PRAGMATIC MARKETER

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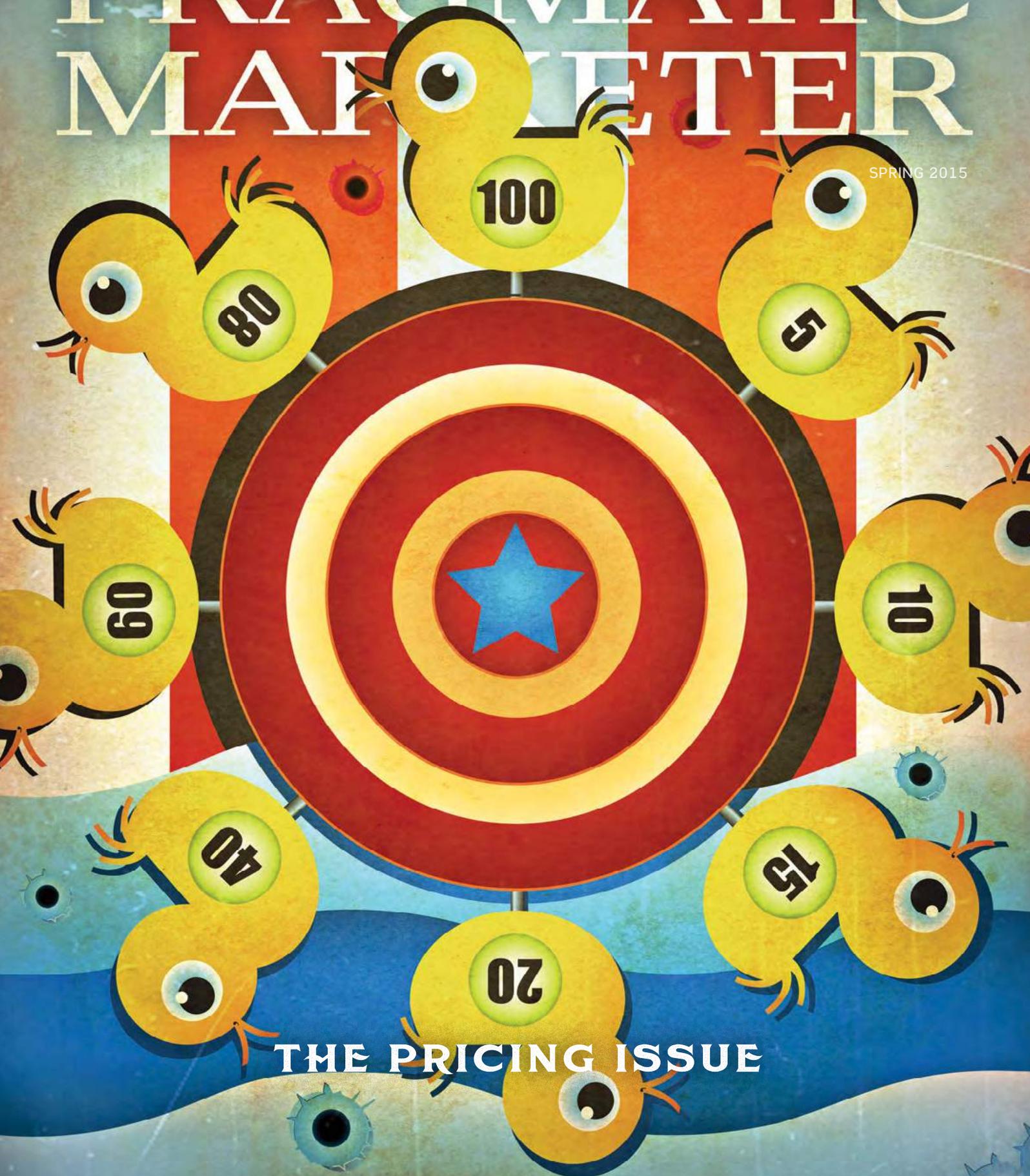
THE PRICING ISSUE

BEFORE LAUNCHING OUR *PRICE* COURSE a year ago, we talked to companies of all shapes and sizes about their struggles with pricing. Each and every one stated that, despite all the information they could gather on their sales, their costs and their competitors, when it came right down to it, their pricing was really just their best guess.

But we can't leave such an important aspect of our products to chance, which is why in this issue we are delving into all things price related.

Jim Semick leads us off with a great look at the challenges and opportunities of pricing SaaS products. Then our own Mark Stiving talks about pricing in competitive landscapes. Finally, Holly Krafft and Reed Holden write about how to gain internal support for your pricing strategies, first at the leadership level and then within your sales organization.

But this issue isn't all dollars and cents. I want to call particular attention to Robin Sharma's article on the top 10 things amazing leaders do, regardless of whether they have a title. Following these simple steps could change the trajectory of your career and those around you.

Today's product teams have a lot to juggle. Our hope is that this issue can provide you with some tools and tips to make it all just a little easier.

Happy reading,

Rebecca Kalogeris
Editorial Director

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THE PRICING ISSUE

CONTENTS | VOLUME 12 | ISSUE 2 | 2015

FEATURES

DEPARTMENTS

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Will It Be Love At First Sight?

WILL YOUR NEW PRODUCT successfully engage the market or is it courting disaster? Take our quiz to find out.

Questions cover the entire spectrum of new–product introduction tasks. Simply rate your current state on a scale of 1 to 5, with 1 as the lowest, to find out how you stack up.

BY DAVID DANIELS

How important is the need that the product addresses?

1. We're not really sure, but at the PowerPoint level it's very compelling.

2. Our sales team said if we built it, they could sell a ton.

3. I read an article/industry-analyst write-up that described how big the problem is (or will be).

4. There is clear evidence of an active and vibrant market buying now.

5. There is a huge demand and we've validated it with market research.

Score: ☐

How large is the population of buyers that want to address the need right now?

1. We spoke with one customer and they liked it. We assume everybody else needs it too.

2. We hired a new person with a lot of experience in this area, and he says that the population of potential buyers is huge.

3. We are using industry-analyst projections on the size of the market.

4. Preliminary market research indicates that the market is large.

5. The population is humongous and demand is growing. We've validated the market size through market research.

Score: ☐

How well defined is the target market segment for this product launch?

1. The marketing team will figure this out for us.

2. We have a sales team that sells into a target market now. That's a good start, right?

3. One of our executives formerly worked in this industry and can provide information about where to focus.

4. We uncovered a need in what appears to be a good target market. After visiting a few customers, we've observed a pattern.

5. Over the entire population of potential buyers, we identified a target market segment with the highest need. We've validated it with market research.

Score: ☐

Who was the product designed for?

1. Our development team built it on their own.

2. We designed it for a big customer with lots of money to spend.

3. We spoke with the sales team and they gave us a list of the most important features from their customers.

4. We met with a few of our best customers. They love the idea and gave us a set of requirements.

5. We designed it to address the needs of a specific set of buyers and are focusing on features that would be most useful.

Score: ☐

How well do you know the buyers for this product?

1. Our sales team is intimate with our customers.

2. We meet regularly with our biggest customer. It should represent the buyers well enough.

3. We met with an industry analyst and she told us everything we need to know about the buyers.

4. We've met with some contacts from a few of our customers. Based on that experience, we think we know who the buyers are for this product.

5. We've conducted market research to understand who will be involved in making a buying decision for our product.

Score: ☐

How well do you know how your buyers will make their buying decision?

1. The product is so awesome it will sell itself.

2. We'll let the sales team figure that out.

3. We hired some new salespeople from a competitor that's already selling into this market. They've shared their experience with us.

4. We've met with six of our customers and mapped out their buying decision.

5. We've conducted market research to understand how people make a buying decision. We know who is involved, when they get involved, what information they need and what they care most about.

Score: ☐

Total Score: ☐

How did you do? Add up the score from each question to get your total.

If you scored 25 or above, congratulations! You're well on your way to a successful launch. You've identified a need and validated that it is worth solving. You know the buyers and how they buy. You are focused. Great job.

If you scored less than that, don't panic, but take notice. For every point deducted, there is an increase in business risk. The less market evidence available for making a business decision, the higher the likelihood of failure.

About the Author

David Daniels believes that the best product in the market is the one selling the most. He helps hundreds of companies market and launch just such products by teaching Pragmatic Marketing's courses around the world. For more insights from Dave, visit his blog at www.LaunchClinic.com.

