

The Product Strategy Playbook

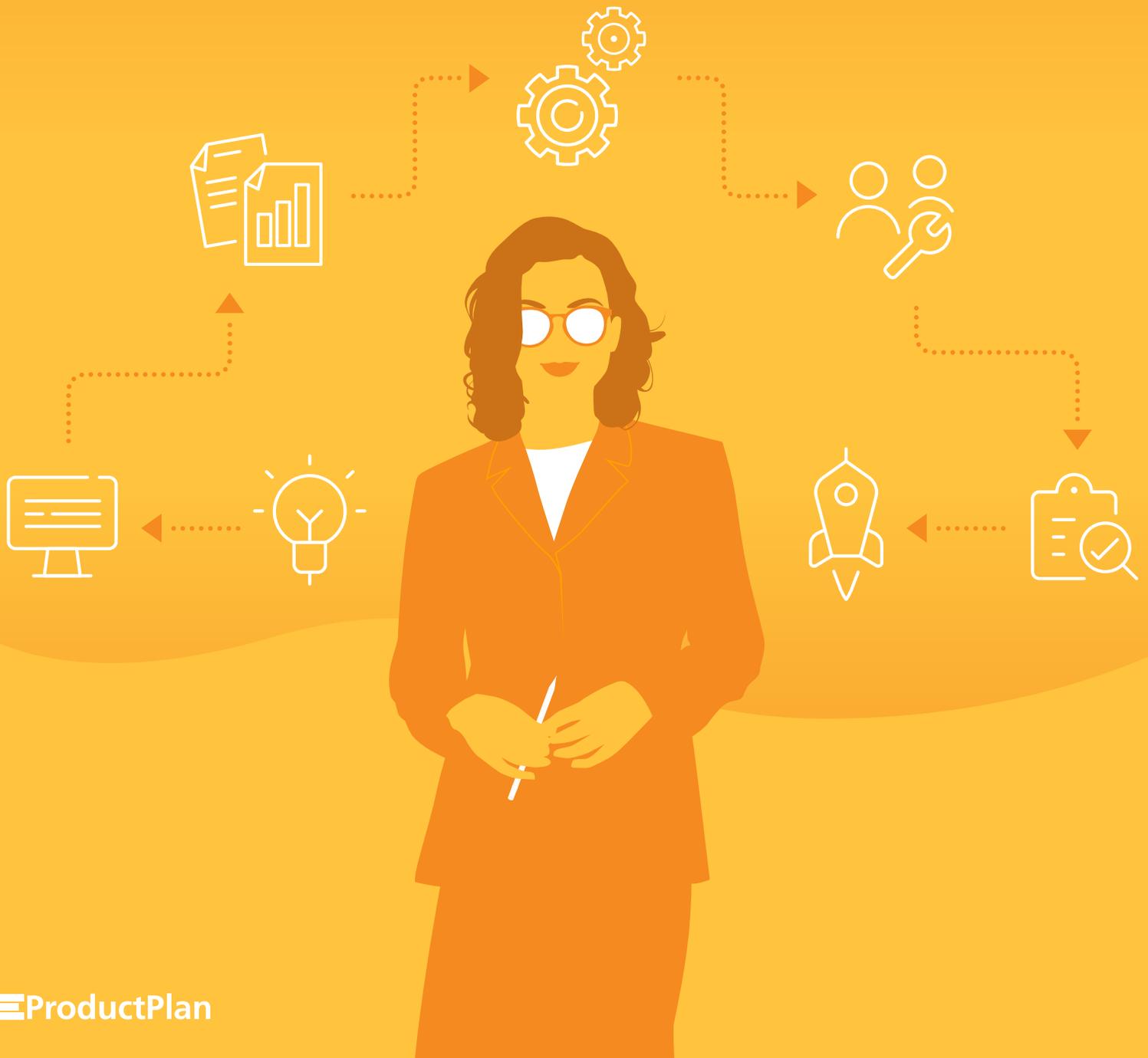




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Introduction

Why We Wrote This Guide

I know how it goes. As a product manager, you're busy dealing with day-to-day demands: prioritizing the backlog, updating various stakeholders, and putting out fires. It's often only after dealing with all of these demands that you're able to think strategically about your product. What are the initiatives that move your product strategy forward to meet business goals, delight customers, and meet the competition head-on?

In *The Product Strategy Playbook*, I'm sharing my recommendations and those of my peers on creating a winning product strategy that aligns your product to the company's mission and business goals by addressing a customer's problem. Moreover, this is a product strategy that is capable of change as your product evolves. We'll also look into what to do if you've inherited a bad product strategy and how you can get it back on track.

Everyone's product strategy is unique to meet their business needs. I hope *The Product Strategy Playbook* will help you successfully execute during each step from the mission, to the customers, to the KPIs, to the roadmap, and more.

Enjoy!

Annie Dunham

Director of Product Management, ProductPlan

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The Art of Product Strategy

The Art of Product Strategy

"Product strategy is the art of finding and exploiting leverage in the competitive landscape to achieve the purpose you've set out for your product."

