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The five commandments of digital product management

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Executive summary

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Digitization is continuously changing the ways companies in industries as diverse as retailing, hospitality, media and entertainment, and technology create value — for themselves and for their customers. It is no longer enough to make a case to consumers based on the quality and usefulness of a product or service. Success in the digital age depends at least as much on the attractive, user-friendly digital experiences a company offers to ever more demanding customers. In fact, for many companies, the digital experience — how consumers engage with, navigate through, and react to a company's digital products, services, and platforms — *is* their business.

As a result, the way businesses manage the life cycle of the digital experience, as well as their digital products and services, must also change. No longer can companies simply sell a product into the marketplace, collect the revenues, and then sit by passively, establishing contact with customers only when those customers have questions or need maintenance servicing.

Instead, companies looking to capture the full benefits of digitization must maintain an "always on" connection with their customers through their digital presence, monitoring — and even influencing — how their products and services are being used, and by whom. They must use that information to inform their continuous product innovation and to make their marketing activities more effective. The same philosophy should also be applied to the user experiences they offer, so that they are constantly experimenting, testing, and monitoring to increase utility, engagement, and ultimately monetization. For companies that didn't start out in the business of making and monetizing digital products, digital product management often requires a significant cultural shift toward "thinking more like a software business."

Five commandments of digital product management

To understand better the new demands of digital product management, we interviewed practitioners from 10 leaders in the field — four "born digital" companies (Amazon, Google, Spotify, and Zynga), and six companies currently making the transformation to digitization (CDK Global, Cisco Systems, Hewlett Packard Enterprise, InterContinental Hotels Group, John Wiley & Sons, and Microsoft).

Though by no means a scientific sampling of the industries looking to push the digital envelope, these businesses represent many different flavors of digital product management. They include media and hospitality businesses reinventing their product and service portfolios; technology companies moving from a hardware to a software platform focus; and digital commerce, media, and entertainment companies creating new digital experiences for ever more digitally sophisticated consumers.

These conversations have helped us identify five imperatives for successful product and service management in the digital age, detailed below.

1. Become a customer zealot

Consumers expect to interact with companies online, through their websites and useful, efficient apps. Those interactions — those experiences — must be seamlessly efficient, transparent, personalized, and entertaining. As such, digital product managers must focus on delivering value through those connected experiences, rather than through the specific product features and functions they offer. Thus, they must think and act not like traditional product managers but like "value proposition managers," who own, manage, and solve the problems for a specific "customer mission," in the words of one senior product executive.

Consider Google's Gmail. Its users have a specific need — to be able to communicate and collaborate efficiently with others. Gmail fulfills that need by providing a cloud-based workspace that offers not just email but also document sharing and data storage, even analytics, through a single, simple interface with a consistent usability and design language. Customers can carry out their mission seamlessly anywhere, without having to think about storage needs or the specific device they are using.

Every company should adopt this mission-driven attitude toward serving its customers. Managers should be constantly collaborating with product innovation teams to validate the value to the customer of every product and service being developed. Through this collaboration, they should define a road map for how the product or service will evolve over time, looking to achieve, irrespective of any existing product or service, a deep understanding of how customers use the product. The development of new features and functions, too, should be based on interaction with customers as they use the product. One born-digital company, for example, is experimenting with an on-call model by which product managers, like emergency room doctors, are available 24/7 to fulfill urgent requests from customers while they are actively using a particular service.

2. Pilot and learn continuously

In a digital business environment, time-to-market is more crucial than providing the perfect solution with the perfect set of features and functions. Old-fashioned, linear product development cycles that proceed carefully from ideation to research to development to production, handing off the process at each step, no longer apply.

"Handoffs are irrelevant in our world," says a product manager at a leading software company. Companies must develop the capabilities to quickly pilot new products and services or add new features and functions across multiple markets, learn what works and what doesn't, select the successful ones, and, just as important, kill the ones that don't work.

The ideal pilot program should include rapid iteration of new ideas, incorporating customer usage patterns and feedback at every step of the way. Rather than cautiously developing the perfect new service, and then releasing it to every user on its social networking platform, Facebook releases several new features at once, testing them among different sets of users in multiple markets, and quickly determining which ones work and which don't.

3. Judge success with the right metrics

Defining success for digital products isn't simply a matter of comparing revenue generated with costs incurred. Indeed, profitability may not be especially relevant for newer business models. Metrics such as ad revenue derived from free products, the number of mobile app downloads, or the number of unique users of an online game, for instance, can be better indicators of a product's success — information that can also be used to further refine digital products. "We define what is success and gather our own metrics," says a leading digital entertainment business executive, who actively tracks the number of active users to gauge the performance of the services his company offers. "Managing a live business is the best experience you can get as a product manager."

Game maker Zynga, for example, typically launches free versions of new games, so it doesn't care about revenues. Instead, it tracks data such as the user adoption rate. Then, once a certain level is reached, it can begin looking for ways to monetize the game's popularity, monitoring daily unique users to understand better which new features customers like. The metrics employed to manage and monitor success should evolve along with the products and services being measured.

This rule is important as companies turn to business models dependent on platform strategies like Google's Android operating system. The platform itself may be available for free, but it is critical to track its adoption rate to judge the potential for success of the ecosystem built around it.

4. Gain expertise in data and analytics

Data is king in the world of digital products, but data is only as useful as a company's ability to analyze it. The goal is to create a purpose-led "dashboard" that offers options for drilling down on specific real-time metrics and cuts of the data. "We query for everything," says one product manager.

Another company is aggressively trying to improve the online experiences it offers prospective customers by building a data "war room" where executives can view live feeds of customer engagement and analyze the data in real time. The war room has enabled the company to maximize revenue through predictive pricing. Other industries that use data this way include airlines, which harness the information to upsell customers on options such as better seating assignments, Wi-Fi connectivity, blankets, and snacks.

5. Develop globally, customize locally

It is in the very nature of digital products and services to overcome regional and national boundaries, so digital products should be designed with the global customer in mind. At the same time, because language and culture vary widely around the world, product developers and managers must keep such differences in mind as they design the online experiences they offer consumers. It is typically best to build the underlying technology and then customize it for each market into which it is to be applied. "We will first consolidate various R&D teams under one global organization and then drive efficiencies by leveraging a global technology platform for our solutions," says the chief technology officer of a major technology player trying to expand its digital portfolio.

Five commandments of digital product management
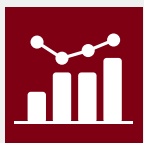
1 Become a customer zealot
Create value through entertaining, useful, efficient digital customer experiences.

2 Pilot and learn continuously
Develop, iterate, test, and deploy new features and functions quickly, and kill failures fast.

3 Judge success with the right metrics
Determine what creates value, and monitor the specific customer metrics that help add value.

4 Gain expertise in data and analytics
Capture as much data as you can, but have clear strategies to analyze it, too.

5 Develop globally, customize locally
Build the underlying online infrastructure once, and then tailor it to the specific needs and expectations of each market.

Conclusion

Managing their digital presence is an increasingly critical capability as companies move to develop and sell a wider range of digital products and services. Digitization offers an unparalleled opportunity to continuously improve products and services. Managing digital products, however, requires a distinct set of capabilities and the practices to match those skills.

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