READ YOUR FORTUNES

DID YOU MAKE MORE OR LESS THAN THE
AVERAGE SALARY?

Product professionals earn an average salary of $100,000–$120,000 per year, with an annual bonus of just over $10,000. But what factors really influence their fortunes? Here are a few based on *Pragmatic Marketing's 15th Annual Product Management and Marketing Survey.*

-24K Less than 2 years experience in the industry

-9K No direct reports

-9K Department reports to sales

-8K Company revenue is less than $10M

-8K No college degree

-7K 5 or fewer people in department

-7K More time on tactical activities than strategic

-7K Female

+28K 7+ direct reports

+17K 11+ years' experience in industry

+14K Live in California

+12K Live in Massachusetts

+8K 26+ people in the department

+5K Company's revenue is 51M+

+4K Master's or doctorate

+4K Male

+3K Reports to president

WHAT DOES NOT AFFECT THEIR SALARY?
→ NUMBER OF YEARS IN CURRENT ROLE
→ WHETHER THEY FOCUS ON HARDWARE, SOFTWARE OR SERVICES

Ask the Experts:

Who should own pricing?

MORE IMPORTANT THAN WHO SHOULD OWN PRICING is knowing that someone owns it. This ensures that there will always be someone to follow up with and hold accountable.

Having a single owner, however, is aspirational at best. Setting price is just one part of the process: it's not the finish line. Pricing is about setting a strategy based on understanding the market and your competitors and developing policies and processes to govern and monitor pricing. Product teams, executive teams and operational groups must all participate if your pricing strategy is to be successful.

There are probably as many approaches to pricing as there are companies. A lot of it has to do with an organization's size, maturity and strategic approach. But in all cases, one of the first steps is to map out pricing methodologies and models. This typically begins in the business plan: What packaging, pricing and business models will be used to achieve the forecasted results and support corporate goals?

Equally important is understanding the buyers' problems we're solving. Delivering a market-viable price point and approach requires insight and confirmation from the market. This is something often best provided by product team members. They can provide input through market validation and iterative interactions. However, that product team may not actually determine the price. It may be determined by a committee, by finance or even by sales.

Pricing is a team sport. It requires involving executives in strategy, product teams in business planning and opportunity analysis, development in problem solving, and sales in engaging buyers. Although the product team should be centrally involved in mapping the first steps—and perhaps own one or more steps in the process—the continuum from strategy to execution creates a level of complexity that can only be managed from a team approach.

And remember, no matter who owns pricing, systems, processes and metrics are needed to monitor and gauge effectiveness. Your product's perceived value can change based on where the market is in adoption, the influence of competitors and the dynamics of an evolving product. Monitoring helps you understand the value you deliver to the market, and everyone must own that. PM

**Jon Gatrell, Instructor
Pragmatic Marketing**

Do you have a question for our experts? *Send us an email at experts@pragmaticmarketing.com.*

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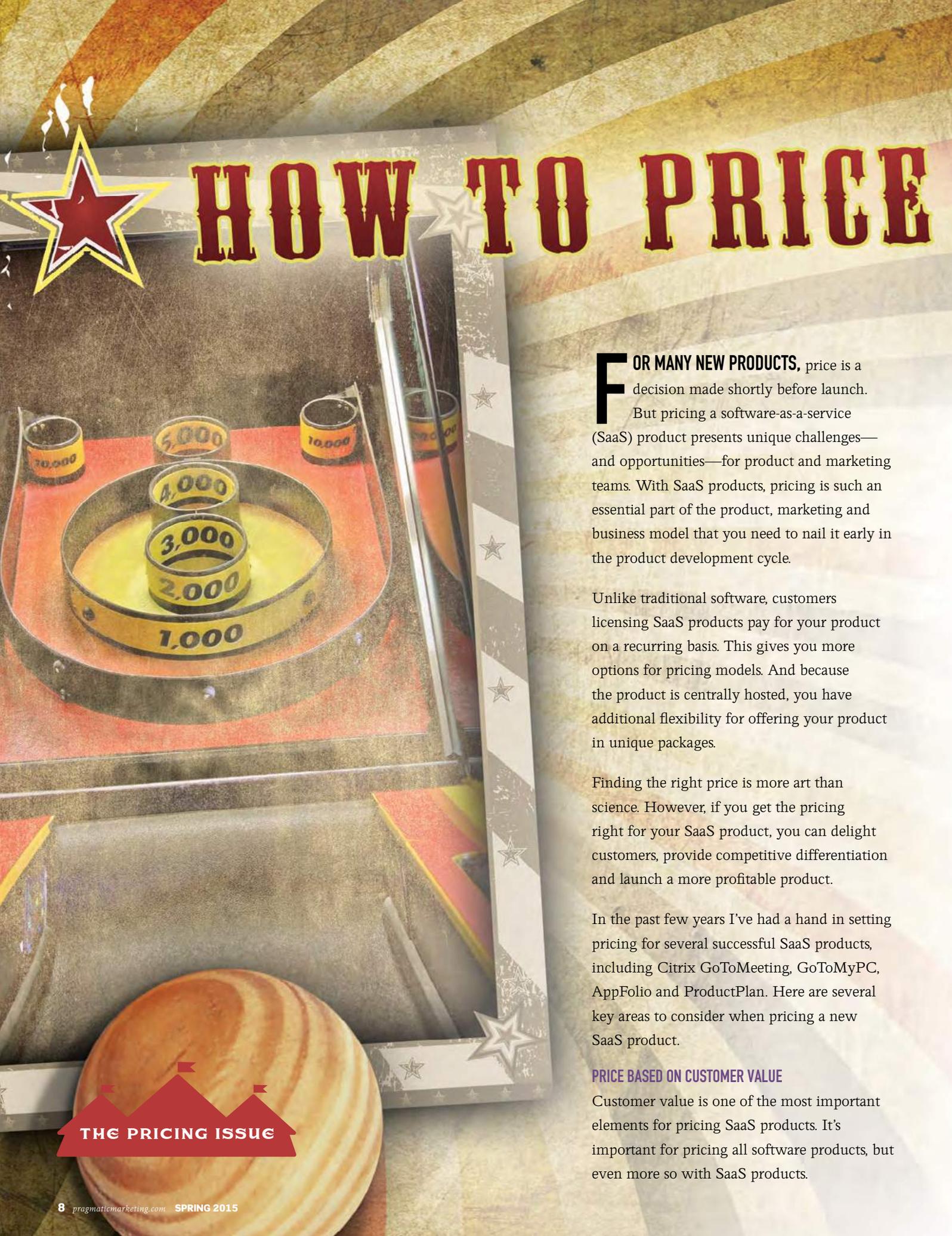
HOW TO PRICE

FOR MANY NEW PRODUCTS, price is a decision made shortly before launch. But pricing a software-as-a-service (SaaS) product presents unique challenges—and opportunities—for product and marketing teams. With SaaS products, pricing is such an essential part of the product, marketing and business model that you need to nail it early in the product development cycle.

Unlike traditional software, customers licensing SaaS products pay for your product on a recurring basis. This gives you more options for pricing models. And because the product is centrally hosted, you have additional flexibility for offering your product in unique packages.

Finding the right price is more art than science. However, if you get the pricing right for your SaaS product, you can delight customers, provide competitive differentiation and launch a more profitable product.

In the past few years I've had a hand in setting pricing for several successful SaaS products, including Citrix GoToMeeting, GoToMyPC, AppFolio and ProductPlan. Here are several key areas to consider when pricing a new SaaS product.

PRICE BASED ON CUSTOMER VALUE

Customer value is one of the most important elements for pricing SaaS products. It's important for pricing all software products, but even more so with SaaS products.

THE PRICING ISSUE

SAAS PRODUCTS

BY JIM SEMICK

It's essential to have a deep understanding of the value your product provides for your buyers and users. This value should be the primary consideration for your price and pricing model—not features, not what competitors charge and not your costs.

The most common pricing model for SaaS products is a recurring subscription. Every month or year, your customers reevaluate whether they want to continue subscribing. This makes it even more critical to ensure pricing is in line with the value your customers receive.

Let's define what I mean by "value." Value can be quantitative, such as time saved or additional revenue earned. Value can also be qualitative, such as pain relieved or lifestyle benefits provided. By understanding and documenting this value, you can begin to narrow in on possible pricing models and a price range.