– Hadrien Raffalli, Product Lead at VMware

A product strategy is a high-level plan that answers critical questions such as who the product will serve, how it will benefit those personas and the company's goals for the product throughout its lifecycle. A winning product strategy helps you prioritize your product roadmap with the right initiatives and finds the proper use of time and resources.

As such, it's highly valuable for your business and is a central part of the broader product management process.

I believe a well-rounded product strategy is an art. The first stroke is to set your long-term mission. The mission (or vision) is typically written in concise and aspirational statements to articulate what the company hopes the product will achieve.

Avoid falling into the trap of defining the mission before getting to know your market or user personas. Your product strategy needs to deliver something of value to your market that your competitors won't.

In his article, *Elements of an Effective Product Strategy*, product management expert Roman Pilcher suggests a product strategy contains three key elements:

- 1. The market for the product and the specific needs it will address.**
- 2. The product's key differentiators or unique selling proposition**
- 3. The company's business goals for the product**

The product strategy pulls from the enthusiasm of the mission and grounds it in reality with a measurable approach. After you define your product strategy, you'll move to planning initiatives and execution.

Initiatives are the strategic themes you derive from your product's goals that are placed on your roadmap. They are significant, complex objectives that your team must break down into actionable tasks to reach your measurable goals.

Examples of product themes include:

- Improve customer satisfaction
- Increase lifetime customer value
- Reduce churn
- Add customer delight
- Break into new industries or geographical areas
- Increase mobile adoption



The final stroke of product strategy is to learn from the work and then course-correct.

Kevin Steigerwald, Jama Software's Director of Product Design, created the following product strategy hypothetical:

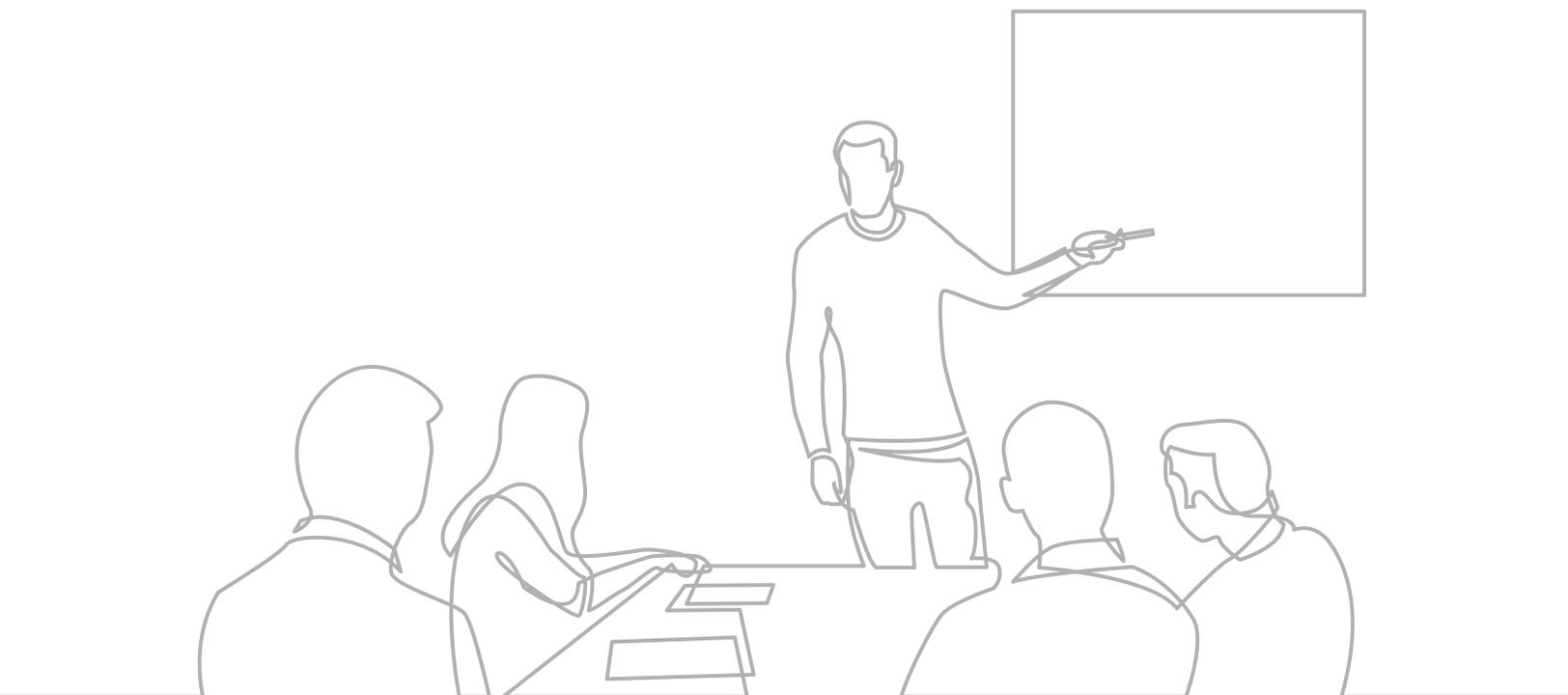
Mission:

Become the #1 provider in this space

Strategy (just some of the items):

- We'll spend X% on marketing in this industry
- We'll build an appealing incentive structure for our sales reps
- We'll allocate X amount of resources and budget to develop this new product

Create key performance indicators (KPIs) for each of these strategic elements to gauge whether or not the company is executing the strategy successfully.





