

Design Practice

Modern CPG product development calls for a new kind of product manager

Consumer-goods companies need to balance rapidly changing consumer and market needs with relevant product experiences. Enter the modern product manager.

by Rob Loughlin, Jeff Salazar, Shivam Srivastava, and Scott Woodruff



Product development and innovation in the consumer-goods industry has never been easy. The involvement of many stakeholders creates a multitude of opportunities for even the most promising innovations to go off track. And competing priorities can cause organizations to lose sight of the initial product and business goals.

The COVID-19 pandemic has further complicated the development of consumer products. Consumer beliefs and preferences will continue to evolve rapidly, forcing companies to redouble their efforts to embed the voice of the consumer throughout the product-development process. As Steve Jobs famously noted, “You can’t just ask customers what they want and then try to give that to them. By the time you get it built, they’ll want something new.”

In addition, companies must continue to prioritize innovation even as the pandemic puts pressure on budgets. Such investments can bring significant benefits: McKinsey analysis has found companies that invest in innovation during a crisis outperform the competition on market capitalization by 10 percent; investing in innovation after a crisis gives them a 30 percent advantage.¹

Last, companies will have to rethink innovation and collaboration in remote-working team structures. This dynamic will place more importance on roles and skill sets that involve orchestrating and integrating product-development processes.

In our work with consumer-goods companies, we have identified a critical need for a product manager to connect these many stakeholders—someone who is ultimately accountable for delivering consumer and business outcomes. The consumer-goods industry can learn from the evolution of product management in the technology industry and empower product managers to play this critical role.

A modern approach to product development

Many organizations will rapidly test new products and ideas to meet changing market demands, but this complex operating environment increases the urgent need for a sophisticated product-management function. A modern product manager acts as a catalyst and objective arbiter of competing interests and perspectives in the product-development process to facilitate both “designing the right thing” and “designing the thing right.”²

The consumer-goods industry in many ways defined the notion of a “product” that addresses a specific consumer need and creates value. Tech companies built upon this product- and consumer-centric philosophy and created new ways to bring together different sources of insights to build world-class products. The modern product manager emerged from this evolution as a central role. In our work on strategic product efforts for consumer-goods companies in recent years, we have found that specially appointed product leaders made a significant impact. We believe consumer-goods companies can gain insights from how the product-manager role has emerged in the tech industry—and, increasingly, in digital companies outside of tech—to solve persistent challenges in consumer-product development.

Traditional tech product managers focused primarily on execution and were evaluated by the on-time delivery of engineering projects. Today, however, tech and digital product managers are increasingly the “mini-CEO” of the product. They play a variety of roles, using a broad base of knowledge to make trade-offs, and convene cross-functional teams to align diverse functions.³ Product managers in the consumer-goods industry tend to fit a more traditional profile, with a focus on project management and tactical execution. Brand managers often act as product owners, but rarely

¹ Jordan Bar Am, Laura Furstenthal, Felicitas Jorge, and Erik Roth, “Innovation in a crisis: Why it is more critical than ever,” mckinsey.com, June 17, 2020.

² McKinsey proprietary market research; S&P Capital IQ, spglobal.com.

³ Chandra Gnanasambandam, Martin Harrysson, Shivam Srivastava, and Yun Wu, “Product managers for the digital world,” May 24, 2017, McKinsey.com.

play the central integration role that we believe is crucial to propelling innovation.

Consumer-goods companies face a unique set of challenges. For example, their products tend to require much quicker response to consumer trends and needs, and often require localization, which is unlike tech companies that have longer product lifespans and largely worldwide solutions. Yet several trends—such as the growing importance of data in decision making, an increased focus on consumers and design, and the evolution of product-development methodologies—suggest that much can be gained by considering how consumer-product managers can evolve.

Avoiding common pitfalls in product development

True breakthrough innovation in product development has the potential to reshape categories, reinvigorate brands, and create deep consumer relationships. Yet too many companies are not getting the results they want from their investments: only 6 percent of CEOs indicate they are satisfied with their company's innovation efforts.⁴ Beyond woefully insufficient budgets, anemic resource allocations, and misaligned success metrics, companies too often follow a traditional, siloed approach that creates blind spots, handoff issues, and inefficiencies. All of these scenarios have a significant impact on product revenue, profitability, and ROI.