When we were determining pricing for GoToMeeting, we interviewed dozens of potential customers to gain a deep understanding of the value they might receive from conducting online meetings with our solution. We discovered:

- Lifestyle benefits from conducting meetings remotely

- Cost and time savings from reduced or eliminated travel

- Reduced frustration by not using complicated solutions

- Cost savings from switching to our solution versus expensive per-minute pricing of existing solutions

By understanding this customer value, we developed GoToMeeting's unique $49 "All You Can Meet" flat-rate pricing (an industry-leading innovation at the time). Because the product was SaaS, we had the flexibility to price our product differently from the competition and create a unique product in the market. In a sense, we made pricing a part of

the product. It became a differentiating feature that marketing promoted heavily.

THINK DIFFERENTLY ABOUT PRICING MODELS

One of the exciting advantages of SaaS is that product managers can think differently about pricing models. Your product is no longer tied to a one-time purchase. With SaaS, you can consider models such as:

- Monthly and annual subscriptions based on seats or packages of seats

- Pricing based on a characteristic, such as storage

- Different pricing for packages of different features

- A free base product with paid subscriptions for enhanced features, functions or service

- Pricing for different market segments or user personas

With so many options, you now have the ability to discover a pricing model that aligns with your customers' goals. For example, for AppFolio's property-management software, we developed a unique pricing model based on the number of rental units managed by a property manager. Because we charged a flat $1 per rental unit per month, the pricing was simple and easy to understand. This pricing model resonated with customers because they paid more for our product only if they grew their business. If they were more successful, we were more successful.

When pricing a new product, there is a temptation to set your pricing relative to the competition. It's common for new products to price using the same model as competitors, but slightly lower. Sure, you can price the same way as your competitors, and perhaps that's what your customers expect. But with SaaS, there are so many ways to price the product

that you have the ability to stand out in the market by thinking differently. Capitalize on the approaches that your competitors haven't considered.

UNDERSTAND YOUR CUSTOMER'S LIFETIME VALUE

With SaaS, it's important to understand what each additional new customer is worth to your product line. A customer's lifetime value (LTV) is one of the most essential metrics because it influences the resources you allocate to the product, its sales model and what you can afford to spend to acquire customers.

While there are lots of ways to calculate LTV, I recommend keeping it as a simple back-of-the-envelope calculation:

$$(A-B)*C$$

A= Revenue per period

B= Cost of delivering the service to the customer each period

C= How long you expect to retain an average customer

For example, if you license your software at $25 per month, spend $5 a month delivering and supporting the service, and keep an average customer for 18 months, your rough LTV is: $(25-5)*18 = \$360$.

The formula for success is simple in the SaaS world: LTV over time must be greater than the cost to acquire that customer. For example, mature SaaS companies with a recurring revenue stream like Salesforce.com have LTV multiples that are three to five times the cost to acquire that customer. However, your cost-to-revenue ratio may be higher in the early years until there is traction in the market.

KEEP IT SIMPLE

Don't overly complicate pricing. With so much flexibility in SaaS pricing options, there is a temptation to offer various flavors and packages. Sometimes there are legitimate reasons for doing so.

For example, it is common to have three packages of low, middle and high price (for example, bronze, silver and gold). Studies show that this approach anchors customers, and buyers consistently pick the middle package. That's fine if this is your goal. However, creating an overly complicated pricing scheme has the potential to confuse customers and create a nightmare for your finance team. Keeping it simple reduces headaches and may even provide more revenue over the long term.

At ProductPlan (a product roadmap software), we saw that similar companies had complicated licensing options. Many required a paid license for every software user. We took a different approach to simplify the calculation. We charged only for editors of roadmap data and offered free licenses to other collaborators. Rather than offering complicated pricing tiers based on features, we offered unlimited use of all features for one price. Because the product managers want to widely distribute the product roadmap to stakeholders, this model benefits the customer. In addition, this model gives our product more exposure within the organization, so ultimately we sell more licenses when other departments ask to use the software.

ADDITIONAL CONSIDERATIONS FOR SAAS PRICING

Here are a few additional areas to consider when pricing SaaS products:

- **Your sales model influences your pricing.** Conversely, pricing constrains the sales model options available to you. For example, if you have an expensive field sales force, you need to ensure that your customer LTV is high enough to support that model. Ultimately, your buyer persona determines your sales model, so make sure you understand the expected purchase process.

- **Create upsell opportunities within your pricing model.** One of the advantages of SaaS is the ability to offer upgrades and services that drive additional revenue. Consider these within your pricing model, as they can make a substantial difference in long-term product revenue.

- **Use caution when offering annual prepurchase discounts.** Many SaaS products that license on a monthly basis will offer a discount for annual prepurchasing. However, use this with discretion. Analysis shows that over the long term you leave significant revenue on the table.

- **Build discounting options in enterprise licensing.** Price transparently when you can, but remember that enterprise customers expect to negotiate. Whether you discount will depend on the buyer persona.

- **Consider free trials.** If your acquisition and activation model is simple enough, providing a limited free trial is a great way to increase your sales prospects. It's common to offer 15- and 30-day trial options.

- **Service is key.** Because SaaS is typically licensed as a subscription, your customers are at risk of churning every renewal period. Service and support are even more critical than with traditional software. For this reason, many SaaS products build support and regular upgrades into the standard licensing fee. Consider whether your customers will be receptive to additional fees for support and maintenance.

- **Customers don't care about your costs.** I'm not suggesting you ignore your costs, but don't price your product working backward from cost. This is not how your customers will think about the pricing. Sure, cost of goods sold needs to be a factor for you to be viable, but this is not related to how customers value it.

- **The demand curve is not linear.** A customer's perception of pricing is highly psychological and doesn't always follow economic rules. A lower price doesn't necessarily equate to more customers and revenue.

> A customer's perception of pricing is highly psychological and doesn't always follow economic rules.

TEST PRICING EARLY AND OFTEN

Pricing for SaaS products is such a core part of the product and business model that you need to validate it early in the product development cycle. A combination of qualitative customer interviews and quantitative price testing is needed to get enough data points to make good decisions.

With web-based SaaS products, it's easier than ever to conduct A/B tests to gauge buyer behavior and optimize your pricing (both before and after launch). As you test the user interface, I encourage you to test your pricing with equal fervor. Get the pricing right, and you have a recurring revenue stream that places your product's portfolio value well above traditional software products. PM

ABOUT THE AUTHOR

Jim Semick is co-founder of *ProductPlan*, a leading provider of cloud-based roadmap software for product and marketing teams. For more than 15 years he has helped launch new products now generating hundreds of millions in revenue. He was part of the founding team at AppFolio, a vertical SaaS company. Prior to AppFolio, Jim validated and created version 1.0 product requirements for GoToMyPC and GoToMeeting (acquired by Citrix). Jim is a frequent speaker on product management and the process of discovering successful business models. He contributes at www.productplan.com/blog. Follow Jim on Twitter at @JimSemick.

PRICI

BY MARK STIVING

COMPETITIVE PRICING IS A COMPLEX TOPIC that's important to most businesses. Do you want to cooperate or compete? One of the best illustrations of this dynamic—the prisoner's dilemma—originated in game theory and will help you understand the circumstances behind each option.

First, it is illegal to collude with your competition to keep prices high. You and your competitors should never discuss pricing in any format. However, by understanding the prisoner's dilemma, you will better understand what economists call "implicit collusion." This is when industry prices stay high because no competitor acts aggressively. In other words, competitors seem to cooperate without colluding.

Imagine you are arrested by the police for robbing a bank. You, of course, are innocent. They also arrest another person for the same crime. In the interrogation room, the police say, "We've caught your accomplice. You guys are in trouble. You should confess now to make your sentence easier." Then they explain the possible sentences:

- If both you and the other person confess, you each get three years in prison

- If neither of you confesses, you each get one year in prison

- If you confess and the other person doesn't, you go free and he spends five years in prison

- If the other person confesses and you don't, he goes free and you spend five years in prison

Here's what you have to consider. If the other person confesses, you will get three years if you confess and five years if you don't. So, it makes sense to confess. But assume the other person doesn't confess. Then you will get one year if you don't confess and go free if you confess. Again, it makes sense to confess. It seems that no matter what the other person does, you're better off confessing. The same logic is true for the other person. The rational outcome to this game is always for both parties to confess.

Here's the dilemma: If both parties confess, each spends three years in prison. However, if neither confesses, each gets one year in prison. Although they are better off cooperating with each other, individual incentives encourage them to confess.