▶ **The Product
Strategy Playbook:
Develop a Product
Strategy in 10 Steps**

Develop a Product Strategy in 10 Steps

Now it's time to design and execute your own product strategy. How do you develop a product strategy, step by step?

Step 1: Create an ambitious product mission or vision.

Before you can start writing out the strategy, develop your product mission or vision: what you hope it will do to enhance your user persona's life, add value to your market, or even change the world.

Your strategy should flow naturally from your product's mission. Be bold, ambitious.

A well-articulated vision is:

- Easy to remember and understand, while remaining vague.
- Not tactical. It will be aspirational and a guide, but does not dictate. There should be many paths; therefore, the vision is not "How."

When looking at your vision or mission statement, try to generalize and abstract your product's value. One exercise is to ask, what is the value you bring to your users today, how do you want to improve that in the near term, and what could that look like ten years out?

For example, a product may:

Now: Simplify how users pay for products today.

Next: Save users time by automating tedious, recurring, daily transactions.

Future: Bring balance and joy to users through the gift of time.

Nearly 20 years ago, when the world knew Google only as a search engine, the company first unveiled its vision: "To organize the world's information and make it universally accessible and useful." This vision has guided the company long after they branched out from search.

The *ultimate* vision for the product is why it exists, for whom, and how it will help them.

There are three essential benefits to starting with a high-level articulate and compelling product vision and then working your way strategically down into the details.

1. You're more likely to earn executive approval if you move forward.
2. You're able to communicate your compelling product vision better, so that team members share your enthusiasm and support your product's success.
3. When you've established your high-level product vision first, all of the decisions you and your team make regarding the product will have a more strategic basis.

Step 2: Learn about customer needs and how they're evolving.

To build a useful product strategy, you'll need to truly understand your market—what your customers need, what they want, what problems they face, and are willing to pay to resolve.

Many product managers, even highly-experienced ones, try to develop their entire product strategy internally. This introspective approach misses the mark on a crucial element in developing a winning product strategy: What about the product's user?

Truly great product teams blend entrepreneurial instincts with the evidence they've gathered from the market to make intelligent product decisions.

In his business book, *The Four Steps to the Epiphany*, author Steve Blank makes the case: "*There are no facts inside your building...so get outside.*"

J.J. Kercher, Experience Strategy Consultant, notes, "*By actually observing customers, you get a real insight into their day-to-day and, especially, repetitive tasks that are potential opportunities to disrupt current ways of thinking. The essence of this mantra [getting out*

of the building] is user research, and under that umbrella includes specific and calculated approaches that will greatly improve and clarify the results, as well as revealing opportunities for true innovation. Some examples include Market Validation, Jobs to Be Done, Story Mapping, Journey Mapping, and Ethnography.”

Additionally, she notes, “Scrappy research is important. But adding rigor to your research and analysis will identify the areas most ripe for disruption and innovation. Innovation means solving problems that customers can't even articulate or that they don't even know they have. This, in turn, creates the ever elusive “delight” product managers strive for.”

Therefore, before you get too far down the path of creating a product strategy based on your gut, your executive team's thoughts, or even market research, go out and listen to what your user personas want. Develop a detailed profile on them and identify the challenges they face that your product could address.

In the **Customer Interview Tool Box**, we include a customer interview template and profile. You can download it for free [here](#).

[Download the Customer Interview Tool Box](#)



Step 3: Understand where your product idea fits into the value chain.

Your product strategy needs to deliver something of value to your market that your competitors won't. Your product won't exist in a vacuum. It will be part of the broader context of your users' lives. You need to understand this larger context to know how your product fits in, and what obstacles your target customers might face.

A great example of this is Netflix. The company successfully transitioned its business model from DVD rentals by mail to an online streaming service. But first, Netflix had to make sure its new model would work logistically, technologically, and financially for its customers and partners.

Questions the company would've had to answer before making this transition include:

- *Will the average consumer have enough bandwidth coming into their home to support streaming movies and TV shows? (If not, this might not work.)*
- *Will the internet providers continue charging by bandwidth, or will they move to a flat monthly rate? (If ISPs kept billing by bandwidth, this might not work.)*
- *Will some ISPs, whose bandwidth we're consuming in large quantities, block our content off to protect their margins? (If that's a possibility, this might not work.)*

Remember no product strategy begins with a clean slate. *"If you fail to identify and analyze the obstacles, you don't have a strategy,"* UCLA's Richard Remelt says in *The Perils of Bad Strategy*. *"Instead, you have a stretch goal or a budget or a list of things you wish would happen."*

Step 4: Look for similar growth patterns and cycles in other markets.

