



# Product Management in Industrial Companies

A Deloitte perspective

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# Mastering Product Management in industrial companies

Product Management is an immensely important part of an organization where active stakeholder management across the entire organization is needed to ensure the right focus at the right time

## Background

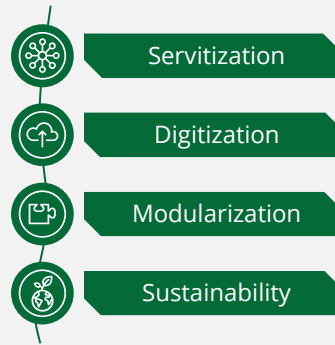
In today's evolving industrial landscape, effective Product Management (PM) is paramount to the success of companies. Industrial companies face unique challenges and opportunities that require a **strategic approach to managing the product portfolios**.

Product Management is often seen in the light of a specific topic. Much has been written on digital PM, and for industrial companies the focus tends to be limited to e.g., supply chain with a focus on Product Lifecycle Management or R&D with a focus on New Product Development.

In these pages we aim to **cover Product Management in its entirety for industrial companies** to give some perspectives to the opportunities and challenges we have seen when investigating industrial companies in the Nordics.

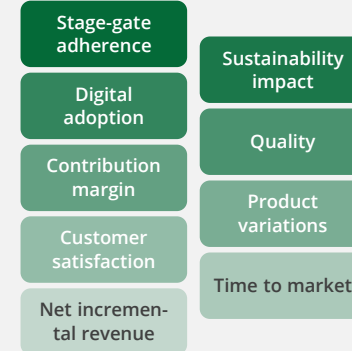
## Key takeaways

### KEY TRENDS



A variety of trends are reshaping Product Management. It must be considered how to **integrate management of services and digital products**. While also being deliberate about how much to **prioritize sustainability and designing for modularity**.

### NAVIGATING PRIORITIES



Product Managers must balance KPIs to ensure focus does not become one dimensional.

Product Management often needs to deal with conflicting KPIs to ensure a **constant balance between what to prioritize for each case**.

### THE ROLE OF PRODUCT MANAGEMENT



Product Management should – ideally – be **placed centrally, balancing inputs** from R&D and sales.

The scope typically includes Product portfolio steering, product strategizing, market & customer analysis, lifecycle management & new product introductions.

### BEST PRACTICE



Five best practices for industrial companies are:

- 1 Develop clear product strategies.
- 2 Integrate roadmaps into the budgeting process.
- 3 Define operating model based on product characteristics.
- 4 Manage product master data.
- 5 Embed sustainability.

# Key trends influencing Product Management

Several key trends are impacting industrial companies, requiring Product Management to proactively integrate these changes into their way of thinking



## Servitization

Transitioning from selling products to offering integrated solutions and services like maintenance, upgrades, and performance monitoring.

### Impact on Product Management

- Product Managers traditionally manage physical products, however, as **higher margins are typically found in service offerings** this must be considered in a similar structured way.
- Companies must decide whether to **integrate service management** with the physical Product Manager roles **or establish separate roles for service offerings**.



## Digitization

Using digital technologies such as IoT, AI, digital twins, and data analytics to improve product functionality, performance, and responsiveness.

### Impact on Product Management

- Managing digital products is an additional layer** of responsibility for Product Management.
- The unique nature of digital products often necessitates dedicated Product Managers for digital solutions, however, **the distinction between physical and digital is vanishing**. At some point it becomes non-sense to split the two worlds when the value proposition comes equally from digital and physical assets.



## Modularization

Designing products with modular components that can be easily assembled, disassembled, and replaced, enhancing flexibility, customization, and maintenance.

### Impact on Product Management

- Proper implementation can provide a significant **competitive advantage**.
- Product Managers can more efficiently support tenders, guide sales teams, and control development costs.
- Transitioning to modularization requires a **clean-up of the product portfolio**, which may create tension with sales that requires explanation of the long-term benefits.



## Sustainability

Focusing on eco-friendly materials, energy efficiency, and sustainable production processes to comply with environmental regulations and consumer demand.

### Impact on Product Management

- Sustainability must be **integrated into products**, either through dedicated roles or across the entire product range.
- This adds another layer of prioritization, requiring Product Managers to **consider the sustainability impact of their products in development decisions**.



# Product Management interacts with all areas of the organization including the customer



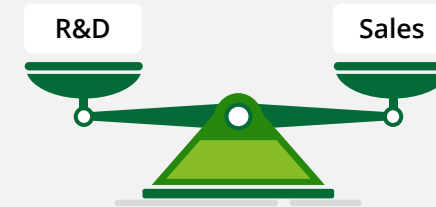
## The role of Product Management

Product Management engages with all areas of the organization with a particular focus on balancing R&D and Sales

**Product Management is – ideally – placed impartially to balance interests**

Product Management should neither be driven primarily by technology nor sales.