Let's apply this dilemma to pricing. Assume you and a

NG
AND THE PRISONER'S DILEMMA

competitor have an equal share in the market and relatively high prices with nice profit margins. Should you lower your price? Let's see what the payoffs look like:

- If you both cooperate and keep prices high, you each make $10 million in profit

- If you both compete and lower prices, you each make $5 million in profit

- If you lower prices and your competitor doesn't, you make $13 million in profit and your competitor only makes $2 million

- If your competitor lowers prices and you don't, your competitor makes $13 million and you make $2 million

The dilemma: In every scenario *you* are better off when you lower your price. The same is true for your competitor. But, if you both lower the price, you each make only $5 million in profit. Whereas if you could find a way to cooperate, without either of you lowering your price, you would each end up with $10 million.

The prisoner's dilemma represents a situation where two players both do better when they cooperate but have incentives not to cooperate. It's the same with pricing.

What's the solution to the prisoner's dilemma? Frankly, there is no solution to the game as described. But there is a solution if you tweak the game so that two players can play over and over, which is what we have with pricing. You set a price this month, next month, the month after and so on. And, as you make the next decision, you can see what your competitor did.

Empirical testing and experiments demonstrate that the best solution to this repeated prisoner's dilemma is a strategy called tit for tat. The simple explanation is that you start out cooperating and then do whatever your competitor just did.

Let's assume you and your competitor start out with high prices. Then, if your competitor decides to lower their price to gain share during one period, you do the same the next period. If your competitor keeps their price low, you do too. If your competitor believes you will follow this strategy, he doesn't have an incentive to lower prices.

The same holds true for you. If you believe your competitor will follow you if you lower prices, then you have no incentive

to do so. Economists call this implicit collusion (because that's what it is).

Now this starts to make more sense. Without talking to each other, firms cooperate with higher prices simply because of the threat of lowering prices.

It's like companies that claim "We will match our competitors' prices." Although this sounds like a win for buyers, it is really a clear statement to competitors: Don't bother lowering prices; it won't do you any good. Essentially, this is a company announcing that it will follow the tit-for-tat strategy with the idea of supporting higher market prices.

But beware: Sometimes you may mistake moves your competitors make as aggressive pricing when in reality they aren't. Jumping to that conclusion may start a price war.

For example, imagine you and your competitor have been cooperating, when suddenly your competitor lowers their price. Now you feel compelled to lower your price too. But perhaps your competitor only wanted to get rid of some old inventory. Now you're in a price war, or at least in an alternating high-price, low-price game.

When there's a good reason to temporarily lower the price, it's important to notify your market in a way the industry will understand. For example, perhaps you can create a press release explaining that you have a glut of perishable inventory and are offering a short-term price decrease. (But check with your legal department first.) If competitors don't realize the price decrease is temporary, they might follow suit and you'll end up with a permanent price decrease. Remember, price wars are easy to get into and hard to get out of.

On the other hand, perhaps you can use lessons from the prisoner's dilemma in your favor to raise industry prices. A common tactic in the airline industry is for one airline to announce fare increases. One reason is to get other airlines to follow suit. If they don't, the fare increase won't stick. This is also why almost all airlines add the same types of fees at the same time.

Your competitors may be trying this as well. Imagine you read in your local trade magazine, "XYZ Corporation is raising rates due to increased costs." You could be thinking, "Excellent, now we'll gain more share. Those guys are so stupid." But what happens when you don't follow by raising your prices? They'll bring their prices back down. What happens if you match their price increase? Industry profits will go up.

When I've conducted classroom exercises where two "companies" compete in the repeated prisoner's dilemma by raising and lowering prices, the following inevitably holds true: The most profitable companies are those allowing their competitors to make a profit too. In other words, they cooperate often. If you compete aggressively, odds are good your competitors will as well, and neither of you will make as much profit. Now you have a difficult decision to make: Do you want to win, or do you want to make a profit?

Price is important in every deal and every competitive situation; it's equally important to be smart about how you use it. Be sure to watch your competitors' pricing carefully, don't jump to

Do you want to win, or do you want to make a profit?

conclusions, and when you make price changes, try to be clear about why you're making those changes. Finally, if your goal is to put your competitors out of business, be prepared for your own profits to suffer too. PM

ABOUT THE AUTHOR

Mark Stiving is a Pragmatic Marketing instructor with more than 20 years of experience in business startup, development, management, turnaround, and sales and design engineering. He has helped companies create and implement new pricing strategies to capture more from the value they create, consulting with Cisco, Procter & Gamble, Grimes Aerospace, Rogers Corporation and more. He served as president of both Home Director Inc. and Destiny Networks Inc. and as an assistant professor of marketing at The Ohio State University. Mark is the author of *Impact Pricing: Your Blueprint to Driving Profits* (Entrepreneur Press, 2011). Contact him at mstiving@pragmaticmarketing.com.

HOW TO GAIN SUPPORT FOR YOUR PRICING RECOMMENDATIONS

BY HOLLY KRAFFT

YOU HAVE BEEN ASKED TO EVALUATE and recommend changes to a pricing strategy that has been in place for almost two years. Several people in the business believe that it isn't right, but they don't know what needs to change.

You start by evaluating the structure of the pricing strategy, uncovering what data you have available to analyze current performance and collecting some recent contracts to review. Then you spend the next few weeks analyzing data to uncover areas of potential weakness. Based on the quantitative analysis and your experience in pricing, you develop a recommendation to make a few changes to the current strategy and present your findings.

You know your recommendations are sound and will improve revenue results; during the presentation, leaders even nod their heads in approval. Yet nothing changes. Everyone seems interested in the changes, but no one implements them. You're faced with the three I's: little **Interest**, **Indifference** and a culture of **Inertia**.

Pricing decisions require changes in multiple departments: Sales must change how it communicates price; marketing has to realign its value messaging; product may need to create new product versions; operations must make changes in the business systems; and finance may need to change the way it tracks performance. Perhaps it wasn't considered worthwhile to invest
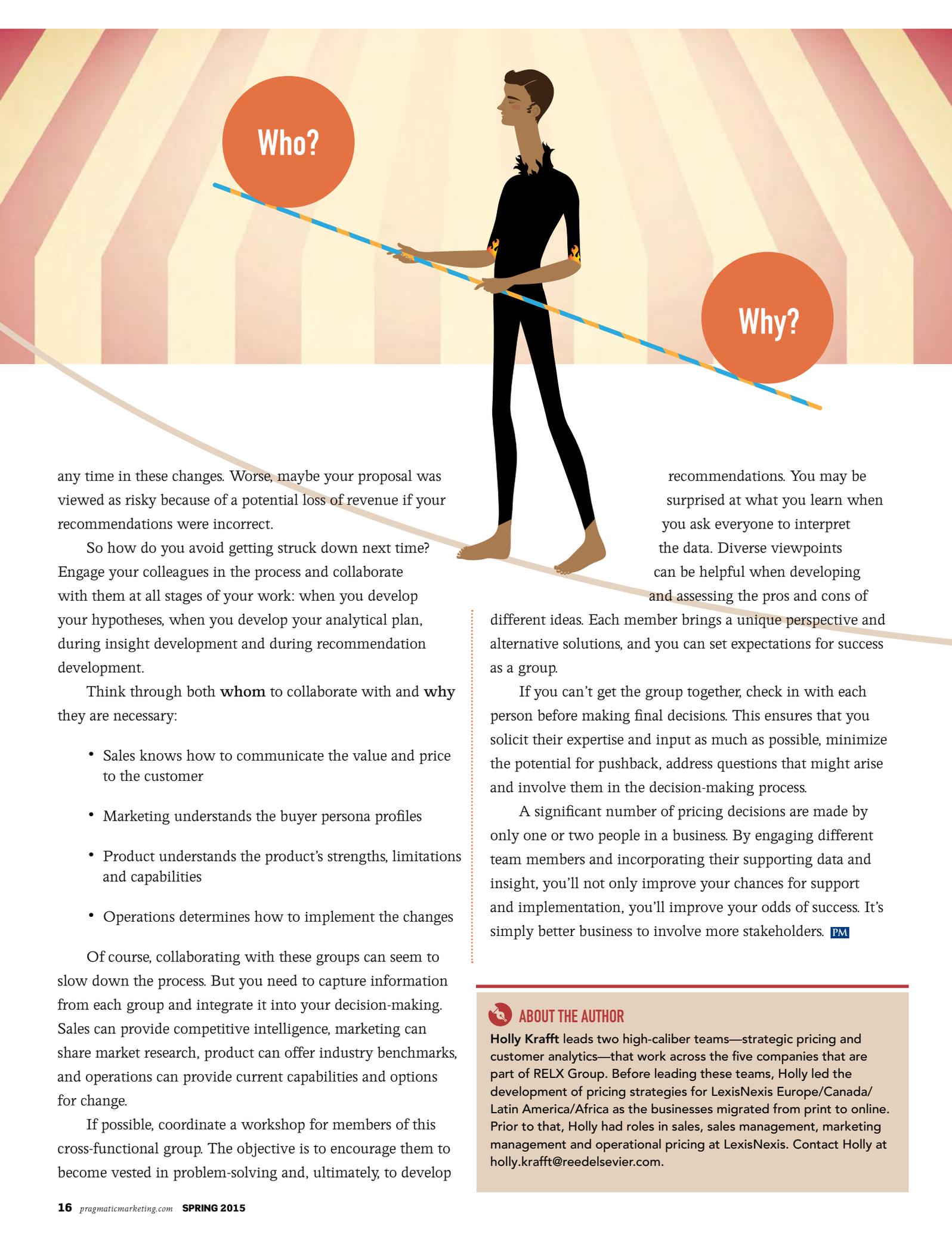
Who?

