions, raising the expectations of customers across technology categories.

Traditional approaches to product management, such as creating a product requirements document based on out-of-date personal experience, cannot keep pace.

Product managers must retool, developing the competencies to maintain a more direct connection with customers. They also need to make product decisions faster and with more accuracy, and provide leadership within their organization to drive innovation, digital strategy and execution.

The new competencies required by digital product management include the following:

- A CX mindset, moving beyond viewing product features as independent objects of value

- Deep understanding of competitive alternatives to emphasize differentiation and move beyond an isolated view of the customer needs that your product can address
- Decision making anchored in data, avoiding overreliance on “expert” opinion
- Rapid experimentation to find success, moving beyond the extensive planning and analysis that are commonly undertaken due to fear of failure
- Broadening the modes of customer interaction to include digital channels, moving beyond reliance on conversations with just a small number of favorite customers for input and feedback
- Strategic leadership across organizational boundaries, moving beyond a narrowly defined product prioritization role

Organizations increasingly look to product management to drive strategic business model changes and improve product success. The emergence of digital product management provides further challenges but also new tools for product managers. Individuals and organizations aiming to transition to digital product management should begin to develop these competencies right now. The research listed below can help.

Related Research

“Digital Product Management — An Inescapable New Discipline and Practice.” While engineering initiatives such as Scrum and CI/CD have increased engineering agility, a parallel ability for product managers to make business pivots is lagging. An inescapable new discipline and practice is emerging to increase agility for product organizations: digital product management.

“The 5 Critical Capabilities of Digital Product Management.” Traditional products and services have evolved into combinations of hardware, software, service and professional services components. Product managers must adopt five capabilities in the complete life cycle of products and services to manage these challenges in product development combinations.

“How Digital Products Drive Change in Product Design.” Digital products reshape the way users interact with things, technology and businesses. This requires product managers to build new highly iterative and human-centric design approaches that will better allow them to respond to complexities and opportunities arising from new digital experiences.

“Tech Go-to-Market: Increase the Business Impact of Product Management by Applying Gartner’s Maturity Model.” Product management typically defines product vision and direction, and it is increasingly turned to as a key enabler of growth and transformation. Product management leaders should use Gartner’s Product Management Maturity Model to uplift the role’s impact on the business.

“Launch, Learn, Innovate — Accelerate Your Product Innovation Cycle.” The stream of innovation in technology continues to disrupt markets and challenge established incumbents. To succeed, product managers must set a compelling vision and deliver an amazing product experience that solves real customer pain points.

“Product Management: 6 Steps to Successful Change Leadership.” Technology product managers wanting to build a best-practice product management organization must be experts at dealing with change. Change should no longer just be managed; instead, change should be led. The ESCAPE model distills change leadership into six steps.

Identify, Attract, Train and Retain the Right Talent Mix

As organizations move toward digital product management, managing talent is undergoing a big change. For digital product management, this means identifying and developing skill sets such as end-to-end CX management, business and pricing model expertise, experience in design thinking, and an uncanny ability to align others to a point of view.

These changes have a domino effect on other aspects of talent management, such as engagement, attraction and retention of top talent. To remain competitive, product organizations must change their talent practices to remain nimble and, in turn, successful.

Product management leadership, including general managers, must acquire, retain, engage and structure their teams differently to get the right talent mix. For example:

- Increased digitalization of the talent acquisition process has made it easier to reach out to targeted candidates much faster.
 - Candidates can now apply with one click from their mobile devices whenever they want.
 - This ease of application has actually seen a phenomenon of “the casual digital candidate” appear.
 - The candidate journey and the candidate’s engagement with the process has now changed.
- Arguably for product teams, having the right culture is at the heart of success or failure.
 - Gartner research indicates that optimizing cultural alignment impacts revenue and employee performance.
 - Shaping product team culture is an inescapable competency for today’s technology general managers, who are on the line for portfolio success.
 - General managers’ success will often hinge on how adept they are at creating a new product team culture, as well as how disparate cultures are enmeshed and evolve across functional, divisional and corporate silos.
- Talent analytics are replacing employee surveys.
 - Most companies currently use annual employee surveys to identify potential issues around engagement, morale, pay parity, etc. These inputs have helped support decision making around business parameters like attrition.
 - Employee surveys are becoming outdated due to their slow speed and inability to connect various data sources to give better insights.