You don't need to start from scratch to build a product strategy. Find an example of a product in another market that gained market share—and follow that product's strategy. What did the company do to promote the new idea? What did their go-to-market strategy look like? Can you use some of the techniques of this other company to set the strategy for your product?

Similarly, can you find the stories of other companies that failed in your market? What techniques did they use that you'd want to avoid implementing in your strategy?

Jim Semick, Co-founder at ProductPlan, recommends, "Looking to analogous companies in different spaces for ideas of strategic direction. The filings of publicly traded companies in your space or similar space for strategic direction are great resources. And of course, your competitors are a great place to start to begin the process of establishing a differentiated offering."

Just like a product manager and their team shouldn't devise an entire product strategy all by themselves, a product strategy can't ignore what else is out there. Rarely does a product not face direct competitors or viable alternatives for the services and functions it provides.

Conduct a competitive analysis to evaluate the other players vying for potential customers. Cast a wide net with this exercise in terms of what solutions prospects are using or considering.

Each alternative's attributes must be assessed, along with which features and capabilities resonate with the target market. Not every checkbox on the feature matrix matters the same to actual buyers and users, as organizations want to avoid becoming feature factories in their quest to "catch up."

Step 5: Identify the ways your market might change.

As you and your team examine similar trends and patterns in other markets, you will get a better sense of how things can evolve. If you've gotten to know your user personas, you might be able to make educated guesses about the market's future direction or the new tools and processes they'll adopt soon.

Products can come down to the technology, people, and process (whether it's manufacturing tech, or how people purchase, etc.).

What is changing with technology? How does this change how people interact with your product? For example, going from credit cards to Apple Pay, or Venmo.

On the flip side, how does technology change the service you provide? Data storage used to be expensive; now it's cheap. Processing speeds have improved. Can you now provide more value to your user that you couldn't previously provide?

What do people expect now that they didn't before? They expect SaaS products to be faster, to be able to zoom in with their fingers, etc. There are expectations around the size of a product, a phone jack, etc.

Then ask, how does your product fit into your users' process? If you are B2B, how is your industry changing? Is the product becoming a more established field, the pendulum between waterfall/agile/and all of the hybrids, and how does this change how users interact with your product?

Which challenges are evolving? With new processes, is there a place your product can better serve your users?

Look at megatrends to establish future direction. For example, the coming surge in retirees opens up opportunities in health tech, finTech, and software for an aging population.

Jobs to Be Done is a great framework for understanding new and inventive ways to trailblaze market changes. Understanding the goal over the task, i.e., getting from point A to point B in the least amount of time possible, gives the team a new perspective to be creative and disruptive in their strategy.

Lastly, in terms of what you're seeing in the market, just because others are doing it doesn't mean you should. But you should understand why they are doing it. Using the phone jack example, Apple chose to remove it—judge it as you may, they were making a bet on the trajectory. It doesn't mean you need to remove yours, but by looking at their strategy (perhaps based on a belief that users will adapt to a strictly-Bluetooth mobile device environment), does that inform your next steps?

Based on all of this knowledge, make educated guesses about the potential upcoming changes so that you can build your strategy accordingly.



Step 6: Develop your strategy's KPIs.

From the product vision, derive product goals that will influence the initiatives on your roadmap. Coming up with product goals is the step that helps translate your product strategy into an executable plan.

Every organization's product goals will be different. You can develop product-specific, company-oriented, or more generic goals. Here are some more examples:

- Competitive Differentiation
- Customer Delight
- Technical Improvements
- Sustain Product Features
- Improve Customer Satisfaction
- Increase Lifetime Value
- Upsell New Services
- Reduce Churn
- Expand Geographically
- Mobile Adoption

As you can see, these goals are general, but can usually be measured and tied back to metrics and Key Performance Indicators (KPIs). They'll also resonate well with stakeholders.

Revenue tracking is an essential part of product goals. How can product managers most effectively tie revenue to other product metrics and their overall product strategy? Once there's alignment on the type of revenue you're going after, determine how you can move the needle.

For example:

- **Increase free-trial downloads by 50% in the next six months**
- **Improve our average customer rating by one star on product reviews sites**
- **Generate \$3M in revenue within 12 months**

Determine which part of the process has the most potential for impact. Then, identify potential areas of optimization.

If you're trying to grow a new business, you'll want to start by benchmarking metrics like Monthly Recurring Revenue (MRR), Annual Recurring Revenue (ARR), Average Revenue per User (ARU), and Lifetime Value (LTV) to give you a good sense of your product's current performance.

Attempting to grow existing customer revenue is a great opportunity to conduct customer interviews because if you're looking to grow a current business, you need to understand their hang-ups and whether the product is priced appropriately. You might find that customers would pay significantly more if you added one or two simple features.