Why?

any time in these changes. Worse, maybe your proposal was viewed as risky because of a potential loss of revenue if your recommendations were incorrect.

So how do you avoid getting struck down next time? Engage your colleagues in the process and collaborate with them at all stages of your work: when you develop your hypotheses, when you develop your analytical plan, during insight development and during recommendation development.

Think through both **whom** to collaborate with and **why** they are necessary:

- Sales knows how to communicate the value and price to the customer

- Marketing understands the buyer persona profiles

- Product understands the product's strengths, limitations and capabilities

- Operations determines how to implement the changes

Of course, collaborating with these groups can seem to slow down the process. But you need to capture information from each group and integrate it into your decision-making. Sales can provide competitive intelligence, marketing can share market research, product can offer industry benchmarks, and operations can provide current capabilities and options for change.

If possible, coordinate a workshop for members of this cross-functional group. The objective is to encourage them to become vested in problem-solving and, ultimately, to develop

recommendations. You may be surprised at what you learn when you ask everyone to interpret the data. Diverse viewpoints can be helpful when developing and assessing the pros and cons of different ideas. Each member brings a unique perspective and alternative solutions, and you can set expectations for success as a group.

If you can't get the group together, check in with each person before making final decisions. This ensures that you solicit their expertise and input as much as possible, minimize the potential for pushback, address questions that might arise and involve them in the decision-making process.

A significant number of pricing decisions are made by only one or two people in a business. By engaging different team members and incorporating their supporting data and insight, you'll not only improve your chances for support and implementation, you'll improve your odds of success. It's simply better business to involve more stakeholders. **PM**

ABOUT THE AUTHOR

Holly Krafft leads two high-caliber teams—strategic pricing and customer analytics—that work across the five companies that are part of RELX Group. Before leading these teams, Holly led the development of pricing strategies for LexisNexis Europe/Canada/Latin America/Africa as the businesses migrated from print to online. Prior to that, Holly had roles in sales, sales management, marketing management and operational pricing at LexisNexis. Contact Holly at holly.krafft@reedelsevier.com.
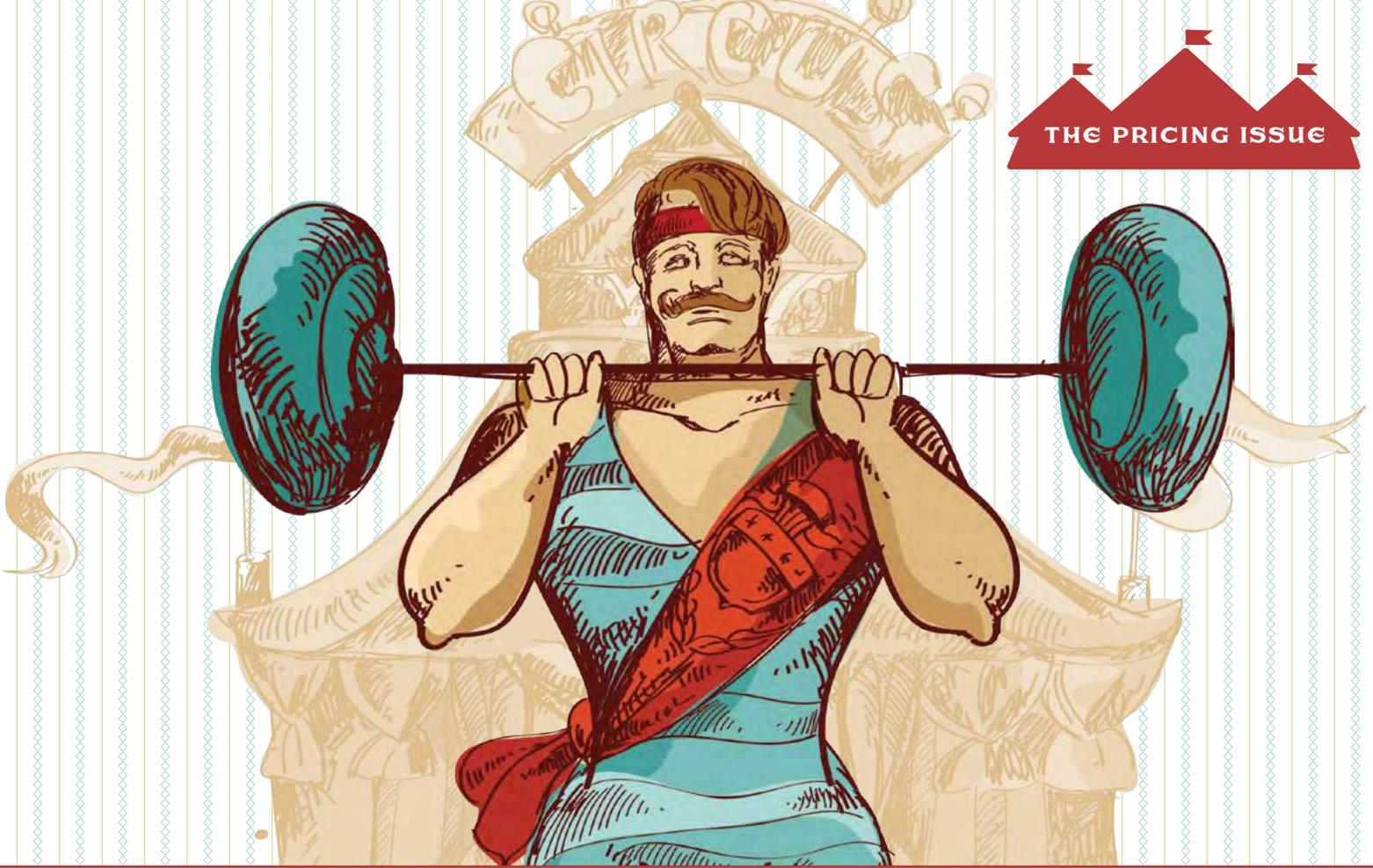
MAKE SALESPEOPLE THE CHAMPIONS OF YOUR PRICING STRATEGY

BY
REED K. HOLDEN

TEN MINUTES INTO A PRICING TRAINING session, a senior salesperson asked, "How is anything you teach us going to make us more money? We are compensated on revenue." It was a great question. "It isn't," I replied. Revenue plans conflict with pricing for profit objectives. We later suggested to company leaders that they align sales compensation with profit. Though they felt strongly about improving margin, they did not act on our advice. Within six months, this large national bank had failed. If salespeople are compensated to achieve sales volume, they will drop price and even jump to discount floors to close a deal.

This story is too often repeated. All functional groups have the same goals: to grow revenue and profits. But they talk about growth differently. Marketing has a goal to grow market share, product managers must deliver innovative products, and the pricing team must improve margins. For salespeople, credibility and personal service may be important, but getting the best discounts for customers keeps business coming in.

How do you support your salespeople—through compensation plans, tools and messaging—to become champions of the organization's pricing strategy? How do you get their buy-in to do so? These are crucial questions every company must address.