- Talent analytics is fast becoming the decision support mechanism of choice, using different sources of data with more regular cadence to arrive at talent decisions much faster and more accurately.

The following selection of research provides a detailed perspectives for many of these emerging areas.

Related Research

“3 Essential Shifts to Accelerate Reskilling of the Product Organization.” As skills for the product organization shift, technology general managers try reskilling their teams continuously. This approach is ineffective and actually negatively impacts employee skills preparedness. Instead, start building “connected learners” to successfully reskill.

“Toolkit: The Product Manager’s Final-Round Interview Guide.” This Toolkit helps technology product managers evaluate candidate competency and cultural fit during the final round of the interview process. It also organizes and equips interview panelists to move effectively toward a hire/no-hire determination.

“Shape Product Team Culture for Competitive Advantage.” Establishing talented product teams with a culture that contributes to commercial success is among the most challenging issues facing technology general managers. This research equips GMs with a model for shaping product team culture for competitive advantage.

“Disruptive Trends Changing Talent Acquisition and Management in the Product Organization.” Artificial intelligence (AI) and data analytics are changing the nature of jobs and organizational behavior in technology organizations. Key talent acquisition and management practices must change if technology general managers want to keep their product organizations competitive.

“3 Steps to Build a Local Talent Analytics Capability to Accelerate Talent Decisions.” Technology general managers are facing significant talent challenges that impact performance, such as talent attraction, pay equity and attrition. They can tackle these challenges with data generated through analytics. They should now build a talent analytics capability within their teams.

“Leadership Essentials Every GM Should Develop — Insights and Actions to Take From a Gartner Investor Panel.” A key take-away from a recent Gartner Investor Panel included venture capitalists and corporate strategists highlighting key traits in executive leaders or teams. Technology general managers can use these insights to cultivate their leadership skills and impact on their ability to develop others.

Forge a Robust and Synergistic Approach to Go-to-Market Strategy and Execution

Digital products enable a unique opportunity to share and leverage the capabilities of internal functions and external partners and ecosystems to create customer experiences. However, this “new breed” of digital offering requires new, holistic and innovative approaches in go-to-market elements for a number of reasons, including the following:

- Digital products delivered via cloud by definition are no longer a “product” but a “service” (the last “S” in software as a service, analytics as a service, etc.). Long-standing management theory has shown that the success of service offerings requires three additional go-to-market elements beyond traditional products: people, process and physical evidence. Product managers now need to consider:
 - Who is interacting with customers, and how
 - What processes are being used to deliver value
 - What physical means of interaction customers receive from the company

All these considerations add up to “customer experience.”

- Buyer behavior in the digital age is changing dramatically. Purchasing of digital products is now undeniably decentralized, organic and unpredictable. Gartner research¹ shows large buying teams of eight to 14 buyers exist. Traditional go-to-market sales and marketing approaches for technology are already showing strain in the form of increased effort, longer sales cycles and lower conversion rates. Digital product managers need to ensure their digital products can thrive within large and diverse buyer group dynamics and digital communication channels.
- Ground-up approaches for selling remain important, with companies such as Atlassian, Box and Slack relying on internal adoption as a strategic entry point.
- Multiple departments in the organization now contribute to all three dimension of the digital product:
 - Customer experience
 - Business
 - Technology

Innovation is no longer about product development creating the product that the rest of the organization supports in the market. Rather, many departments and individuals contribute to the creation and delivery of the product every day. This requires high levels of collaboration and alignment in sales, marketing, operations, finance, services, support and beyond into external partners, communities and ecosystems. Even “self-service” offerings are transacted completely digitally. A digital user interface is only a thin veneer that still exposes the underlying integration and interaction of the functions inside and outside the business.

A selection of research pertinent to each of these new and emerging dynamics within the back office, the front office and ecosystems is listed below.

