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# Introduction

## Growth Industry: Definition, Driving Factors, and Characteristics

## What Is a Growth Industry?

A growth industry is that sector of an economy which experiences a higher-than-average growth rate as compared to other sectors. Growth industries are often new or pioneer industries that did not exist in the past. Their growth is a result of demand for new products or services offered by companies in the field. An example of a growth industry is the technology sector, whose products have become runaway hits with consumers and led to multibillion-dollar valuations for tech companies in the stock market.

## Understanding Growth Industries

Several factors are responsible for catalyzing a growth industry.

One of them is the advent of new and innovative technologies that can drive entrepreneurs and startups to develop new products and services related to the industry. Given the constantly changing nature of technology, the rationale behind investing in such technologies is the promise of exponential future growth.

The smartphone industry, which packed multiple innovative technologies into a single phone, became a growth industry during the earlier part of this decade. In recent times, virtual reality (VR) and machine learning are two examples of such an approach. VR is an immersive, computer-generated scenario that can simulate a real-life experience. It has applications across many industries, from VR headsets for gaming to simulations for driving tests and for learning in medical schools.

Big data involves the processing of large amounts of data for research or to identify trends and statistical probabilities. Companies in big data provide services to large corporations or industries, such as healthcare. Startups and companies in the sector have multiplied as the technology becomes popular. Investors typically value companies at a multiple of their current earnings and their future growth potential.

Changes in regulations can also spur growth. For example, growth in the healthcare industry is mostly driven by changes in regulation relating to insurance. The deregulation of electricity markets and greater awareness about sustainable living has also led to investors putting their money into stocks for solar companies and renewable energy companies. Medical marijuana is another growth industry that came into being due to the relaxing of strict marijuana laws.

Tesla Inc. (TSLA), which has among the highest valuations of car companies, is an example of a company that benefits from changing regulations and its technology chops. Investors have flocked to the company due to its promise of a greener future as well as its cars, which incorporates state-of-the-art technology.

A third factor driving growth industries is a change in lifestyle and consumer preferences. With more leisure time and the availability of technology and transportation options, consumers have begun traveling more. Travel apps and websites have proliferated. Travel-related startups, such as Airbnb and Uber, have garnered record valuations in private markets and are considered hot commodities for public markets.

KEY TAKEAWAYS

Growth industries are sectors of economies that experience higher-than-average growth due to new technologies or changes in societal preferences or government regulations.

While they can be volatile and risky stocks, companies in growth industries are generally accompanied by press hype and steadily increasing sales figures.

Analysts use CAGR to value growth industries.

## Characteristics of Growth Industries

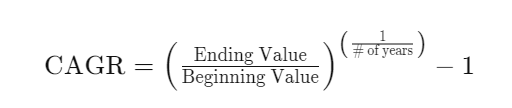
Particular characteristics of growth industries include companies across an industry exhibiting consistent and quickly growing sales figures and an influx of investments. This can often be accompanied by a lot of press hype. Growth industries tend to be composed of relatively volatile and risky stocks. Often investors are willing to accept increased risk in order to take part in the potentially large gains.

Additional risks that growth industries pose can include high rates of cash burn, lack of profitability despite consumer and investor excitement, bubbles, and technological setbacks that can obstruct progress.

## Growth Industries and CAGR

Many analysts use the compound annual growth rate (CAGR) when determining the present viability and future potential of an investment. The CAGR is the mean annual growth rate of an investment over a set period of time longer than one year and can apply to companies in both growth and regular industries.

To calculate compound annual growth rate, analysts divide the value of an investment at the end of the period by its value at the beginning of the period. The analyst then raises the result to the power of one, divided by the period length, and subtracts one from the subsequent result:



CAGR is widely used to calculate the average growth of an investment. An investment may increase in value by 6% in one year, decrease in value by 3% the following year, and increase again by 2% in the next. With inconsistent annual growth, CAGR may be used to give a broader picture of an investment’s progress; however, it doesn’t take into account external factors such as market volatility.