SNAKES IN THE WOODPILE

Years ago, right after Ross Perot sold Electronic Data Systems to General Motors and got a seat on the board, he walked the factory floors to uncover opportunities for improvement. He spoke to a line manager about solving company problems, advising, "When you see a snake in the woodpile, just kill it. Don't appoint a committee on snakes." The manager replied, "Mr. Perot, that will never work at GM." Decades later, GM is still appointing committees to discuss snakes … and to address ongoing recalls.

Many companies don't see the snakes that create obstacles to developing sales champions who drive growth in revenue and profits. The following are common reasons that salespeople advocate for more customer discounts, rather than profit for the company:

- Sales incentives are misaligned with the company's financial goals

- Limited understanding of company value compared to competitor value

- Lack of visibility into how and why prices are set

- Lack of insight into customer negotiation games

These are not the fault of sales. Salespeople are casualties of internal processes that no longer work and fall prey to increasingly savvy buyers who know how to get discounts. Companies must kill the snakes, as Perot says, by empowering sales to be price champions and deliver on their company's potential. The objective is to close sales at profitable prices without leaving money on the table. How can leadership change behavior to promote the evolution of salespeople into champions?

BUILDING SALES CHAMPIONS

Let's start by considering the teams that support sales: marketing, sales managers, pricing, legal, solution architects, delivery people, etc. Is there alignment across these teams to provide customer value? Are prices aligned with value? Is compensation aligned with pricing?

The following four steps will help prepare sales to support company profits rather than to advocate for more customer discounts.

1. Create rational individual performance goals.

When sales has any control over price, is compensated on volume, or is pushed to close an important sale too soon, the incentive is to squander valuable profits to accomplish that mission. The incentive mismatch problem doesn't have to come from sales to affect them. Product and factory managers, compensated to keep the factory full or to achieve revenue or market-share goals, can pressure sales to close last-minute deals by dropping price.

Senior executives are often the worst offenders, especially those incented to meet quarterly revenue objectives purely for the sake of Wall Street. Customers delight in leveraging this end-of-quarter desperation.

W. Edwards Deming, father of the Total Quality Management movement, said, "Any time you measure someone at the individual level, they probably won't work to achieve goals that are best for the firm." That message still resonates today. Too often, individual performance goals conflict with revenue and profit goals for the company, or fail to address both.

Aligning individual and corporate goals can have a big impact. Eric Maurer at Alexander Group, a sales–effectiveness consulting firm, found that "by adjusting the sales compensation plan to include margin as the main measure (of performance), a company achieved a 5 percent increase in contribution margin." In addition, "the sales reps were spending up to 60 percent of their available selling time on products with the highest margin."

Salespeople should be compensated to achieve pricing and sales objectives. In most cases, that equates to sales and profits. It can be accomplished using a measure of sales dollars heavily weighted by contribution margin. As contribution margin declines to zero, sales compensation should also decline or be zero. Any mixed packages that weight sales revenue equal to—or higher than—contribution margin rarely work, because salespeople still focus on the sales dollars.

2. Build sales' confidence in the company and in the financial value created for customers.

Ask salespeople how they feel about the products and services they sell. You don't need to do research or set up a committee. Just go to lunch and ask for their views. Salespeople often tell us that "our products and services are commodities." Perhaps it's because customers, whose sole agenda is to set the stage for getting lower prices, pound this message into sales at every chance. They want sellers to know there are plenty of good-enough alternatives. While savvy companies understand and correctly dismiss these claims as negotiation ploys, too many

Value is often found in the services wrapped around a product.

other companies don't help salespeople defend their value to the customer. Instead, they allow their customers to set the price and then react to the fallout.

For many sellers, confidence comes from knowing they sell better products and services that deliver more value than those of their competitors. Customers choose vendors for very specific reasons. Go on a value hunt to find out why. A value hunt is simple: Go out and talk to your customers and ask them why they buy from you.

It is important for salespeople to understand the value their firms create for customers. It changes the conversation with customers from price to performance, innovation or better solutions. Salespeople become partners rather than customer-service specialists. Value provides them the confidence that the price is set right and the knowledge that everyone in the firm stands behind it.

Once you know your unique value, the next step is to train sales to qualify customers' value needs and then have value conversations with them. Once the sales team buys into a value-based approach, you'll need tools to explain that value and support the offered price. These can include software, simple spreadsheets or discovery tools that encourage value conversations about how your company's solution will do a better job meeting customer needs.

If you believe your company doesn't do anything special for customers, a customer value hunt will confirm it. Then the question becomes whether to focus on being the low-cost producer or to innovate to provide a more valuable solution.

Trying to package undifferentiated products or services with a value story will fail with sales and may put their credibility with customers on the line. If they sense they are being given a weak hand, their first thought will be to preserve credibility. They will ignore value and take the safe route of using price discounts to close sales.

But remember, value is often found in the services wrapped around a product, even if that product is a true commodity. Understanding which services are valuable, and the associated cost to deliver them, can drive more profitable pricing than the product itself.

3. Make price easy to understand and support.

Make sure your salespeople understand your price and how it compares to a competitor's. Without this understanding, sales

will think any price is too high for their good customers.

Why are prices set the way they are? The right answer should be based on your company's price strategy, developed to consider company objectives, product costs, your value to customers and how that compares to the value competitors bring. To encourage salespeople to support and ultimately champion price strategy, you'll want to explain prices in this context.

It's important to drive buy-in with the people who execute price strategy. Pricing leaders must show why prices are fair and demonstrate how to have value conversations with all members of the customer buying process. That way, when salespeople face procurement in tough negotiations, they will have the proof points needed on how they deliver value and the confidence to hold firm on price. This is the path to building pricing champions in the sales force.

4. Help salespeople identify negotiation tactics and prepare correct responses.

Salespeople must be prepared to effectively communicate value and price and stand up to procurement games. These are well-practiced tactics to get lower prices. Despite what procurement

Successful salespeople can articulate that value and stand firm on price.

claims, there is almost always a difference among suppliers that provides financial value to the customer. Successful salespeople can articulate that value and stand firm on price.

To prepare for a negotiation, start by decoding specific customer buying behaviors, qualify the role of procurement and learn to identify the tactics used solely to get discounts. Procurement tactics can include delays, approving other suppliers or even going out to bid. In most cases, their purpose is to get lower prices from an already-selected and preferred supplier.

Small adjustments in value called "give-gets" can be an important tool during this stage of customer interaction. If the customer wants a lower price, simply remove something of value. For instance, if a customer balks at the cost of a dedicated service rep, offer to switch to a call center or an automated chat service to save money.

Proactive planning helps keep sales focused. For example, a salesperson negotiating a large contract with a banking customer assumed that various delays were the result of a customer who needed further incentive to close the deal. The salesperson was prepared to offer another discount until he realized that the customer was using these delays as a tactic to secure a lower price. He held his price, called the customer's bluff and closed the deal at a profitable price.

Without a good process in place, sales may react in ways that compromise profits, revenue or both. But with good analysis, planning and tactics, sales can leverage its position to protect both.

GET STARTED

Building salespeople to be price champions can transform a company. The rules driving the process are simple: Know your value, communicate it to your customer and defend your price. You win by making salespeople champions of the company, products and prices in the challenging world of customer negotiations. PM
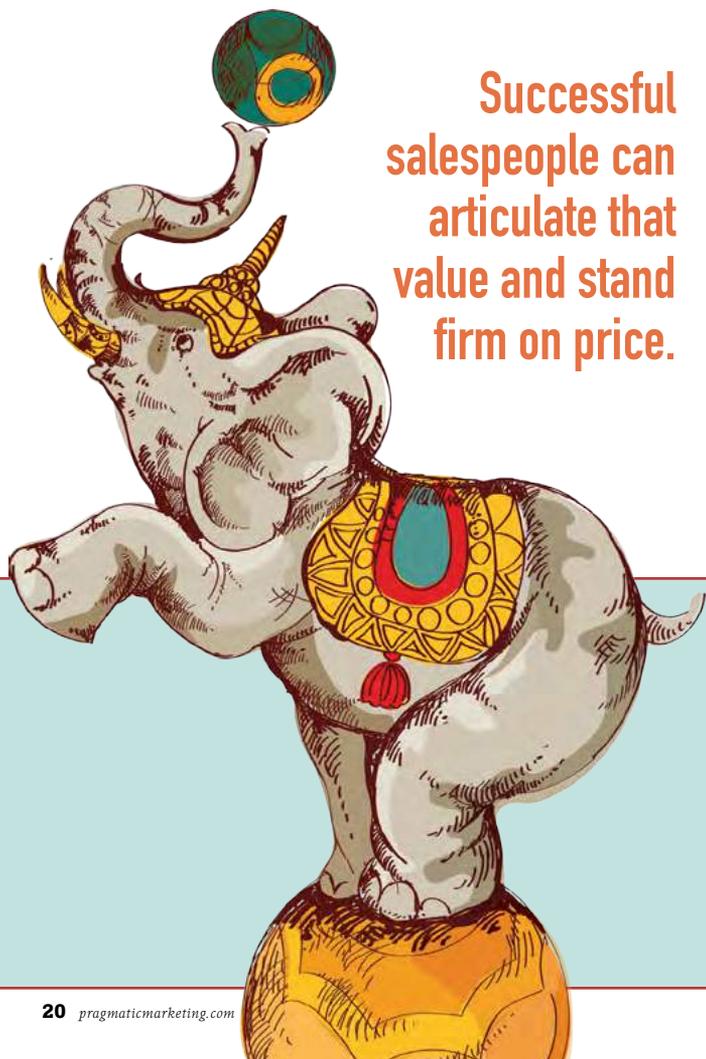
ABOUT THE AUTHOR