Related Research

“3 Key Steps to Ensure an Ecosystem Drives Portfolio Success.” Digital products enable a unique opportunity to share capabilities and leverage the capabilities of others to create new communities, partners and collaborators. These elements form an application software ecosystem that offers an integrated, expanded market and a richer, more complete solution to customers’ needs. General

managers need to follow three steps to determine whether investment in an ecosystem is warranted.

“Technology Product Managers Must Focus on Industry-Specific Security Imperatives to Remain Competitive.” Across the entire technology ecosystem, one common defining factor is the evolving security threat landscape. As product managers develop new digital products and ecosystems, they must remain highly aware that unique assets and business models of vertical industries are prime targets for attacks. As attacks escalate and regulators scrutinize industry accountability, product managers must address industry-specific cybersecurity requirements in their digital products.

“3 Steps to Ensure Monetized Products and Services Turn Into Real Money.” Digital products enable new monetization models that can have significant impact on the company’s valuation, viability and financial reporting in new and unusual ways. You can no longer assume that the existing financial teams and systems inside the company can raise invoices, receipts, billing or revenue recognition aligned to new digital products. Product managers must assess the impact of new pricing and charging models on downstream processes to avoid risk and disruption internally.

“Increase Sales Engagement With New Products by Balancing Seller Benefits, Effort and Risk.” After launching a new digital product, a high risk is present that salespeople may not engage with the new offering. Even after delivering high-quality sales enablement, product managers are often surprised by little change in sales behavior, as well as a low pipeline for new products, particularly innovative or transformative ones. Digital product managers need to look beyond sales enablement to address issues in seller return, effort and risk to increase sales engagement with new products.

“Working With the Sales Organization — Balance Strategic Product Direction With Tactical Demands.” Once initial sales for new digital offerings start occurring, digital product managers need to optimize the customer feedback loop that evolves via direct sales engagement. Follow Gartner’s practice approaches to create a rapid assessment process that establishes: (1) a thriving customer feedback loop in conjunction with sales; and (2) a collaborative way to handle new requests or proposed changes for subsequent release.

“Tech Go-to-Market: Disruptive Program Design for TSP Partner Ecosystems.” New digital products drive the formation of partner ecosystems to develop in new and different ways that digital product managers need to evaluate and embrace. These new dynamics challenge traditional partner program structures and processes, but they also present an opportunity for digital product managers to create disruptive ecosystem programs that can provide significant impact on the company long term.

“Differentiate Your Cloud Application With a Customer Success Strategy.” The increasing importance of customer experience and adoption of digital products can be directly and positively affected via a strong customer success strategy. Customer success programs and functions not only drive retention, but also provide differentiation in the market. In crowded cloud application markets, product managers must focus on customer outcomes, adoption and success to differentiate their solution and be more competitive.

“Tech Go-to-Market: Use Business Outcome Messaging to Attract Attention and Engagement From New Prospects.” Gartner research shows that customer outcomes, specifically business impact outcomes articulated in sales and marketing messaging, are most likely to attract engagement from passive buyers. Comprehensively describing new digital product capabilities is not the most effective way to generate interest and leads. Select commonly accepted metrics, such as financial reporting standard terms, to help sales and marketing teams acquire new customers.

Establish Competitive Advantage Through Innovations in How Product Management Shapes Offerings

Achieving competitive advantage remains a constant priority for executives. These advantages can be designed and realized through innovations that product managers apply in shaping their offerings. Innovations can take many forms, such as:

- Building agility, deployment flexibility and extensibility into the platforms of customers
- Leveraging pricing as an integral part of the planning and introduction phases
- Designing data and analytics features as core to differentiation strategies
- Adopting a CX methodology at the core of the product management discipline

With product managers aiming to establish anchors of competitive advantage:

- **Software pricing should be a competitive advantage.** New approaches to pricing demand attention. These new approaches, such as usage-based pricing, freemium offerings and modular products, bring pricing into the realm of differentiators. Product leaders must evaluate pricing models against the competition across the four customer criteria of value alignment, simplicity, measurability and predictability.
- **Data and analytics features should be differentiation strategies.** Data and analytics are the linchpin that integrates customers, ecosystems, IT systems and things. Data and analytics have become the differentiator behind the real-time alignment of supply (things) and demand (customers) to the provision of personalized digital experiences.
- **A CX-driven methodology should be in all product management steps.** Steps toward competitive advantage are achieved through the adoption of a CX-driven approach in all planning, development, introduction and life cycle management steps of product management.