Example of a Growth Industry

The marijuana industry has become an example of a growth industry in recent times. Marijuana had a bad reputation and its possession and use was heavily regulated in the country. The situation has changed in the last decade as a groundswell of popular opinion has led to lawmakers changing their prohibitive stance on the plant. As of August 2022, 37 states have legalized medical marijuana and its use and possession is legal in 19 states.

1. Universities are conducting research into its uses and applications to medical science. For example, New York University researchers are using it to treat incoming veterans with PTSD.

2. Food entrepreneurs and beverage companies are infusing their products with marijuana chemicals. Investors have poured money into marijuana companies on growth expectations for the future.

## What is spurring product industry?

* Global market reach
* Cloud resources – Amazon AWS, Microsoft Azure, IBM, Google
* Funding - 100 angel investors in 2020
* Talent pool

## What is a unicorn?

Unicorn is a term used in the venture capital industry to describe a privately held startup company with a value of over $1 billion.

## What triggered the unicorn rush during 2021?

While work from home during the pandemic fueled the growth of digital businesses in India, the incident also resulted in a long unicorn list. Mainly three factors, a thriving digital payments ecosystem, large smartphone user base and digital-first business models, have come together to attract investors. Tech companies, which have become household brands, are contributing to the unicorn boom in India, as smartphone penetration and digitization of commerce in every aspect of life has increased manifold during the pandemic. Besides fintech, e-commerce grocery, SaaS and marketplace players are contributing the most to the unicorn universe.

## Unicorns Of India

As of 07th September 2022, India is home to 107 unicorns with a total valuation of $ 340.79 Bn.

The year 2021, 2020, and 2019 saw the birth of the maximum number of Indian unicorns with 44, 11, and 7 unicorns coming each year, respectively. COVID-19 has caused a great amount of socio-economic suffering globally, but it is during this time when the resilient Indian Entrepreneurs have worked effortlessly to not only contribute to the economy but to also contribute toward COVID-19 relief efforts. In 2020, we witnessed the birth of more than 10 unicorns. ‘Its raining unicorn’ has been the motto of the year 2021 with 44 unicorns pumped in the ecosystem and many soonicorns waiting in line.

Geographically, the center of India's high-tech industry, Bengaluru is India’s unicorn capital with the largest number of unicorns headquarters followed by Delhi (NCR) and Mumbai. While we see unicorns active in Tier I cities, this ecosystem is not restricted and is proliferating across the country till the last district. Traditional sectors such as E-commerce, Fin-tech, E-commerce, Supply Chain & Logistics, Internet Software & Services do dominate the arena but a strong wave of unconventional sectors such as Content, Gaming, Hospitality, Data management & analytics, etc are making their place on the list.

While every startup has its unique journey to becoming a unicorn, the minimum and maximum time taken by a startup to become a unicorn are 6 months and 26 years, respectively. Mensa Brands took only 6 months to become a unicorn in 2021, making it one of fastest unicorns in Asia.

Indian Startups turned Unicorns in 2021

In 2021 itself, India witnessed the birth of 44 unicorns with a total valuation of $ 93 Bn. Bengaluru, Delhi NCR, and Mumbai continue to be the top cities preferred as unicorn headquarters in 2021. Unconventional sectors and sub-sectors marked an entry into the unicorn space including, NBFCs, Conversational Messaging, Cryptocurrency Exchanges, D2C, Cloud Kitchens and many others.

Indian unicorns are also exploring the public listing avenues as a next step to realise the growth potential. Some one of big unicorn names that offered an IPO include Zomato, Nykaa, PolicyBazaar, Paytm and Freshworks, while many are already in line such as Delhivery, Mobikwik and CarDekho.

Today, 1 out every 10 unicorns globally have been born in India. Overall, 2021 is experienced an exponential boom when it comes to startups entering the unicorn club. This is a testament to the vibrant startup ecosystem present in India.

Till date, 2022 has witnessed the birth of 21 unicorns with a total valuation of $ 26.99 Bn (as of 07th September 2022).