The product-development process must integrate input from design, engineering, sales, marketing, procurement, and other functions. Each department or function brings its own perspective on the problem at hand, and competing lenses can either enhance or derail the innovation process. In our experience, companies face the following common pitfalls:

Lack of well-defined goals. Without clarity on business objectives and consumer needs, the product-development process can be arbitrarily influenced by biased perspectives on how to

create or improve a product. For example, cost and margins can overshadow other development considerations and appear inherently at odds with the design and consumer departments, which seek to create differentiation and delight end users. This misalignment can result in products that miss the mark holistically.

Insufficient focus on the voice of the consumer.

Consumer research takes place early in the product development process, yet many consumer-goods companies then shift their focus internally to R&D and engineering and can lose the critical connection to consumer insights. McKinsey research has found that more than 40 percent of companies aren't talking with end users during product development.⁵ Absent a role that represents the voice of the consumer from inception through to completion, companies can end up with overengineered products that exceed cost targets and don't meet core consumer needs.

Process breakdowns. When different stakeholders engage in a myopic, sequential way, using only their own lenses—for example, when engineering comes first, followed by design and then manufacturing—the numerous handoffs create gaps in knowledge. This process leads to development blind spots, which in turn introduce unnecessary risk and inefficiencies. Often, a large amount of work is finished before other stakeholders have a chance to weigh in, causing misalignments, delays, and rework.

How the modern product manager enhances design to value and innovation

Successful product development requires teams to engage with experts across disciplines while aligning four critical development lenses—business, design, consumer, and technical (Exhibit 1).

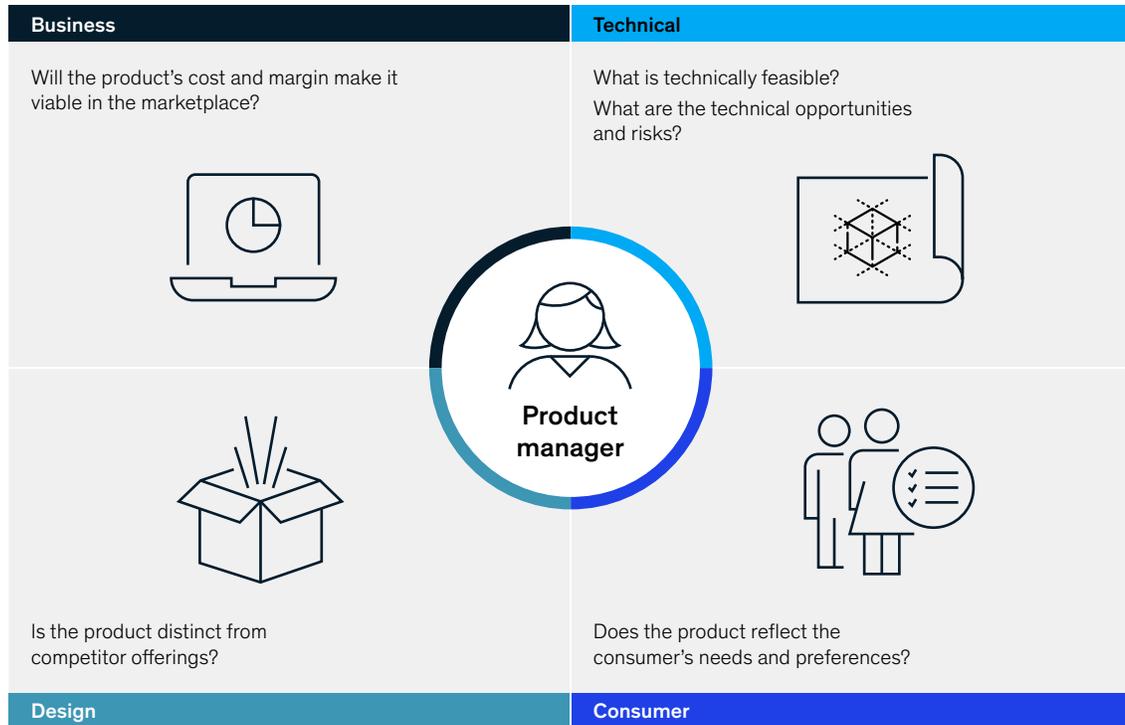
The product manager has emerged as a crucial force to steer this process and balance these lenses. This role combines the orchestration of an agile scrum master, the insights of a data scientist,

⁴ McKinsey proprietary market research; S&P Capital IQ, spglobal.com.

