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Getting Real: The State of Product Management

by Tim Young

Product management is terribly old news in certain market areas. General retail. Fast-moving consumer goods. Pharmaceuticals. However, in the telecom world, product management tends to more closely resemble something between an unattainable goal and an Achilles' Heel. In order to get a more complete picture of the realities of modern product management in the telecom space, I did what any sensible journalist would do if given the opportunity: I sat in a room full of very smart, very experienced people keen to talk to one another about the subject.

At the 2007 TM Forum Management World- Americas show in Dallas (see our December issue for a full rundown of the event), Product Management vendor Tribold assembled a considerable group of experts to chat about the realities of product management in the current market. The group was made up of individuals with experience from multiple continents and the conversation stayed market-general, avoiding Tribold's current offerings altogether, making the event no typical talking-head roundtable, but rather an open and forward-looking conversation.

Represented at the event were Tribold COO Simon Muderack, Ernest Margitta (who is now with Tribold, but also spoke of his experiences with Telstra), TM Forum Chairman Keith Willetts, Stratecast analysts Nancee Ruzicka and Susan McNeice, Ovum analyst Jessica Figueras, and McKinsey & Company principal Michael Wilshire. All told, the group possessed at least a century-and-a-half worth of telecom experience. What, in that time, had they learned about product management in the telecom space?

"No one seems to know what a product is."

Historically, product management in the telecom world has been lackluster. According to Figueras, the root of the issue is that "no one seems to know what a product is." That core lack of definition limits the ability of the telcos to easily quantify and control successes and failures. Willets intones that the problems are even deeper than that. "For decades, phone companies were essentially licenses to print money," said Willetts. "They weren't terribly good at managing anything because when you're that profitable a business you don't have to be." Indeed, a monopoly can suffer serious losses and still remain remarkably profitable because they have no excuse not to be. “It's only now that real commercial realities are starting to dig into operators,” continued Willetts. “Most operators still could not tell you a true product line profitability of any of their business. They take all their overheads and allocate them to their products and produce allocated profitability.”

McNeice agreed, mentioning the odd risk/reward situation in which many telecoms find themselves. In terms of P&L, “so often, the real carrot is the “p,” because the “l” is so difficult to get to.” Because the revenue is the driver, losses become immaterial. It's difficult, in such a situation, to know, care, or understand what the losses are. “If you aren't punished for costs you don't care,” said McNeice. “There is a lack of a balanced scorecard.”

Margitta concurs, mentioning that most telecom pushes are all about service launch and getting new things to market. The question is: “Did you hit your target on getting new things to market,” when the focus should include maintaining and managing things that are already there.

Willetts blames the situation, to some extent, on current business approaches. The two basic choices that he mentions are either a unitary approach to business, in which there are bundled costs, but some integrity to infrastructure, or autonomous business units, offering multiple replicated bits of infrastructure. Neither seem to be working at present. Wilshire categorizes the core problem of the current business model as “incrementalism,” in which an SP starts with a relatively simple set of products, then adds extra services. Then there are additions. Then new products. Eventually, Wilshire said, “You creep towards a business that's more complicated than you could have imagined.” What's the way out?

Margitta has one goal in mind. “The concept is that you can only have one delivery organization and only one holistic product organization speaking to them with one voice.” That's the aim. Beyond that, Margitta recommended making the product management organization accountable for making sure there are no substitutions, and if there are substitutions, that they are agreed to before the launch. “You need one factory organization accountable for cost control and non-duplication of platforms, and reuse of assets. They're still silos, but there has to be one group in each part of the organization."

Figueras reiterated this idea by remarking that "the key is horizontal structures. You have to maximize the opportunity for reuse. I think the product managers have to have shallow roots into the delivery infrastructure. If you give them too much ability to go and specify, that's where the problems come in."

Muderack stated his own beliefs in the merits of these goals, saying that "if you have everyone working off of a common repository and a common set of business rules within the appropriate P&L lines that they've been allocated to and collaborating across P&L lines," then "the business process within that central repository is the glue that pulls the pieces together." In many companies, including one that Muderack mentioned working with, product management, product marketing and pricing were three separate organizations with three separate heads. "In the end, a product needs to include components of all three of those. You don't want a lot of bureaucracy and a lot of fiefdoms around those, because at the end of the day, this business should be like a pharmaceutical or fast-moving consumer goods company. You should be churning stuff out of the door strategically, but rapidly." Muderack mentions his own experiences as he began his professional career 20 years ago at Del Monte foods. Within his divison, everyone was expected to know how many products were currently on the market, along with information about what products were being introduced and retired, and the gross margin on each. To find telecommunications personnel with all of that information on-hand would be difficult, indeed.

Where Are the Solutions?

The seeming (and existing) complexities behind product management in the telco space makes correcting the aforementioned problems a daunting task. Margitta made a point of reminding the panel that these are solvable problems. "People believe it's so complex it can't be solved. There's a self-fulfilling prophecy in that." He illustrated the possible snatched from the jaws of the seemingly impossible by talking about Boeing's 747 jetliner. The aircraft has so many moving parts, and the situation is so high risk, but the results of Boeing's efforts to overcome these issues is evident on the tarmacs of major airports around the world.

Ruzicka was quick to point out that the 747 is possible because of program management, not product management. The knowledge exists within the knowledgeable. Ruzicka pointed out that, within that room, "We could white board that process [product management] in a big hurry. We know what it is." The underlying issue is that inertia and atrophy dwell within the layers of so many companies that having those with the know-how on staff simply isn't enough.