Product management is no longer just an activity focused on features and functions. To maintain and achieve a competitive advantage over their competitors (and more importantly, maintain and grow relations with customers), product leaders must look to establish competitive advantage through innovations in how products and services are shaped. The research listed below can help.

Related Research

“Market Insight: Architect an ‘Ecosystem-Native’ Solution to Unlock Digital Business Value.” Architectures that restrict customers’ options as to which application suites, cloud platforms or other ecosystems they can connect to and integrate with will miss out on the growing customer

demand to extend their digital business technology platforms. To achieve and maintain a competitive advantage, product leaders should architect “ecosystem-native” solutions with such technologies as microservices, continuous integrated delivery, managed containers and API management.

“Make Software Pricing a Competitive Advantage — Not an Afterthought.” Building pricing models strategically and incorporating pricing as part of software product planning provides product leaders with a differentiated approach where price must be critically aligned to the value as perceived by target customer segments. One reason for customers not to buy is this lack of clear differentiation in pricing.

“Data and Analytics Feature Definition Framework for Digital Product Managers.” This structured five-step framework provides product leaders with the definition of and roadmap planning for data and analytics features. The framework includes evaluations against target personas, alignment with the data and analytic continuum, and critical capability use cases.

“Digital Products Need More Than Digital Voice of the Customer for High Confidence Product Planning.” A more holistic voice-of-the-customer approach, involving a mix of customer-centric market data and face-to-face customer interactions for data validation, should be the objective of product leaders building the insights into their product planning processes. Data must be both quantitative and qualitative, as well as triangulated across the various CX points, and those blockers to in-person customer interactions must be overcome.

“Product Managers Must Evolve Product Innovation Processes to Sustain Competitive Advantage.” Three key challenges are faced by product leaders in today’s digital age: the need to focus on ecosystems, the rate at which products become redundant, and how best to incorporate buying behavior into product development. Mastering these three challenges will help technology and service providers sustain a competitive advantage.

“Drive Sustainable Product Innovation Through a Critical Shift in the Product Management Discipline.” Shifting to a CX-driven methodology in product management becomes an approach product leaders must adopt to sustain competitive advantage. Those product management functions focusing narrowly on product delivery and technology features will miss growth opportunities and potentially increase failure rates.

Related Priorities

Table 1. Related Priorities

Priority	Focus
Product Development	The product development agenda provides insights and best practices for developing more successful products.
Product Introduction	The product introduction agenda provides insight on how to collaborate across product management, marketing and sales to prepare and launch a product offering to the market.
Product Life Cycle Management	This initiative focuses on managing the challenges of innovation and evolution of product and services as they mature through in-life and in-service events.
Product Planning	The product planning agenda helps organizations develop strategies based on insights about their customer needs, market trends and competitive positions.

Source: Gartner

Gartner Analysts Supporting This Trend



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- “Product Planning Primer for 2019”
- “Product Development Primer for 2019”
- “Product Introduction Primer for 2019”
- “Product Portfolio Leadership Primer for 2019”
- “Product Portfolio Organization and Culture Primer for 2019”
- “Product Portfolio Performance Primer for 2019”
- “Product Life Cycle Management Primer for 2019”

Related Resources

Webinars

Get actionable advice in 60 minutes from the world's most respected experts. Keep pace with the latest issues that impact business.

[“The Top 5 Priorities for Digital Product Management”](#)

[“Top 5 Tools to Improve Product Management Decisions”](#)

Articles

[“How Product Managers Can Identify and Plan for Technology Disruption”](#)

[“Transform Your Portfolio With 2 Key Product Management Practices”](#)

[“Calculate Potential Market Share Size for a New Product or Service”](#)

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Evidence

¹ “Tech Go-to-Market: Why Tech Sales Cycles Are Taking So Long and What Needs to Be Done Now,” Gartner.

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