If Product Management resides under the **development side** of the business, the focus becomes “introspective” and biased towards **internal interests and new exciting technology**



If Product Management resides under the **Sales side** of the business, the focus becomes “extrospective” and biased towards **short-term customer demand and sales targets**

## Some capabilities are best placed within Product Management

### Typically, in Product Management

- ┆ Product portfolio steering
- ┆ Product strategizing
- ┆ Customer and market analysis
- ┆ Product Lifecycle management
- ┆ New Product Introduction
- ┆ Business case development

### Typically, in or adjacent to Product Management

- ┆ Product Master Data Management
- ┆ Pricing
- ┆ Technical Product Management (often in R&D)
- ┆ Product Marketing

# Navigating priorities

The Product Manager must take on the role of constantly prioritizing and clearly conveying the reasoning behind why certain actions are preferred over others

## Product Managers need to seek and navigate conflicting priorities

Acknowledging Product Managements impartiality, at the center of the business, implies that Product Managers need to balance conflicting business priorities, e.g.:

- ✦ On the one hand, Product Managers need to **align with R&D to ensure predictability** in product development with focus on quality.
- ✦ On the other hand, Product Managers need to **align with sales to fully meet customer demands** as fast as possible.

To accommodate both aspects of the business, **Product Management should incorporate conflicting KPIs** to balance priorities.

## Product Managers will face dilemmas when prioritizing

Simplified examples

### Quality vs. time to market

*Should we invest additional time and resources to ensure the highest quality product, potentially delaying the launch? Or should we expedite the release to meet market demand, even if it means compromising on quality?*

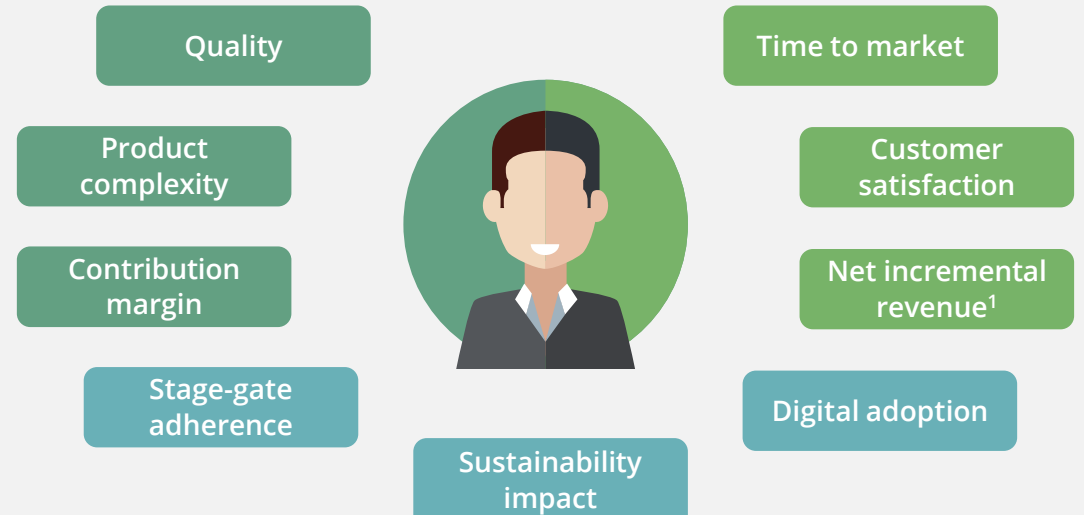
### Product complexity vs. customer satisfaction

*Should we fulfil the request for a product that is outside our standard portfolio, secure the revenue, and update our platform for this new variation? Or should we stick to our current offerings and risk losing the customer?*

### Contribution margin vs. net incremental revenue

*Should we focus on driving down cost within a product to improve the margins, or should we rather focus on adding a supplementary products to increase revenue?*

## The Product Manager has to balance KPIs



### Embedding Sustainability targets

- ✦ Define specific, measurable sustainability targets and ensure these targets are communicated clearly across the company.
- ✦ Embed sustainability criteria into the product development process from the outset.
- ✦ Communicate the reason for prioritizing sustainability in development.

1) Net Incremental Revenue is preferred to account for potential cannibalization when launching a new products

# Five best practices for Product Management in industrial companies

The five perspectives below address topics that are currently being discussed in industrial companies and how to best deal with them



Aligning product strategies with the business strategy is crucial to create the overall narrative. Equally important, Product Managers must **be deliberate about the positioning of each product in the portfolio**; what is the value proposition, which markets and customers will it serve, and how to win in these markets.



Integrating product roadmaps into budgeting **gives commitment to what the business can expect in terms of development**. To allow for flexibility, schedule 2-4 gates yearly for edits to the roadmap (the needed number of gates depends on your avg. time to market and need to urgently meet customer demands).



Product characteristics and modularity maturity are key considerations when designing your Product Management operating model. **Mature, global products benefit from global management**, while local management focuses on understanding and meeting local customer needs.



Focusing on your product data is a cornerstone of taking Product Management to the next level. Especially **looking towards digital products and establishment of Digital Twins** relies on the right Product Master Data.



Embedding sustainability targets adds another, important, factor into the mix of priorities. Product Management is placed in a good position **to be the hands-on lead on deciding between sustainability and other objectives** in the development phase.

# Curious to know more?

Feel free to reach out



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## Disclaimer

We are using the term “Product Management” to take a broader perspective on product than e.g., Product Lifecycle Management, Product Strategy, and Product Development.

This report is aimed to be relevant for a broad variety of roles that are connected to Product Management, such as: Product Managers, Chief Product Officers, Product Marketers, Product Designers, Product Analysts, R&D Managers, Innovation Managers, UX/UI Designers, Business Analysts, and Project Managers.