If you're focused on protecting revenue from your existing customers, you'll want to look at a combination of retention, churn, Net Promoter Score (NPS), and product usage data. NPS can help you figure out why customers are staying or leaving.

Benchmarking your current retention and churn rates will give you a starting point and help you tie your strategy to its eventual outcomes.

You can also look to your successful, high-usage customers and figure out which actions and behaviors they're exhibiting, and try to encourage those behaviors in your low-usage customers.

For example, your high-usage customers may have integrated your application with a number of their other apps and services.

Develop these measurable KPIs while you're creating your strategy rather than backfilling them after your strategy is complete.

Whether you're going after new revenue, growing your existing customer revenue, or attacking churn, product teams can follow the same basic formula. Identify your specific business goal, which metrics you'll use to define success criteria and inform strategy, and construct a hypothesis that combines your observations about customer behavior, product usage, and data.

Metrics and data alone won't guarantee success or result in a concrete product strategy. Still, slicing up specific data across specific customer segments with specific business goals in mind is a solid approach to constructing an actionable hypothesis with the potential to move the revenue needle in a significant way.

Once you have a prioritized list of goals, you can use them to inform your specific plans for features, functionality, and other aspects of the product you're going to build.



Step 7: Build your outcome-driven product roadmap.

With these goals, you're ready to translate those objectives into more concrete details about the product itself with a roadmap.

Start by using a prioritization framework like Kano, MoSCoW, and RICE (to name a few). Different prioritization frameworks have varying benefits and outcomes in mind, so align with your team on which one you will all be working with to prioritize initiatives that come off the backlog and onto the roadmap.

The format of your roadmap is also important. If you've prioritized building new functionality into the product, then I recommend an outcome-driven roadmap to help tie your decisions about epics, themes, and other initiatives to the product's goals. A roadmap concentrating on outcomes will produce products that improve the metrics while also delivering value to both end-users and stakeholders.

Why outcome-driven?

It provides context while simultaneously ensuring that the product strategy is both communicated and consistently pursued. Everything is there for a reason, the reason is well understood, and the goal is measurable. As seen in the example below from David Denham of Workday.

"If we have an objective of 'Increasing bookings of flights to Spain on our flights booking engine,' we should set an accompanying key result of 'Bookings to Spain increased by 8% by the end of Q4.'

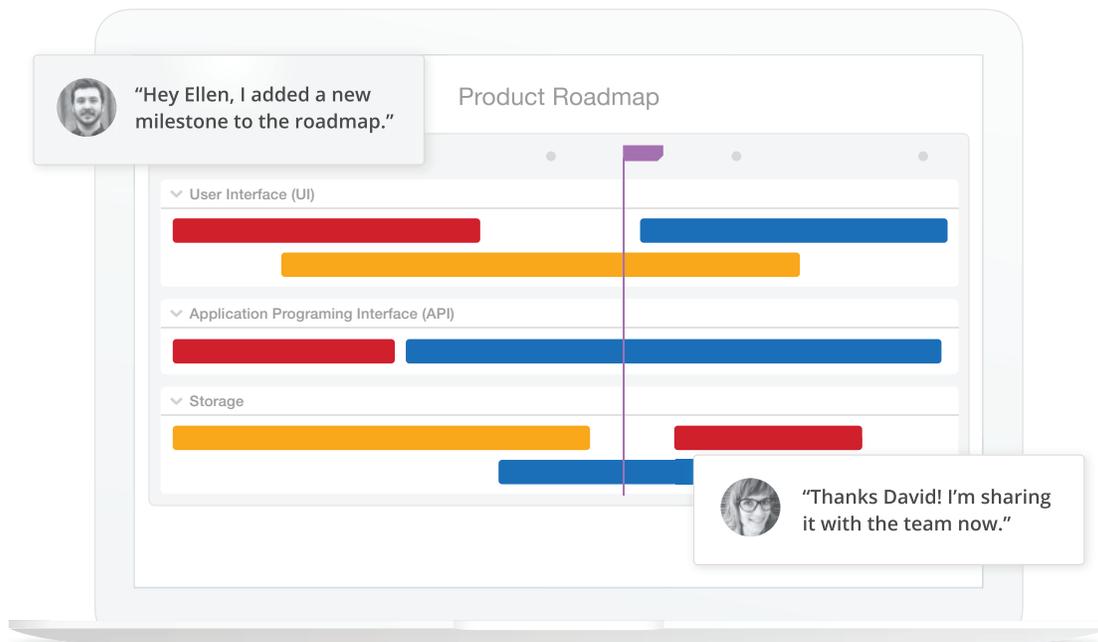
We are leaving the solution space purposely open for our teams to innovate on how to achieve this. If we had placed 'February flights promotion email campaign to our Spain customers' into our Product Roadmap, which we've created six months in advance, we are converging on a solution too soon. Our stakeholders want the "hole" (bookings increase by 8%), not the "drill" (email campaign)."

