



# The Product Manager's Guide to Growth

How to use differentiation, agile development and new business models to grow the business

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# Introduction

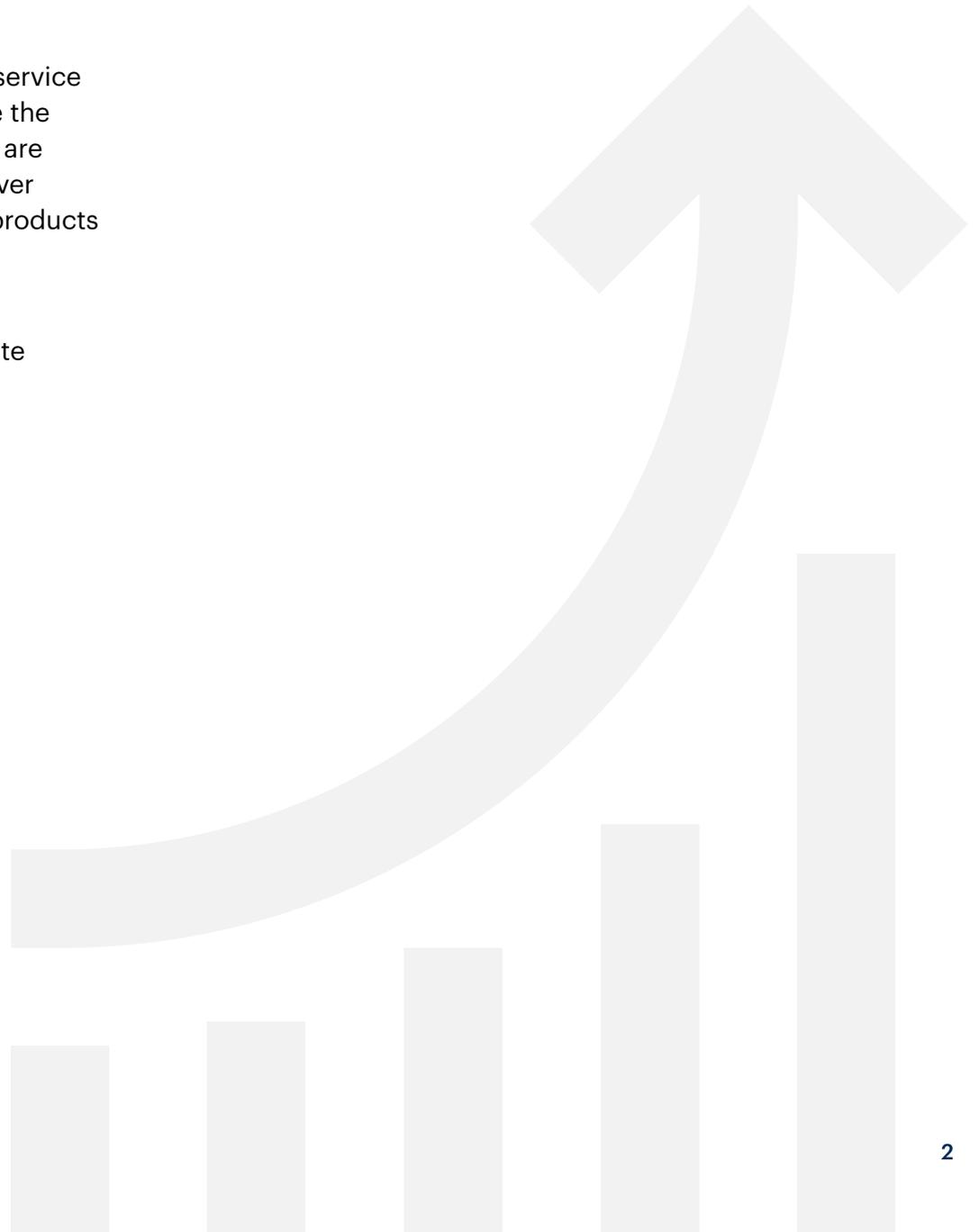
Product management plays a key role in technology service provider growth. Speed, agility and innovation define the new playing field for product managers. The rewards are better products and better business models that deliver sustainable growth for the business, and must-have products and services for the end user.

With this e-book, product managers will learn how to improve product and service differentiation, accelerate time to market and develop powerful new business models that grow the business.



**Emil Berthelsen**

Director, Gartner Research & Advisory



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## **Product managers are under increased pressure to drive growth and revenue**

A multibillion dollar oil and gas supplier saw its product development window shrink from two years to two quarters.

A technology service provider (TSP) for HR management solutions or software went from releasing new features every quarter to every month or two.

An augmented reality software vendor used real-time feedback from Internet of Things (IoT) sensors to update its training modules in weeks.

These examples illustrate how product managers in companies of all sizes and industries have experienced their time-to-market windows shorten while the pressure to grow revenue and profits has increased.

Today, companies expect more and more revenue to come from digital business. Sixty-two percent of CEOs already have management initiatives aimed squarely at transforming their businesses to be more digital. Product managers in TSPs have a key role to play in helping client businesses grow by meeting the needs of these digital-minded CEOs.

