Doug Ringer's Ten Tips for Successful Product Strategy

By Doug Ringer

Your organization's revenue, profitability, reputation, and survival are based solely on the products and services (referred to as "products" from here on) you provide your customers and potential new markets. Success over the long-term requires getting a long list of things "right" and avoiding a short list of things you cannot afford to get "wrong."

My Ten Tips address issues I've experienced in 28 years of developing products and growing businesses.

1. Know what and why you are doing it

A problem that causes serious challenges to coherent product innovation and strategy is the diffusion of product responsibility across too broad a swath of the company. The lack of a coherent storehouse of product strategy, execution, and tactics prevents assembling a critical mass of product, technology, and market knowledge. Without this storehouse, the "what, why, and how" of your strategy cannot be accurately determined.

Solution: Ensure your product teams are tightly integrated. Managers of similar product lines should meet frequently to exchange market data and strategize their product lines in parallel. Product development and manufacturing teams should be holding similar events in their departments.

These three groups should be meeting quarterly to ensure product strategy, development capabilities, and manufacturing excellence are aligned.

2. Tightly define your Minimum & Maximum Viable Products

Life cycles of products are getting shorter—the rapid evolution of technology being the driving force. This can't be changed; you must adapt to it, and the best adaptation is to launch products faster. The MVP (minimal viable product) allows you to do this. This is obvious in today's world of AGILE software development and rapid hardware prototyping.

This second part is often overlooked. What I call the maximum viable product, or "MxVP," is the most valuable product your market can profitability handle. Continuing to build on the MVP past the MxVP is not profitable.

Solution: Start your replacement programs long before hitting the MxVP point. This maximizes profitability and maintains product line viability over time.

3. Build-in flexibility & headroom

No matter how diligent the product definition and market research efforts, something will be missed, or underestimated at a minimum.

Solution: Plan for this eventuality by including sufficient headroom in the design to allow expansion. Also, this assists with the problem in tip #2 because when done properly, it allows you to remain competitive without having to develop new products at the same pace of the technology. This becomes mandatory as you move from your MVP toward your MxVP.

4. Price-minus costing

You must maintain a minimum amount of margin to be profitable, and your customers will not pay more than the value they perceive for your solution. Therefore, you must plan your products to be sufficiently profitable for at least 24 months following launch.

Solution: If you were making stealth planes in the 1980's for the US government, you could do cost-plus pricing. Today, you had better be doing price-minus costing using the future price, not today's, as the starting point.

5. Who is your customer?

You sell to your customers. You might choose to call them "dealers," "distributors," "end-users," etc., but they are customers who have a need and are looking for a solution to fill it. If you solve their problem, competitively and within their parameters, then you probably get their business.

You DO NOT sell to the market. The market is an amorphous blob of needs, wants, desires, and expectations. Because of this, you cannot blindly apply "market data," or "indexes" to your customer base.

Solution: Market data, indexes, and other "research" data are just the starting point of market analysis. Your customer base, and the prospects you are pursing, are a customized subset of the "market." You will grow your business if you treat this custom data as golden and develop your strategies to address your portion or niche, if you will, of the market instead of creating a generalized product that addresses “the market.”

6. Decide what you will do with the profit before you have it

As you develop your product strategy, one of the outcomes will be the amount of profit it will produce and how much of it you can plow into the next product. It is imperative for the success of the successive generations of products that you invest enough, and at the right times. If you believe your product strategy, and you’d better or you are acting unethically, then you will know when to reinvest and by how much.

Recommendation: Count your chickens before they hatch. Assume your business plan is accurate and determine how to spend the future profits on future investments.

7. Meet the schedule, at all costs

I’ve seen the inability of a firm to meet its advertised product launch schedules destroy its credibility with its customers and its sales force. The results were devastating to revenue and profit, and forced long-time customers to find new suppliers, permanently in many cases.

Solution: Do not miss an advertised schedule! Delay the announcement as long as you must to ensure meeting commitments. Better yet, improve your ability to plan and schedule. Spend as needed to hit the advertised date because that is ultimately cheaper than (permanently) losing revenue stream(s).

8. Cannibalization is a positive

As you plan for replacement products, the faulty notion of “cannibalization” is often brought into the conversation. Of course, your new products will take share from your previous generation of products—that is why you are doing it. You are releasing new products to serve your customers (see Tip #5) in the best way possible. If you don’t continue to serve them with improved, competitive products, then they will find someone else who will.

If your new product will NOT cannibalize your previous generation of products, then you need to take a serious look at your product strategy, because there is something very wrong.

Note: this applies only to new products that are evolutionary and not revolutionary products for new markets.

9. Consider your ecosystem

The ecosystem is the environment in which your product is born, lives and then replaced. The successful companies with which I've worked had ecosystems that were well-defined and well-understood, and they tailored their processes, partners, and product strategies to their ecosystem. This enabled them to operate in a consistent manner for the bulk of their business, and these consistencies made expansion into new markets more predictable and successful.

Recommendation: Examine your organization's processes, partners, and customers that creates your unique ecosystem. To maintain in the near-term, adapt your approach to the market to maximize your strengths. To grow, you must improve on your strengths and find new markets in which to apply them. Outsource the areas where you are weak to another firm's strengths. You grow by building on strengths, not improving weaknesses.

10. You cannot be successful with a bad product

A bad product is worse than no product.

Recommendation: If you have a bad product, stop selling it. Your firm's reputation is based on your customers' experience with your products and services.

Solution: If you must have a product to fill your product line, find a better product from another source, even if you have to take reduced margins. No amount of marketing can overcome a failed product.