This open implementation approach prevents wasting resources building a specific "thing" versus devising a solution to achieve a particular outcome. The more specific your roadmap gets, the more likely you are to drift into "build this" mode instead of outcome achievement.

By fixating on results instead of specific deliverables, it's no longer all about how much gets shipped, but whether you achieve your objective.

"Another benefit of thinking this way is that you stop loading up your product with features that users may not want," says Alex Newton Rex of WorldRemit. "An outcome-driven approach will likely lead the team to work more on improving existing features, to get the maximum impact from them, rather than just adding new things on top of them."

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Step 8: Communicate your strategy.

With a completed version of your product roadmap, you're ready to share your product strategy with all relevant stakeholders.

Kevin Steigerwald recommends, *"Before the big stakeholder meeting, try to explain your strategy to your manager. Does your manager understand it and find it persuasive? If not, you'll want to review it to ensure that you can articulate it clearly. If your manager does find the strategy persuasive, then it's time to present it to your stakeholders."*

Successful product strategy meetings don't happen by accident; you have to create them on purpose. Nichole Demaire, Founder at Authentic Creation, approaches product strategy meetings with the following step-by-step process.

First, set just one objective to keep the meeting as a high-level discussion. It shouldn't devolve into a debate about features, colors, deadlines, budgets, and other non-strategic details.

Here are a few examples:

- Achieving a specific revenue target for your product in the next fiscal year.
- Increasing the number of users (including free-trial users) over the next six months.
- Maintaining your current market position for the next two fiscal quarters.

Note: These are all "SMART" goals—specific, measurable, attainable, relevant, and time-bound.

Communicate this objective with your attendees at the outset of the meeting to help ensure that you and the other attendees can swiftly identify when the meeting gets off-topic and steer it back on track.

The conversation will lead to valuable ideas that aren't relevant to your single strategic objective. Therefore, have an idea parking lot on which you can jot down the idea and the person who proposed it. Your idea parking lot can be a whiteboard or a freestanding flip board

visible to everyone in the room. Often if a person sees their idea captured in a visible place, they feel validated.

The product strategy discussion might drift into controversial subjects. "Should we even keep focusing on this part of the product?" or "We're spending many development cycles on it, and no one seems to be using it." or "Our competitors have this segment of the market already."

"It's okay because these meetings need to air everything related to your single strategic objective—the good, the bad, and the ugly. Addressing difficult topics is invaluable to the long-term success of your product. However, it can feel uncomfortable for some to share "the ugly" in a meeting full of executives who outrank them or with the developers who've built it. One great way to set this open discussion for your meeting culture is with a sign on the door—"You are entering an ego-free zone."

Be prepared to back up the strategic plan with evidence, not merely your gut instinct. Have the confidence to stand behind your strategic ideas by backing them up with hard evidence. Furthermore, executives will feel more comfortable with the risk of any decision if it has hard evidence supporting it.

After you have achieved the ultimate goal of your meeting, share a clear, plain-language recap with stakeholders of the agreed product strategy, including an early draft of your visual product roadmap.



Step 9: Begin executing on your strategy.

Now that you have your strategy, it is time to go through all of your product's best practices. In areas that align well, dig deep into your discovery and definition flows. So, if you solve this problem, then what does it look like? Start defining opportunities and hypotheses and prioritizing tactical initiatives.

J.J. Kercher, Experience Strategy Consultant, recommends, *"Understanding the expected behavior to help your team better understand how to architect the solution, both technically and in the user interface design.*

A great technique for this stage is Story Mapping. With your team, map out, from start to finish, the steps of the entire flow of what you expect the final vision of the delivered product will be. Then pick the smallest thing possible to start experimenting with. The right attitude of make-or-break moments is critical here. For example, if your product flow involves taking some sort of payment, validate the users' behavior before investing too deep in the technical infrastructure of payment processing.

It's also the time for your team to translate the strategic steps into actionable tasks. Build momentum, be vocal about your strategy, and foster alignment across the organization. It could include engaging your UX team to create mockups and your developers to create working prototypes of the product. Sales and Customer Success should be able to communicate the vision to your users. Marketing can take a look at assets and adjust your foundation and prepare for product growth.

This is a good place to address the build-measure-learn approach specifically. What are the key assumptions baked into the plan that need validating? Where are the anchors where a failure or misconception could make or break the strategy?

Your goal should be to present a sneak peek of what the product will eventually do to your users, to gauge their interest levels, ideas, and other feedback. All of which will inform your next and final step."

Jim Semick adds, also, *"Take these high-level objectives or themes and begin establishing effort level. It will help the product manager discuss trade-offs with stakeholders in the future."*

Step 10: Measure your progress and course-correct along the way.

Priorities, resource levels, competitor behavior, and the executive team's patience will change along the way. Therefore, with time, your product strategy will develop gaps. Revisit your product strategies on a monthly or quarterly cadence. If the strategy stands up to scrutiny, it's still in good shape. If the foundation seems shaky, investigate, and mitigate any shortcomings, errors, oversights, or product gaps.