In order for client businesses to grow, product managers are on the hook to grow their own businesses. In a recent Gartner survey of hundreds of product managers, growing product revenue was the most reported metric used to gauge the success of the product management team.

Yet key questions remain:

How can a project management team deliver that growth? Should the team generate growth from internal efforts such as faster delivery times or better understanding of customer needs and wants? Or should the growth come from outside the company by means of adjacent market moves, acquisitions or even geographic expansion?



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## The emergence and evolution of product management

Product management is crucial to digital business success. Product teams help their firms compete with fast-moving digital competition and better meet the demanding growth goals set by senior leaders.

Gartner believes that through 2019, a startup product management and engineering culture will penetrate more than 50% of enterprise innovation efforts, and by 2020, organizations that have embraced the product management model will outperform those that have not in terms of both customer satisfaction and business results.



**Gartner defines product management in business as the process of conceiving, defining, delivering, monitoring and refining products in, and withdrawing products from, a market in order to maximize business results.**

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**“Technology product managers must look to improve and transform product management processes, tools and people to stay competitive in the rapidly evolving market.”**



**Emil Berthelsen**

Director, Gartner Research & Advisory

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## Focus on organizational improvements

External growth drivers such as geographic expansion and adjacent market entry are important parts of the growth equation. However, three organizational levers are under the direct control or influence of product managers and offer disproportionate opportunities for business growth:

- Improve product and service differentiation.
- Accelerate time to market.
- Develop powerful new business models.

Product managers must adopt quicker, more agile planning and development processes to remain competitive in emerging technology areas and differentiate their products. This requires fundamental changes to product life cycle management to address new technology and end-user requirements.

**Organizations that have embraced the product management model will outperform those that have not in terms of both customer satisfaction and business results.**



CHAPTER 1

# Differentiate Products Effectively



## Product managers have a number of options to drive changes in strategy

According to a Gartner Research Circle study, 68% of TSPs don't differentiate their products effectively. This lack of a differentiation strategy puts product or service success at risk. Sustainability of differentiation relies squarely on the cadence of good ideas and the speed and cost of their development. Create processes and workflows to develop better ideas faster, and a virtuous cycle of differentiation will follow.



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## Evaluate your planning-to-development mix

Product managers have a number of options to drive just business strategy or really drive strategic change in their differentiation strategy:

**Option 1:** Continue with the status quo. This is the weakest yet most prevalent strategy industrywide.

**Option 2:** Change the overall level of innovation spending up or down and adjust the mix within.

**Option 3:** Innovate solely on the marketing side, without significant product evolution, which can deliver short-term improvements in execution but is not likely to create sustainable differentiation and growth rates beyond a 12- to 18-month period.

**Option 4:** Hold absolute innovation spend levels the same and vary the planning or development elements (the ratio). When one level goes up, the other goes down, and vice versa.

## Maintain absolute innovation spend levels



Pursuing option 4 and adjusting the planning-to-development ratio can improve the sustainability of differentiation. Estimate the emphasis in time and expense deployed between the two activities. Review patterns or biases in the planning-to-development approach.

Is there too little planning?

Is there too much enthusiasm for new development approaches?

Are there untapped options for make-or-buy decisions?

Have you considered nontechnical options such as the business model, pricing/packaging or reconsidering the ecosystem approach?

## Create options for improvement



After evaluating your planning-to-development mix, create specific options for improvement using three building blocks:

Enhanced planning

Redirecting spending for impact

Spending less

Enhanced planning considers how choices already made can be deployed, combined or scaled differently. Enhanced planning should be a priority focus area. Opportunities to spend less or divert funds and effort will follow from what enhanced planning can create.

It is neither possible nor economic to strive for differentiation on every front. New growth efforts depend on the continued health of a core business, making experimentation with no clear endgame risky.

Success with such a diverse approach requires you to initially build from where you are but avoid placing unnecessary risk on the core business. Emphasize outside-in planning inputs such as segmentation, targeting and positioning.

## The nature of differentiation breakthroughs is framed by how building blocks combine.



### Potential sources of differentiation

Differentiation ideas can be sourced from various types of innovation or assets:

- 1 Owned intellectual property**  
 What you choose to develop and possess full intellectual rights for
- 2 Product aspects**  
 Function (what it does), aesthetics (how it looks), usability (how easy it is to use and/or learn)
- 3 Pricing model**  
 Aligned with, but distinct from, the business model — how the monetization is implemented for use cases/segments
- 4 User experience**  
 How a product materially impacts the user and creates individual or organizational benefits
- 5 Customer experience**  
 How you design or anticipate the customer or segment experience before, during and after purchase

CHAPTER 2

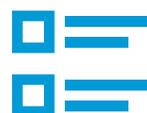
# Accelerate Time to Market



## Quicker time to market

A critical priority for product management teams is to accelerate time to market. In multiple Gartner client conversations across the software and cloud sectors, product managers noted that market demands and expectations have shifted from annual releases to quarterly or even monthly releases.