Figueras particularly liked the 747 example because the real challenge in assembling that aircraft lies within supply chain management. "Their supply chain is more complex than their production chain." Those aforementioned moving parts come from many, many vendors, and are assembled into a single aircraft. Telecom, likewise, has a very complex supply chain and, until recently, very few deliverables.

Wilshire made it clear that he feels that many of the problems start at the beginning of the process. “Simplicity should be an objective,” he said, mentioning that many telcos make processes more complex than they need to be. Telcos must, he says “start to inject the message at the beginning of the process, and realize that they are in the business of selling services as simply as possible.”

Ruzicka countered that “that's reining in the marketing guys. That's not reining in the engineers.” This gets to a deeper issue. The engineers will do what is necessary to solve a problem or meet a need, but have little cause to exceed their mandate. Marketing personnel often promise that which cannot be delivered. There must be a meeting of minds.

Margitta stated that one reason for the complexity is that “no one wants to compete on price.” Indeed, the quest for new customers in the telecom space is more likely to opt for more and better services rather than lower cost.

Ruzicka responded that there is some room for adjustment based on the target customer. “In every other business, there's a retail model and a custom model.” While retail models will do for the masses, some demand a different class of service. That requires customization. “If your organization is matrixed to consider that, you're ok.”

The Changing Role of Service Providers

Where do telecom operators go from here? Willets stated that there are basically two options: There's the retailing model, in which the potential revenue is all downstream, coming from subscribers. Conversely, a new model is emerging that involves upstream users paying for service through advertising and the like. That's the Telco 2.0 model. “If the value of your product goes to zero, how do you make a living?” The realities of the current market indicate that voice service may be just the sort of service that may drop in value to zero. How can telcos respond? “You might try to invent new products,” said Willetts. “So far, the telecommunications industry shows itself to be not quite good at that at all.”

Another idea is that the CSPs can stick to their core competency, which is enabling services to exist. That may, Willetts asserted, involve being the white-labeled communications inside someone else's product. The biggest device splash of the year tells just such a tale. “AT&T has positioned itself, I think rather unwittingly, as the 'intel inside' of iPhone. Unlike any other phone you'd buy from AT&T, which AT&T would activate and control, you buy an iPhone from the Apple store and take it home and activate it through iTunes. That makes Apple, effectively, an MVNO. Apple effectively becomes the service. It's just powered by AT&T.” Willets makes these points in order to raise the question of what the future of product management may look like, suggesting that “just as we get our arms around retail product management inside telcos, they might not be retail products at all for much longer.”

Muderack responded, saying “That's certainly the cautionary tale for those telcos who don't get on top of product management.”

McNeice raised a point about Willetts's observations, wondering how his ideas of the changing roles of SPs squares with the oft-heard cry from SPs of "we don't want to be just a bitpipe."

Willetts responded, saying "It's the way you take your punt. The telcos could remain bitpipes as one element of service, but could exploit their strengths as well. "Telcos are extremely good at payment and settlement for large numbers of small value transactions. Far better than credit card companies. Currently they just use it for their own services, but you could offer microbilling/micropayment settlement process for all manners of small value transactions." Willetts continued, saying " They run huge datacenters. They could offer hosting services." Willetts also suggested that if Google or Facebook can find success monetizing user data, why can't telcos? "They know where you are, where your buddies are, if you're awake... There's a whole raft of service enabling products in there that are far more than just bit transport." So why don't they package and sell these services to upstream users? "They don't even know these people are customers. They think Google's the enemy." That leads Google to go around the telcos, potentially leaving the telcos without even bit transport. "My point is," Willetts concluded, "that product management in a purely retail context may not be the best way of looking at this going forward. More and more of this product may be effectively wholesale aimed upstream in a white-labeling sense."

Margitta underscored the challenges for telcos trying to compete with companies like Apple. "When the Apples come into the game, when they want to provision a new service, it's no longer this complex product management process they used to have. It's a software widget that can be deployed remotely. There's no big infrastructure hookup. No major testing process. No major overhead. All the reasons not to launch something are gone."

Willetts carried this thought over to the other major example du jour, remarking that Google makes six major product releases per day. Six significant product changes. How are telcos to compete with that?

Figueras remarked that "The irony is that all of the vendors have invested in product lifecycle management packages. The business case for those sort of solutions is where there's a high volume of products being launched. So if it moves to wholesale, that business case goes away."

Ruzicka countered, stating that there would still be a place for a tough network owner to make a profit. "If I'm allowing them to sell something to my customers who I have physical access to, I can charge them for every transaction. Not only can I charge them my .03, I can bill for it because I know how to do that."

The fact agreed upon by the panelists is that the telcos possess some core competencies that are to be respected. Ruzicka sums them up as volume and reliability, pointing out that "Google doesn't want a network and doesn't want to run it." Wilshire reminded the panel that the telcos, while having a role to play, mustn't be too greedy, or they'll get bypassed. If the ROI isn't in favor of ambitious companies with cash to burn, telcos could get left in the cold. Willets reiterated that the key is to pay attention to core competencies and not try to be something you aren't. For many telcos, that may mean leaving the hot new products and services to the device and content players, and realizing that they still have a valuable and enviable position as the owners of the pipe.

In the end, much information was bandied about concerning the modern realities of product management and the role of the modern telecommunications provider. Telcos must figure out what role they are willing to play and what services they can offer as the market continues to shift. If they are flexible, they can weather the storm and come out changed, but no worse for the wear. I look forward to revisiting the matter as it continues to grow and change, and sincerely hope the opportunity arises again.

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