For instance, if you find your company failing to convert leads and prospects into customers, ask those leads why they chose not to buy your product. If these prospects have not purchased from you after a certain period, send them a short survey asking them why.

Was there a single reason you chose not to purchase our product? Is there a feature or capability that would have changed your mind?

Another product gap indicator is if your product isn't generating the overall revenue you anticipated, conduct regular competitive research. Review your product objectively against the offerings of competitors who are enjoying more market share.

You can also find clues that lead to a product gap right in your product's usage metrics. Implement product analytics and monitor the numbers over time, reviewing them against your expectations. Where you find discrepancies, you might have found a product gap.

Frequent strategy revisions and mid-course, minor corrections are more accessible than making a full-scale change once in a while.



The Cost of a Bad Product Strategy

The Cost of a Bad Product Strategy

A bad product strategy is hard to overcome. You're burning resources, building a legacy of technical debt, and features that aren't moving the needle. Plus, if no one realizes and adjusts course quickly, a promising product can become a lost cause.

There are some tell-tale signs your strategy might be on the wrong track. I want to make sure you can spot the warning signs as you set yours up.

First, a broadly stated objective that lacks specificity will leave things open to the interpretation of what exactly the organization is trying to accomplish. Different teams will employ disunited tactics that won't bring the culminating company to an ideal destination. If your strategy is so generic that a completely different company in a different industry could adopt it—it's pointless. Those are slogans, not strategies.

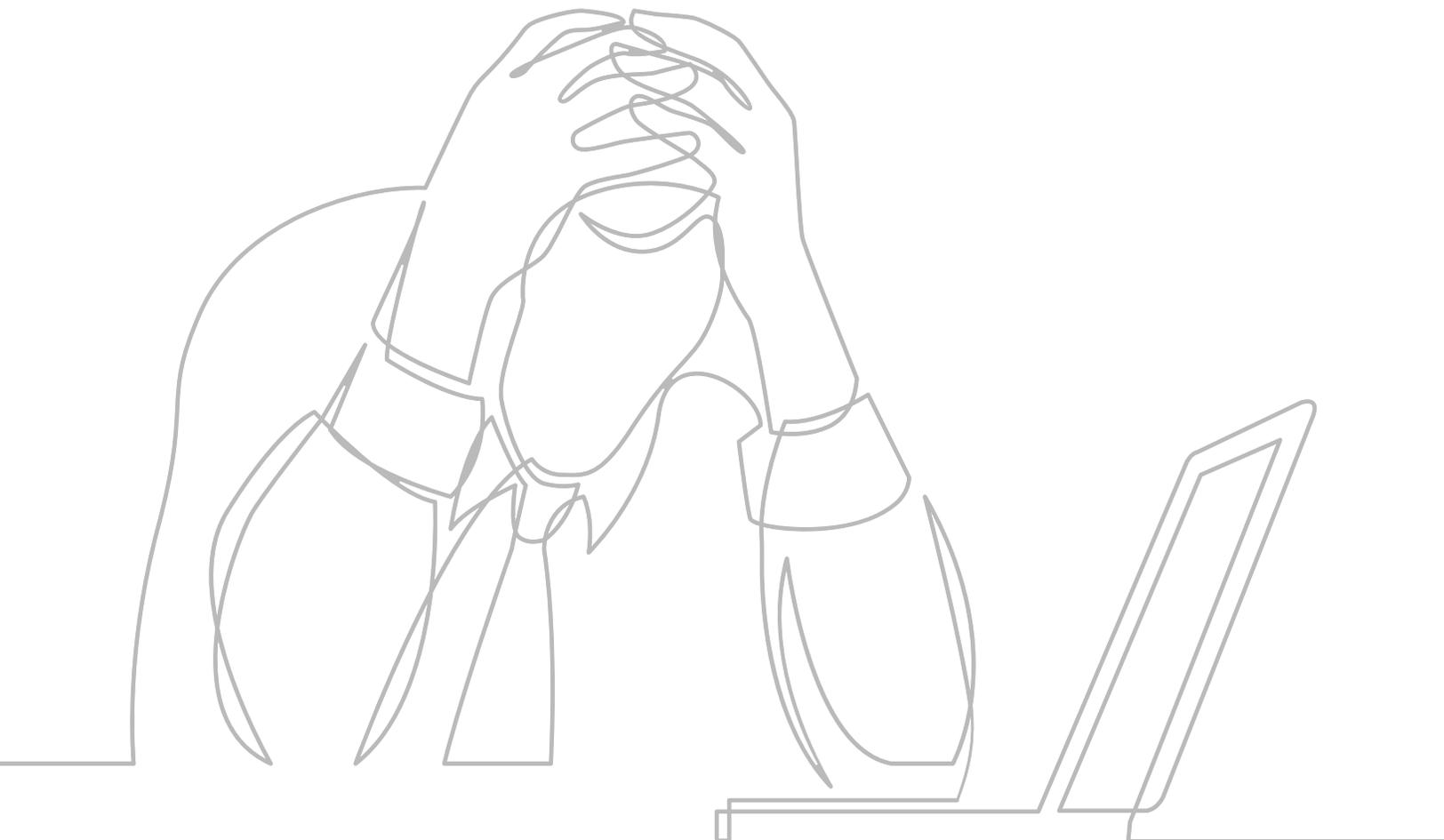
Additionally, what's the point of this entire process if you don't know your customers? Extensive research and testing should dictate who the target user is. It's naive to think your target market is "everybody." Without locking down who your target users are and their real-world problems, you're destined for weak adoption.