## Investors in Unicorns

The robust nature of the Indian startup ecosystem is evident in 2022 year-to-date when, as per a YourStory Report2, in H1 2022 891 funding deals were recorded, 82.8% higher in comparison to H1 2021 (541 deals). Over $ 17 Bn funding was raised by startups, 1.8x of funding raised in H1 2021 ($ 9.4 Bn). Sequoia Capital India has been the most active investor, followed by Tiger Global Management, Kunal Shah (Founder, CRED), Better Capital, Inflection Point Ventures, LetsVenture, Accel, Blume Ventures, 9Unicorns, and Alpha Wave Global.

Leading sectors inviting funding include FinTech, EdTech, Ecommerce, Social Network,FoodTech, Logistics and Supply Chain, Media and Entertainment, D2C Brands, SaaS, and HealthTech. FinTech, EdTech and Ecommerce accounted for 19.7, 9.4 and 6.2 percent of total funding.

Additionally, there also has been a shift in the traditional way of funding, wherein startups are now looking at exercising alternate routes such as crowdfunding, revenue-based financing, venture debt, bank loans, etc. Startups such as Zerodha, which have been bootstrapping since inception are changing the unicorn funding norms and promoting independence and revenue generation since the early stages. Since the onset of COVID-19, an unconventional trend observed is the new entries to the unicorn club without any billion-dollar ticket size investment.

## Unicorn Sector Snaps

Healthcare

The HealthTech market in India is estimated reach $ 5 Bn by 2023, growing at a CAGR of 39% post the pandemic impact. Digital shift, use of better technology, and favourable government policies are facilitating the growth of the market.

Noida-based healthtech startup Innovaccer has become the first Indian unicorn in the healthcare sector currently valued at $ 1.3 Bn. Innovaccer analyses healthcare data to provide actionable insights to healthcare providers, hospitals, insurance companies and other organisations and businesses.

Earlier this year, Pharmeasy, an online pharmacy and diagnostics brand, became a unicorn, bagging a valuation close to $ 1.5 Bn. The online pharmacy is now planning to go public soon, eyeing a valuation of about $ 7 Bn through its IPO.

Tata 1mg, Cure.fit and Pristyn Care have joined the unicorn club bringing the total number of Healthcare unicorns to 5 with a total valuation of $ 12.79 Bn

The heathcare segment in India is soon to see added number of unicorns with the growth of health-tech startups such as Practo, HealthifyMe etc

## What is a product category?

### Product category definition

A product category is a way for businesses to group and organize products or services they sell. When products are categorized, it is easier for customers to find what they’re looking for on a website and employees to quickly refer to and find a product.

Categories tend to be organized in a hierarchy tree structure since many products will overlap between categories. You can break down product categories as small as you want, but that can be overwhelming for browsers on your website. Use your customer journey map to see where they are most likely to click through and set up your categories accordingly.

Products can be categorized in various ways, from product type and features to customer needs. Many brands will include these multiple categories on their website so you can look for a general product type or search specifically for a feature or use case.

## Why is it important to create product categories?

Product categories help your promotion efforts

You can better promote connected products when you group similar products into categories. This helps customers find multiple products that complement each other — potentially increasing sales for multiple products.

**Easy navigation = a higher conversion rate**

If your products are easy to find, the right customers will see them. Nobody wants to browse a website for a specific product only to find unrelated things pop up in the search. If your customers can’t find what they’re looking for, they’re more likely to spend their money elsewhere.

But if your product categories are clear, concise, and well organized, customers are more likely to find what they want — leading to higher conversion rates.

## What are some examples of product categories?

Skincare brands are a great place to look to see different product categories. Skincare brands will have a category for each product type (cleanser, toner, moisturizer, etc.) but may also categorize by skin type (oily, dry, combination, etc.).

Clothing stores have categories for men, women, and children but then further break down those into subcategories, such as tops, outerwear, and bottoms. Alternatively, they might have sections for workwear, formal wear, and loungewear and categories of individual items within those sections.

Even at the grocery store, items are in their product categories with signs for each category. There is a flow through the store as you walk down the aisles with similar products sitting together.