Focusing on how best — and how fast — the organization can achieve business outcomes in product planning and delivery is a key strategy for successful product management.



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## Adopt greater agility in product planning and development

Technology product managers must nurture and build a new culture that complements or completely breaks with many deeply held product management methodologies and beliefs.

Agile new product management requires technology product managers to manage new levels of change and risk. Development processes need to be structured to incorporate significantly faster data capture from IoT devices into the ongoing design and development of products.

Adopt a mentality of achieving extraordinary flexibility by showing the benefits of agile development processes.

Enhance product development processes by designing products with capabilities to provide real-time usage and condition data for immediate product feedback.

# The move to agile product planning and development

	Traditional	New
Product planning	<p><b>Goal:</b> Define a robust, well-researched and detailed product requirements document (PRD).</p> <p><b>Activities:</b> Hold multiple brainstorming sessions, idea iterations and early concept testing.</p>	<p><b>Goal:</b> Clearly define business outcomes, not technical PRDs.</p> <p><b>Activities:</b> Replace product planning with succinctly defined business outcomes.</p>
Product development	<p><b>Goal:</b> Use a structured process with clear stage gates and handover points, including waterfall development plans and multiple testing steps.</p> <p><b>Activities:</b> Create internal contracts between business units and product managers to produce the PRD. Combine with marketing and engineering requirements to create a business requirements document.</p>	<p><b>Goal:</b> Focus more on minimal viable product designs and less on detailed documentation.</p> <p><b>Activities:</b> Establish product teams at outset with responsibility for end-to-end product planning, development and launch. The teams are also responsible for product profitability and termination.</p>

CHAPTER 3

# Develop New Business Models



## Evolving business models

Your existing or traditional business model will likely not be the one that delivers success in the future. Both established and relatively new companies across industries and sectors are experimenting with business model changes. Companies such as Hitachi Vantara, SAP and Relayr are evaluating their core value propositions in response to cultural, market and political changes.

Business models are how an enterprise chooses to create, deliver and capture value. The choice of business model is part of the differentiation equation, and TSP leaders expect their models to change.

According to the Gartner Technology and Service Provider CEO Innovation Investment Priority Study 2016, 63% of application CEOs confirmed that adding term- or subscription-based models was a significant business model change they had to make in response to digital business changes.

**“The business model that got you here won’t be the one to keep you here.”**



**Helen Huntley**

Vice President, Gartner Research & Advisory

The forces at work mandating business model evolution are everywhere. All aspects of business models are open for change:

**Customers:** Channel, relationship, industry and segment changes mean models need to adapt.

**Profit models:** Pricing, revenue streams and cash conversion models mean existing means of value exchange are evolving rapidly.

**Capabilities:** Technologies such as blockchain, artificial intelligence (AI), IoT and virtual reality (VR), as well as people and culture, provide unique avenues for growth and change.

**Value propositions:** Competitive and industry forces shape the service, quality, cost and information equation.

**Relationships:** Models will shift from product-oriented businesses to data-driven relationships where the relationship between parties is no longer based on capital expenditure (capex) but rather based on operating expenditure (opex), where fees are charged by subscription, consumption or outcome.

Business-to-business (B2B) models and business-to-consumer (B2C) models will become business-to-virtual-assistant models (B2VA), business-to-buying-agent models (B2A) and business-to-thing (IoT) models (B2T).

## New technologies will disrupt business models

Technologies such as blockchain, AI and IoT will be key parts of the evolution of TSP business models. Client companies are pushing TSP vendors to deliver differentiated offerings faster than ever, along with new commercial terms so they can better compete for customers. These technologies will play a key role in enabling future business model and ecosystem disruptions.

IoT, for example, will fundamentally change product design skills and teams. Many companies' product design teams have extensive expertise in the hardware design that aligns with the business processes they serve.

In a world with billions of connected devices, product teams will have to develop software competency as a critical new skill set to address the IoT middleware and the digital twin of the products they design. Enterprises must contemplate how to establish, market and charge for longer service-level agreements for asset software.

New business models that better engage customers, drive differentiation and create new revenue streams include assets-as-a-service and outcomes-as-a-service models. OEMs will need to pursue more consultative sales structures along with different financial capabilities centered on operating expenditure versus capital expenditure sales.



## The path forward

New technology and end-user requirements will force fundamental changes in how product managers approach product life cycle management.

Technology product managers must adopt greater agility and flexibility in product planning by accelerating the process through frequent iterations, fewer handovers and a greater readiness to accept failures and restarts.

### Support



Support agile product development processes within engineering by accelerating and sharing the analysis of real-time product usage information and customer feedback.

### Monitor



Monitor market trends, emerging disruptive technologies and business models to secure the delivery of future products, services and solutions.

### Execute



Execute the shift to a data-driven product management function to better deliver the growth and business results demanded by senior leaders.

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Product Managers Must Embrace Lean and Agile Methods to Align With Changing Customer Environments

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