Another sign that you're heading down the wrong path of product strategy is prioritizing features over value. We all love to add more features because they insinuate that your product can do more. But, the best products restrain themselves from adding features that distract the team from building things that accelerate revenue and engender customer loyalty.

Moreover, remember you cannot be all things to all people. *"Bad product strategy ignores the power of choice and focus, trying instead to accommodate a multitude of conflicting demands and interests,"* says Richard Remelt in *The Perils of Bad Strategy*. *"If the challenge is not defined, it is difficult or impossible to assess the quality of the strategy."*

Most importantly, a bad product strategy will operate in a silo. Creating a product strategy in a vacuum shortchanges the reality of the situation. Your organization is highly interdependent. Not incorporating everyone in developing, approving, and executing a strategy will result in a disjointed final output.

Applying a bit of sanity testing by ensuring you're not making any of the missteps mentioned above can save you and your company from dealing with a miserable post-mortem.





Fixing the Inherited Bad Product Strategy

Fixing the Inherited Bad Product Strategy

If you recently joined a team that, unfortunately, checks all the bad product strategy boxes, fear not! You can improve the situation.

First, assign a responsible person or team to the task. It could be a product manager, a product owner, or a small dedicated group of product team members. Developing a product strategy requires a defined role to keep your product strategy from being watered down by too many opinions.

After working closely with customers to determine the problems they're facing, the product strategist needs to identify a few of the significant evidence-based initiatives that will support the company vision and support the customer's needs.

Temporarily take a step back from the focus on your backlog. Shift the focus of your efforts from developing more product features to performing customer development. Get out there and talk with a cross-sectional group of your customers and potential customers. That way, you can communicate real evidence to your stakeholders to earn their buy-in. These strategic initiatives support solutions that your customers need and then craft a new strategy.

Director of Product at HG Insights, Bharat Singh, shared, *"The biggest challenge with a product strategy is knowing how to inspire everyone on the team to get excited about it while keeping it simple enough that even your kids can understand it. It's okay to course-correct to get everyone behind the plan that will change the trajectory of your product."*

Take a regular step back to make sure that the initiatives and priorities you're working on right now still support the winning product strategy you worked so hard to create.

When it comes to ushering a product into the market, developing a winning product strategy is just as important to ensuring a successful launch as pouring the right foundation is to building a home that stays standing.



Conclusion

Conclusion

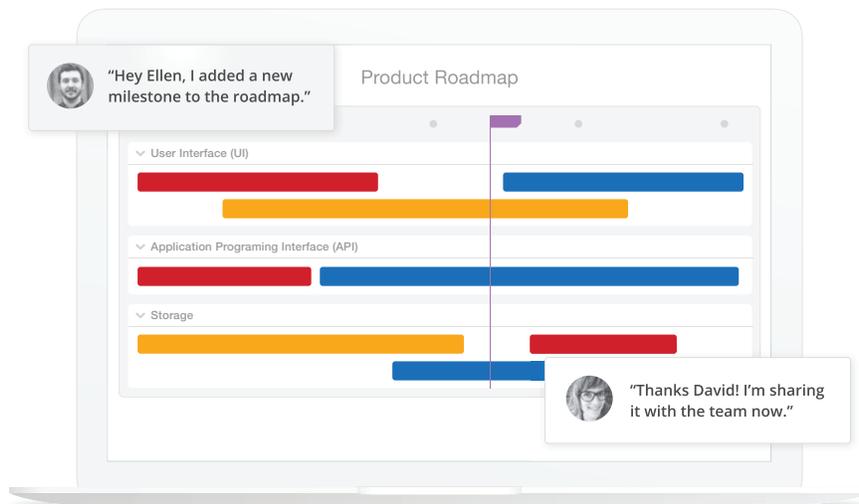
There's no single blueprint for a product strategy, but the good ones have a handful of things in common.

Their purpose is to build products to exist for something beyond themselves. They bridge the gap between their customers' evolving needs and their product's value chain.

The product's strategic thinkers keep an eye toward the future and anticipate forces that affect the product's opportunities for growth and usage. At every step, they take the feedback from users to determine if the product is resonating with potential customers and then use the data to propel the product's mission and company goals forward.

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