You’ll also find a hierarchy to where products sit on shelves. Big brands and mid-range items sit on the middle shelves right at your eye line, premium brands get the top shelves, and store-brand and inexpensive items sit on the bottom shelves

## Product category by PPT

* By industry – Finance, Health, Retail, Travel
* By technology – AI/ML, Analytics, Robotics, IoT
* B2B vs B2C
* SaaS vs On-premise
* Mobile vs Web
* Regular vs API products (Payment gateway, Google Maps, SMS gateway, Banking API)
* Product vs Product-cum-service (Ola, Uber, Flipkart)
* Product (Paytm), Product platform (Ola), Product family (Office on Windows, Office on Mac, Office on Android), Product Line (Roclwell Collin avionics)

## Differences Between Project- and Product-Oriented Management

**Project-oriented management**

Project-oriented management refers to a specific objective to create a product that is pre-defined with a clear start and end date. A project approach is essentially governed and driven by the ‘Iron Triangle’: a model that determines that the quality of work is constrained by the time, scope, and cost of the project, irrespective of the value being delivered. The successful project delivers on time and on budget without paying attention to outcomes. In other words: a project mentality isn’t focused on whether the right thing is being delivered, as long as it’s on time, does what was specified in the requirements document, and isn’t over-budget.

**Product-oriented management**

A product-oriented approach refers to long-lasting teams that are organized around a single product or product family. In this model, a dedicated team delivers incremental improvements to the product in short cycles—short cycles being as small as several times a day, a two-week sprint, or a release cycle of several sprints.

In a product-oriented model, the focus and main driver is delivering value to your customers. This approach allows product teams and organizations as a whole to be nimble and respond to market demands or user expectations, shifting focus whenever the need arises because the objective is always value and not just a finished project that’s on time, within budget, and fulfills a list of static, inflexible requirements defined in an ever-changing marketplace.

1. Risk

In this context, risk is associated with being sure that you are delivering the right value and that it is going to meet your customers’ needs. How risk is managed is the biggest difference between the two approaches.

A project-oriented approach is very rigid; everything is about managing to the ‘Iron Triangle’ and delivering a defined outcome decided up front, on time, and within budget. Projects are therefore very resistant to change which is a major blocker in an age where technology and market expectations change so quickly and significantly. Something decided a year ago, may no longer be valid once the project is delivered but scope is a major pillar of the ‘Iron Triangle’ and nearly impossible to bend. And if something is identified later on that should be included because of the potential value it offers customers, it’s rejected because it’s ‘out of scope.’

A product-oriented approach is tailored to mitigate, and ideally, completely eliminate risk in this context. Comprehensive and effective feedback loops are baked in to ensure maximum value is being delivered to the customer. Since you’re delivering regularly and incrementally, you have the opportunity to implement fast learning cycles to constantly validate that you are building the right thing. It’s much easier to pivot to other priorities if new opportunities arise; your opportunity to pivot is never more than the next 2-week sprint away.

2. Time Frames

Time frames between the two approaches are also very different. Projects are finite; they have a defined start and end date and are essentially one and done.

A product-focused model, on the other hand, is tied to the natural product lifecycle—you are never done until the product reaches its end of life. Resources are also flexible to meet the demands of the product lifecycle and your backlog of items has a much smaller time horizon. The product-oriented approach makes it much easier to manage the ongoing health and maintenance of the product.

A big project, however, can last years. Alternatively, a typical product backlog in a product model usually has a horizon of no more than a few months.

3. Teams

One of the biggest differences between a project- and a product-oriented management culture is with the teams assigned to do the work.

Projects are made up of a group of strangers coming together. They need ramp-up time which comes with an overhead in cost for that. In a project-oriented approach, work is also brought to the teams. Individuals can often be assigned to many projects at once and tend to be focused on the successful delivery of a project instead of the delivery of value to the customer.

In a product-oriented model, teams become invested in the success of their products. A recent Gartner study found that 69% of developers working under a product-oriented approach rated improving the customer experience as a high/critical priority. Only 39% of developers working in a siloed project environment felt the same.