⁵ Fabricio Dore, Garen Kouyoumjian, Hugo Sarrazin, and Benedict Sheppard, "The business value of design," October 25, 2018, McKinsey.com.

Exhibit 1

The product manager must align four lenses in the product development process to achieve breakthrough innovation.



and the consumer centricity of a design lead. In our experience, the most effective product managers look to orient new product development around a consumer-first focus, connect different functions, and facilitate an agile process (Exhibit 2).

1. Orient

A critical element of product development is instilling consumer centricity in the end-to-end process. The modern product-manager role is rooted in the voice of the consumer and elevates that perspective throughout the process to ensure that product development is guided by these insights.

One global consumer-goods company had lost its position as a market leader because of a lack of innovation, a recently failed launch of a critical product, and decreasing margins in an increasingly competitive market. In an effort to reverse course, the company appointed a team member to maintain

organizational focus and promote a culture of consumer centricity. The team concentrated on three priorities to build momentum: use a design-to-value approach to improve the margins of two key products by 20 percent, use this margin creation to self-fund an innovation engine, and develop a growth strategy to take advantage of white space in the market.

Over the next 18 months, the team redefined the company's product lines to better reflect consumer preferences and strengthen the value proposition for each product. The specially appointed product manager led the creation of a new portfolio vision to differentiate the company's products from the "sea of sameness" that pervaded the marketplace. This emphasis on building brand equity marked a critical juncture in reinvigorating the company's approach to product development.

The company then applied its new vision and strategy to the redesign of its highest-volume product. By maintaining a consumer-driven vision throughout the entire process—from initial concept through transfer to manufacturing—the company was able to shorten the development timeline by 40 percent. Leaders estimate the renewed focus on the consumer will result in a 15 to 25 percent price premium and incremental market share of more than 20 percent by year two. The company also expects to improve its margins by 20 to 25 percent.

2. Connect

A modern product manager fills both organic and inorganic gaps between team functions, providing connective tissue and promoting a much higher level of collaboration and alignment. These managers can speak the language of every function: they have the technical knowledge to engage in engineering problem solving, yet they think strategically enough to support the business's goals. By interacting with all partners in the product-development process, the product manager helps to spur collaboration and knowledge sharing. This connective tissue is particularly vital for companies seeking to revitalize their product portfolios: low-performing products often indicate a lack of coordination across functions.

That was the case for one former leader in the consumer-goods space that had lost 50 percent of

its market share over the course of a decade-long slide. Recognizing that dramatic action was needed to get back on track, the company embarked on a six-week sprint led by a specially appointed product leader. A multifunctional team undertook a series of workshops to brainstorm, align, and tactically plan key design choices across its product portfolio. The team also collaborated with end consumers, sales reps, distributors, purchasing managers, consultants, and internal stakeholders to pinpoint market trends and consumer needs.

The product leader coordinated this collaboration, translated the insights into new product concepts to inspire ideation and alignment on specific features, and led the team through teardown walk-throughs and brainstorming discussions. These conversations helped the team align on product-redesign choices that not only met consumer needs, but also achieved cost targets. The overall results: time-to-market for the new products dropped by 40 to 60 percent, margins improved by 6 percent in the first six months after the sprint, and market share is on track to rise by 8 to 10 percent within the next two years.

3. Facilitate

Breakthrough innovation in product development is often not a straightforward process: it requires a company to continually pivot and iterate to identify and pursue the biggest opportunities and

Exhibit 2

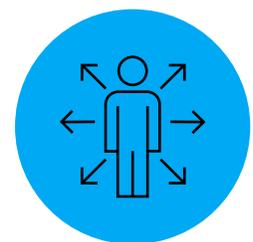
The product manager's role comprises three activities that require specific skills.



1. Orient
Lead teams with a customer-first focus



2. Connect
Act as the connective tissue between organizational functions



3. Facilitate
Drive the agile process

the right scope. Agile methodologies in hardware development and concept sprints have recently gained momentum as effective tools for steering the innovation process because they promote an iterative, build-to-learn mentality. The product manager is well positioned to guide this process as a scrum master would, leading frequent iteration and collaboration across company stakeholders. It can be a complex challenge to refine a product concept and make the right adjustments—while balancing input from varying perspectives—without straying from the concept’s core consumer-value proposition.