Reed K. Holden is the founder of Holden Advisors. He is an enthusiastic and persuasive advocate for demonstrating customer value and price leadership with companies that need to adapt in highly competitive markets. In 2012, he published *Negotiating With Backbone: Eight Strategies to Defend your Price and Value* and in 2008 he and co-author Mark Burton published *Pricing With Confidence: Ten Ways to Stop Leaving Money on the Table*, a top-selling pricing book for executives. He also co-wrote *The Strategy and Tactics of Pricing* second and third editions during his tenure as CEO of Strategic Pricing Group (now Monitor/Deloitte). Contact him at www.holdenadvisors.com.

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DEPARTMENTS

Great Products Solve Problems

BY ANNA MIEDZIANOWSKA

THE ABILITY TO SOLVE SOMEONE'S PROBLEM is what makes a product great, not the number of features it offers. As Theodore Levitt, an American economist and professor at Harvard Business School, once said: "People don't want to buy a quarter-inch drill, they want a quarter-inch hole."

During the design phase, many organizations do a poor job of focusing on outcomes and instead focus on outputs. They lead their product teams via product roadmaps—sets of outputs requested by various parts of the business—and forget that the reason behind roadmaps is to deliver solutions that solve business problems.

These organizations need to change their mindsets. Discussions about features should focus on outcomes. Sales, operations and engineering need to work together and share the belief that products exist to serve people. The question everyone should ask is, "What do we want to achieve by building this product?"

In a B2B model, where commerce transactions occur between two or more businesses rather than between a business and its end users, it can be especially tricky to answer the question "Whom do you serve?" Imagine that Mr. Merchant, a busy retailer, asks your software company to deliver an online-shopping platform for his customers. Do you serve Mr. Merchant or his many customers?

It's easy to fall into a trap and forget that those many end users drive the business. If they aren't happy, it doesn't matter how happy Mr. Merchant is with the product you deliver.

You could argue that it's Mr. Merchant's business and he knows his customers well. They come to his stores, buy his products and offer feedback. But will online customers behave the same way? There must be a reason why they shop online instead of going to Mr. Merchant's store. Are they too busy? Is their size always sold out? Is the physical store difficult to access? Mr. Merchant won't know the answer because he hasn't met these people.

In the software industry, third-party businesses and end users shouldn't sit in silos. The world demands collaboration. If you add your e-commerce platform to the equation, it's your responsibility to collaborate with Mr. Merchant and to understand his customers. It's not about going the extra mile, it's about necessity.

Fortunately, finding out about customers is easier than ever. For example, shoppers provide supermarkets with terabytes of information about themselves and their shopping habits in exchange for small discounts through loyalty programs. Most customers have no clue how valuable this knowledge is for retailers.

Consumers are creatures of habit who automatically repeat their former behavior. These habits have an impact on almost all their shopping decisions. But the habits are unique to each individual. By closely following customer buying habits, analysts can tell what is happening within their homes and create demographic of each one. This helps create exactly the right offers tailored to the specific items someone needs to buy. Think about it: If retailers could understand shopping habits of specific customers, they could convince them to buy almost anything.

Researchers discovered that buying habits usually only change when people go through big life events, like getting married, having a baby, moving houses or getting divorced. Although consumers often don't realize when their buying patterns change, retailers are aware and see the potential: They could gain new customers who return for years. That's worth a lot of money. In fact, pregnant women and new parents belong to one of the most highly profitable consumer groups.

When Target hired a statistician named Andrew Pole in 2002, his marketing colleagues asked if he could determine which customers were pregnant, based on their shopping habits. The goal was to get a step ahead of the competition. Once a baby is born,

it is already too late, because any company can easily access public birth records.

Pole began analyzing how the average woman's buying habits shifted as she approached her due date. His algorithm was so effective that he could actually predict when an individual woman was due to give birth.

The pregnancy-prediction model continued working well until one day when an angry man walked into a Target outside Minneapolis and demanded to see the manager. He was holding coupons that had been sent to his daughter, and he was angry, according to a 2012 *New York Times* article by Charles Duhigg.

"My daughter got this in the mail!" he said. "She's still in high school, and you're sending her coupons for baby clothes and cribs? Are you trying to encourage her to get pregnant?" The manager apologized and then called the man a few days later to apologize again. On the phone, the father sounded uncomfortable. "I had a talk with my daughter. It turns out there's been some activities in my house I haven't been completely aware of. She's due in August. I owe you an apology."

Such valuable information allows retailers to know exactly what their targeted audience needs and wants before they know it themselves. These predictions can continue for years beginning with maternity clothes, followed by diapers, baby food and clothes, then toys and school equipment. And it all comes from data.

Although analyzing data is a great way to understand and predict your market, it's not all about numbers. Real people are behind the data.

It's also important to remember that working with data is a reactive process. You're analyzing things that already happened, and some decisions need to be made up front.

That's where the concept of personas can help. They put a human face on otherwise abstract data and represent groups of end users who may use your product in similar ways. Personas are fictional characters based on research, previously collected data and interviews with real people. Typically, their segmentation is based on goals, attitudes and behaviors. Personas become realistic when you provide them with names, photos and demographic details. They work because they bring teams together, create a shared vision of the target audience and encourage everyone involved to think about the actual users.

Consider the persona of Emma, 39, an accountant who works in London. Emma feels guilty about not spending enough time with her husband, James, and daughter, Lia. She has a busy job and long commute and gave up traditional shopping a while ago. She now buys her groceries online. Emma values her time—"Time is money," she says—so she wants to shop online as quickly as possible.

Now imagine an e-commerce platform that could learn what she needs on a regular basis and help her complete the shopping process more quickly. She would have more time to spend with her family. Even more efficient would be the ability for her to shop on the train, where she already spends a lot of time. Imagine an e-commerce platform optimized for her smartphone.

There are plenty of Emmas out there, and there are plenty of other personas as well. Before adding a specific feature request to the product backlog, it's important to consider how that feature will solve a persona's particular problem. By focusing on the needs of the personas most likely to use your product, teams can make better product decisions and decide what is truly important.

Data helps you recognize and quantify needs. Personas help you remember the real people behind all the data. Combining the two will help you build great products that solve the problems of real people and get your product well on its way to success. **PM**

About the Author

Anna Miedzianowska is a product professional with 13 years of experience in software development and product management across different countries—Poland, Ireland and the UK. Working mostly in B2B environments of any size, she is a strong advocate of user-centric approaches and customer dialogue. She can be reached via email at anka.miedzianka@gmail.com or on LinkedIn at uk.linkedin.com/in/ankamiedzianka.

Product Ownership: From Roadmaps to Backlogs

BY JOHN MILBURN

WHO OWNS THE PRODUCT? For a long time, most technology firms delivered products in a waterfall method, a fairly straightforward way to define, build, test and deliver products. Product management, development and product marketing roles and titles were clearly defined and ownership was fairly clearly understood.

But as the majority of development organizations moved to iterative development methodologies—such as agile and scrum—new titles, deliverables and processes emerged. It's true that these changes often result in improved team interaction, greater visibility of project progress, greater flexibility to adjust to change, and more inclusive, open organizations. But there's often a downside too: The new processes introduce resource and expectation gaps, causing confusion about ownership and accountability.