Simply put: You’re going to get better results from a team that is highly invested in what they are building.

4. Prioritization

In project-oriented management, prioritizations are driven yet again by the ‘Iron Triangle.’ Is the project in scope and being developed according to what was defined in the requirements document? Is it within budget? Will it be delivered on time? Priorities are dependent on those three questions and little more.

In a product-oriented approach, prioritization is a roadmap that is hypothesis-driven and focused on the delivery of value; you are constantly re-prioritizing to try and deliver the most value to your customers in the shortest amount of time. Because you deliver incrementally, you are also constantly learning and feeding those learnings back into your prioritization scheduling.

5. Budgeting

Budgeting can often be the single, biggest impediment to moving from a project to a product model.

A project is scoped and managed according to a very finite budget and various milestones. It’s a command and control structure that’s outdated and impedes agility.

In a product-oriented approach, a team is assembled that works to continuously deliver value without much in the way of defined milestones or deliverables. The budget is largely the cost of the people working on the product that make up that team, in addition to some overhead for the equipment they use. It is permanently funded, giving it the autonomy to make the right decisions with the most information.

Many portfolio managers have a lot of difficulty with this approach. A refusal to switch to a product-funding model is one of the major roadblocks when trying to launch a successful agile transformation beyond IT.

6. Success

We have already alluded to the fundamental difference in how success is measured according to the two approaches.

The success of a project is defined according to its ability to deliver to the ‘Iron Triangle’: delivering what was defined upfront, being on time, and staying within budget are the most important metrics. The value it delivers to the customer is negligible; by the time you can evaluate if the project successfully delivered value to your customer, your project has concluded, and the team has to move on.

Product-oriented management is all about the value it delivers to both the customer and the business. It uses a profit-centered approach and is measured on business objectives like increased adoption, increased revenue, or overall productivity gains.

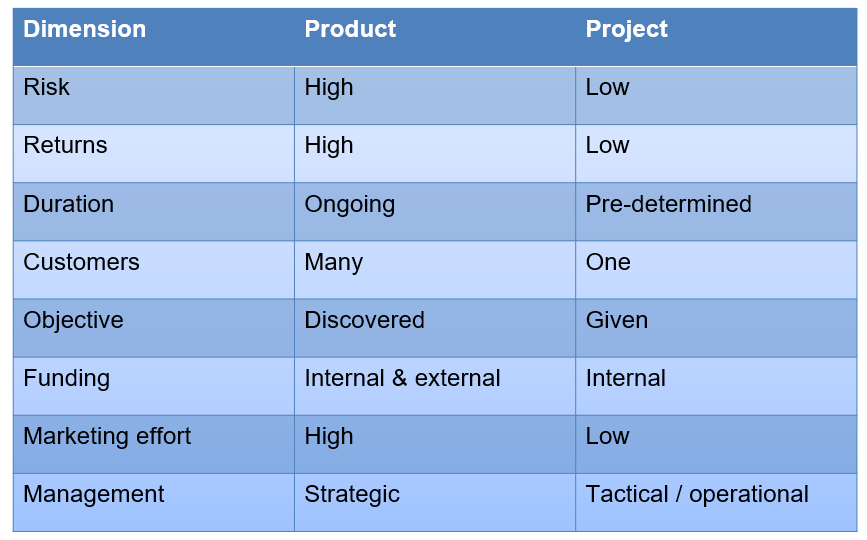
7. Visibility and Alignment

In a project-oriented model, you can get some visibility into how a project is doing against time and budget, but you don’t get regular feedback on how the product is going to impact the business.

Since product-oriented management is tied to business objectives, there is a very high degree of visibility. The difference between a project and product model helps explain how tech companies are able to quickly deliver value that are a good market fit.

For companies that want to prioritize delivering value to their customers and remaining competitive in the age of software and a digital-first experience, product-oriented management is the most compelling and formidable approach.

For more information on how Blueprint can facilitate product-oriented models or digital transformations through powerful process analysis capabilities that enable you to deliver products and value faster, download the brochure, Improve Your Processes, Transform Your Business.



# Overview of Product Management