One consumer-goods maker sought to enter a new product segment while maintaining its unique brand position in the market. An initial round of ethnographic research provided fodder for speculative product concepts that could be tested with consumers. The company then sought to develop a bold new look that would serve as a statement upon entering the new product category. The company drew on its tradition of standout design to guide product development. Throughout the process, the product manager led cross-functional brainstorming sessions and took an agile approach to ensure close alignment and the ability to pivot to the best opportunity.

The results of this effort reinforced the value of identifying a product manager to guide the development team and experts through the process. In just six months, the company was able to create a new-to-category product with a new design language—a process that often takes more than a year. The breakthrough product brought in an estimated \$50 million in incremental earnings before interest, taxes, depreciation, and amortization (EBITDA).

Building a modern product-management capability

While an effective product manager can have a tremendous impact on innovation efforts, companies must also invest in creating an

environment where these professionals can thrive. In this way, modern product managers are similar to data and analytics talent—without the proper commitment and support from across the company, they won’t be effective. Companies should focus their efforts on several areas.

Organizational structure

Senior leaders should champion innovation in product development, but they shouldn’t control the process. Instead, they should delegate ownership at the product-manager level. Top-down micromanaging can prematurely squash promising ideas, devalue necessary iteration, and demotivate otherwise highly engaged team members. Senior leaders should instead focus their energies on resolving uncertainties and mitigating risks to help each of their teams reach its full potential. The product manager needs to be at the center of the development ecosystem, empowered to make decisions and resolve differences throughout the process with the support of senior leadership.

To facilitate the evolution of project managers to consumer-product managers, consumer-goods companies will need to do more than redefine the role. Companies also need to articulate the product management leadership development model for the organization. This should include a concrete, actionable description of what the organization wants and expects from its product managers. It is not the same as the conventional list of competencies used to assess employees; instead, it should reflect the organization’s strategy and priorities. For example, many companies use competency models, often expressed as innate traits, qualities, or values, that product managers should have, such as “is decisive.” A leadership model, however, is expressed as concrete descriptions of desired behaviors, such as “acts to reach timely closure on decisions.” The leadership model should also articulate various transitions in the organization—for example, how the behaviors and mindsets needed for an established, principal product manager differ from those required to be a director of product.

Culture and mindsets

Breakthrough innovation in product development requires the rigorous engagement of all functional lenses throughout the end-to-end process. An empowered product manager enables an organization to amplify its innovation efforts. But to unleash the full potential of this role, all stakeholders in the development ecosystem need to be aligned on a common aspiration and working toward a shared goal. Companies must nurture a culture that emphasizes and supports the following ways of working:

- **Cross-functional collaboration.** Encourage knowledge sharing early and often to catalyze new connections, alignment, and collective progress toward a common goal. When embraced by entire teams, this mindset can reduce roadblocks and blind spots, ultimately creating more effective teams.
- **Rapid learning.** Embrace an agile mindset and a sprint-based approach to encourage teams to explore and experiment with a clear focus on near-term learning, which is often the key to moving toward the right solution.

Talent

A key challenge for organizations is to identify the right talent. In our experience, the primary skills of a modern product manager are often dispersed across a number of talented individuals.

Effective product managers have a unique combination of skills and experience: they are well-versed in design and embrace consumer centricity, but they also have the technical expertise to problem solve with engineers and the business savvy to achieve key success metrics such as KPIs. Positioned at the intersection of a variety of functions, product managers must also have strong communication skills and diplomacy. The ability to

relate credibly to all stakeholders, especially when passions are high, is extremely valuable.

Executives will have to decide whether to develop in-house talent or hire to fill this need. They can begin by looking to their internal design, brand management, and consumer-marketing teams as key sources of multi-lens talent, given the inherent focus of those teams on customers, end consumers, and innovation.

But to ensure that team members can make the leap from acting as project managers to product managers, companies will need to establish formal learning programs to complement on-the-job training. Through our work with technology companies, we have identified several principles and approaches for running a successful learning program. First, product managers, like most professionals, learn better by doing than by watching videos or sitting in classrooms. In addition, product managers learn most effectively through activities that are grounded in their day-to-day work, rather than through generic product-management trainings. Such learning programs must be tailored to meet the specific needs of the individual organization. Last, it is important to evaluate these programs by tracking KPIs that measure both participation and effectiveness.

Consumer-goods companies can learn from the evolution of product management in the technology industry to strengthen and accelerate their own product development. By taking a balanced view of the critical development lenses throughout, companies will be poised to achieve the elusive breakthrough innovation that both resonates with markets and supports key business objectives.

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