Product Management Metrics
How to measure, monitor and manage product success

Product Management Insight

PAPER THREE

Introduction

Product managers work hard to ensure the success of their product, but how do they measure this success? Is it a single measurement or is it a series of interrelated metrics that contribute to the overall result?

Over recent years, working with thousands of product managers across the globe, we have seen many metrics being utilised and how they are often categorised into groups in order to present the complete picture of the performance of a product or product line in the market place.

This paper presents an analysis of the metrics that are being used in the categories that we most often see being measured. It is not intended to represent the only way to measure product success, but is more of a framework that can be customised and used by most product managers to assess progress against their commercial objectives.

This paper presents an analysis of the metrics that are being used in the categories that we most often see being measured.

Metric Categories

While working on numerous product lines from initial concept and business planning, through to in-market management and even product retirement, we have seen many metrics in use to measure the success or otherwise of a product.

Although revenue and profit is likely to be the ultimate measureable outcome, many other dynamics, from customer acquisition, to average unit price will underpin that outcome and need to be measured to get both the big picture and the granular data behind the ultimate goal.

In some cases these "supporting" metrics may be the primary measurement, particularly as a product moves through the stages of its Life Cycle. For example, unit market share maybe the primary target in the growth stage in the life cycle.

Such metrics will typically fall into one of the following categories depicted by the 5 buckets below:

CUSTOMER SATISFACTION
AVERAGE ORDER VALUES
CUSTOMER BASE
GROSS MARGIN
SUPPORT ISSUES
REVENUE
CHURN

Product P&L   **Market**   **New Business**   **Customer**   **Other**

Product P&L

The key high level commercial and monetary metrics associated with managing your Product as a Business (PaaB). This could include revenues, costs, both direct and indirect and a resulting profitability measurement. These metrics are best worked out in collaboration with finance.

Metric	Description	Examples
Revenues	An agreed revenue recognition model. They could include product revenues plus associated add-on revenues eg support contracts	Invoiced orders
Direct Costs	All direct costs associated with production	Components and manufacture or software development team costs
Gross Margin	Revenues minus Direct Costs	
Indirect Costs	Other costs attributable to the product	Agreed proportions of admin, sales, marketing costs etc
P&L	Model including all of above plus other factors	Best agreed with Finance.

Market Metrics

These may be monetary or non-financial numerical measurements associated with your target market or markets. They may include market penetration or share of new business in the market. They may be subdivided into regions or sectors.

Metric	Description	Examples
Market Penetration	How much of the available market has already bought or own your product	Could be companies in target B2B market or consumer segments in B2C
Market Share	Share of new sales to in any given time period	Percentage of new units sold and/or total revenues sold
Competitive Analysis	Potential measurement of key competitors against above metrics	Top 3 competitors market share.

New Business Metrics

These are likely to be measurements around new customer acquisition or sales, They may be unit and/or financial measures and could include metrics that are interlinked, for example associated warranty, support contract or consultancy sales.

Metric	Description	Examples
New customer acquisition	A measurement of new companies and / or users in B2B market, New consumers in B2C may be more difficult to analyse	New unit sales to new customers
New customer direct revenues	Direct revenues from product sales to new customers.	Analysis of new units and associated prices
New customer add-on metrics	Any revenues / units associated with product purchase	Support contracts, services delivered with product, add-on extras

Customer Metrics

Measurements that measure the status of the total customer base, including metrics such as total numbers, churn, follow on purchases and measurement around customer service or support calls.

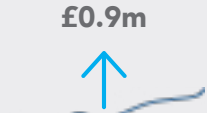| Metric	Description	Examples
Customer Numbers	Customers still using / owning product	Phone models under contract
Customer Revenues	Any revenues associated with ongoing use of your product	Annual software licences, service contracts, spare parts
Add on revenues	Revenues associated with additional products that work with your existing product	Add-on software modules, additional accessories
Customer Churn	Loss of customers expected to continue using / paying for product	Subscriptions not renewed on service contracts or software products

Other Key Metrics

A category for metrics that may be unique to your product line or company objectives. Examples we have seen include customer satisfaction measurements such as Net Promoter Score (NPS)

Metric	Description	Examples
Customer Satisfaction	Measurement of customer approval and recommendation levels	Net Promoter Score
Product Quality	Measurement of faults or product issues	Product returns, repairs, updates
Influencer Strength	Measurement of independent and/or market feedback	Online reviewer scores.

A Metrics Dashboard

The highest performing product teams will undertake regular business reviews with their senior stakeholders. At Tarigo we call them Product Boards and at the top of the agenda is always a business summary with the associated metrics.

Grouping and displaying the data in the following dashboard structure can highlight specific areas of concern as the data is displayed at a current position and in a historical context , eg the use of spark lines shown in the example below.

PL	Market	New Business	Customer	Others
Revenues **£12.3m**	Market Share **74%**	New Units **1695**	Total customers **11450**	Net Promoter Score 4.5
Profit **£1.9m**		New support contracts **£0.9m**	Churn rate **8.3%**	

Summary & Conclusion

Metrics are vital for product managers. They should be used

- As the underpinning for any Business Case

- To set measureable objectives and targets for their product line.

- To objectively analyse the many factors that will impact the success of failure of a product

- To provide a framework to support decisions around product strategies & roadmaps

- As a common set of measurements to be used across the business and stakeholder groups

It is important to constantly review the metrics being used. The most important question to ask is Are they useful? Are we using these metrics to make meaningful decisions and are they accurate?

Product Management Central

Copies of this paper can be found at Product Management Central:

www.productmanagementcentral.com.

Product Management Central is a growing resource site for Product Managers and Product Directors looking for insightful and relevant information. The papers, videos and other artefacts are based on the experience and knowledge gained by Tarigo Product Management as it has worked with 1,000 of professionals across the globe.

Tarigo

Established in 2003, Tarigo has built an enviable reputation for delivering high-quality training and consultancy solutions to product managers throughout Europe and the USA.

Thousands of product managers, product marketing managers and product directors have benefited from our services in sectors including software, technology, healthcare, financial services and telecommunications.

Clients include:

Visit: http://www.productmanagementtraining.com/
or call us on **+44 (0)161 660 7718**