With this shift, organizations see two significant challenges:

1. New roles are introduced without changes in staffing.
These roles are fairly well defined and are important in the new processes, but they don't come free. To be effective, they usually demand additional time and new skills. Yet, existing personnel are often asked to cover their old roles while taking on new ones. Specifically, product managers are also asked to be product owners; project managers are also asked to be scrum masters; business analysts are asked to track development velocity; and user-experience designers are required to spend more time in the office and less time with actual users.

2. More time is spent on internal meetings than on the market. This increased emphasis on process often results in companies losing touch with the market and becoming more inside-out in their thinking. Pragmatic Marketing emphasizes that nothing important happens inside the office (NIHITO), but internal demands and new processes (e.g., daily stand-ups) move many organizations even farther from the market.

One way to reduce this confusion and ensure we don't lose touch with the market is to clarify ownership and expectations by identifying key activities, outputs and deliverables, and then selecting the most suitable person to own each of them. Let's focus on outputs and skills, not titles. This helps us answer questions like:

- Can the business analyst act in the role of product owner?

- Do we need a project manager and a scrum master?

- What are the "handoffs" between each group, and who approves them?

The partial list of release activities on the following page will help you get started. Sit down with the cross-functional team, review each item in detail and assign a primary owner for the function.

PLANNING AND DESIGN

TASK	SKILLS NEEDED	OWNER
Explain and document the overall risk and ROI of a project to funding sources		
Document and communicate the product vision		
Collect and filter product and enhancement inputs		
Define the overall themes/goals of a release		
Document and prioritize user and buyer personas		
Document and prioritize market problems		
Prioritize defects and bugs		
Lay out the overall project plan and set expectations around scope, cost and time		
Define the system structure/architecture that will be most efficient, high performing, etc.		
Understand, document and validate the user-experience design		
Estimate the expected rate of output of the development team		
Define the interim steps for development to build and test the product		

DEVELOPMENT AND TESTING

TASK	SKILLS NEEDED	OWNER
Call and run regular status meetings		
Assign tasks to individual developers and testers		
Report project status to executives and other stakeholders		
Modify the requirements when market conditions or scope changes		
Resolve open action items that may come up in status meetings		
Define and develop the user interface		
Validate that the user interface will delight external customers		
Document, run and validate user acceptance tests		
Document, run and validate quality acceptance tests		
Review the output with internal and external stakeholders		
Select the clients, define the terms and document feedback of beta tests		
Decide if the product is ready to release to the market		

DELIVERY AND LAUNCH

TASK	SKILLS NEEDED	OWNER
Develop the marketing plan		
Document and prioritize buyer personas		
Develop the launch plan		
Prepare launch materials and update web content		
Assure that all processes (ordering, pricing, training, delivery, etc.) are ready for launch		
Own references and early adopters		
Set launch metrics to define the launch goals		

By following these steps, organizations can more clearly articulate the expectations of each role. Leadership will not only become more clear about ownership and accountability, but it will be better informed about where teams are spending their time and can make the necessary tradeoffs to ensure there is still time in the market. **PM**

About the Author

John Milburn is a Pragmatic Marketing instructor who has "walked the walk" in technology product management. Throughout his 20-plus-year career, he has managed or delivered more than 40 hardware and software products and implemented the Pragmatic Marketing Framework at many companies. His perspective and experiences from his professional background add insight and real-world examples to his teaching. This perspective allows John to connect with product managers and executives from companies of all sizes in a broad range of markets. Contact him at jmilburn@pragmaticmarketing.com.

MIRAGE OF DATA

Understanding the Limitations of a Data-Driven Approach

BY GERARDO DADA

AN ONGOING STREAM OF NEW TECHNOLOGIES gives businesses access to ever-increasing amounts of data as well as tools to more quickly analyze that data. However, it's misguided to think that data alone enables us to make the right decisions and bulletproofs our path.

Sixteen years ago, one of the world's most innovative companies was about to launch a massive project. It had hired three top consulting companies and spent eight figures to interview 200,000 people in 54 cities and an additional 22,000 individuals at 3,000 corporations. All this research and data should have guided the project and ensured success, right?

The company was Motorola and the project was Iridium. It went down in history as one of the most colossal business failures ever, resulting in a $5 billion write-off. Motorola had access to experts, technology and reams of data. But the company failed to ask the right questions and to interpret the data correctly.

Specifically, Motorola failed to ask if people would pay for the service at a particular price.

The value of data is not really in the quantity, but in knowing what to ask for and deriving the right insights. One of the better-known big-data technologies helps organizations collect well in excess of 100 gigabytes of data per day. To put this number into context, the entire Encyclopedia Britannica uses less than one gigabyte of data. How are businesspeople supposed to analyze all this data?

A few years back, Mohanbir Sawhney, one of the most brilliant marketing academics from the Kellogg School of Management, gave my class a problem to solve. The case study included a couple of data tables and multiple data points: prices, costs, volume, market research, etc. Everyone in class fired up their spreadsheets and came up with a couple conclusions, all wrong. Our mistake was in assuming that because we had a lot of data, the answer must be in data analysis. It turned out the answer was in front of us the entire time. There was no need to analyze the data to find the answer, because the answer was found in basic marketing strategy. The data was a trap.

To avoid ensnaring yourself in a data trap, remember the following seven data hazards.

1. Data only looks at the past. Despite conventional wisdom, data is limited as a predictor of the future. Otherwise, it would be easy to predict stock prices, sports scores or even lottery numbers. Albert Einstein knew the act of observation itself alters reality. By the time you collect and analyze data, the environment will have changed, limiting its usefulness.

2. Data does not tell you why or reflect emotion. It is so easy to confuse information with evidence. Modern management practices focus on quantification of all the elements of a business. We are all human. We make emotional decisions and then justify them rationally. From your morning Starbucks, to the car you drive, to billion-dollar-decisions in corporations, it is all driven by emotions. You cannot fully understand customers through a numerical lens. Data can show us what customers purchased, how they paid and how often they visited. But it cannot tell us why.

3. Data is always biased. Every step in data collection and analysis has the potential to introduce bias. Surveys are biased by the subset of customers you survey and the subset of those who respond. Your transaction data is biased based on your existing customers. It may not accurately represent the entirety of the market because you

are blind as to why non-customers fail to buy. Collection can result in a self-fulfilling prophecy. For example, when you display the most popular products on your website, they become even more popular—not because they are the best products, but because you chose to display them. Psychologists tell us we are all victims of confirmation bias, giving more value to the data that confirms our hypothesis and ignoring the data that contradicts it.

4. We often look at the data we can collect, not at the data we need. Not all data is useful. Not all data is interesting, and most is not insightful. We tend to assume the data we have (or what we can collect or observe) must have the answer to our questions. The weight of a television set has nothing at all to do with the clarity of its picture. Even if you measure to a tenth of a gram, this precise data is useless. The number of Twitter followers a person has is probably not a good indicator of actual influence, even if it easy to measure. It takes guts to stop measuring things that are measurable and even more guts to create things that don't measure well by conventional means.

The act of observation itself alters reality.
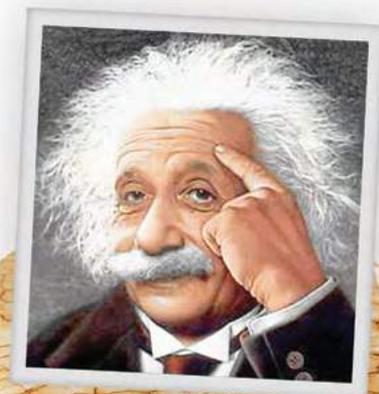
5. Data makes it easy to confuse correlation with causation. In search of an ROI story, social marketers are quick to point out the higher customer value of those who follow a company on social networks, implying they buy more because they follow the company. However, is it more plausible that they follow the retailer on social networks because they are loyal customers? Without understanding the *why* and the emotions behind people's decisions, it is hard to properly interpret data. While your data will show

> **Sometimes we look for technology to tell us about customer behavior when it would be easier just to get out of the office and listen to them.**

that a customer purchased a large-ticket item and a small-ticket item, it won't reveal which item the customer came to the store to buy and which item was the impulse buy.

6. There may be more than one explanation. It is common to look for the root cause of a problem, to find the one thing that drives customer buying decisions. The reality is that the way people make decisions is far more complex. Dozens of factors influence a single decision. It is like proposing marriage. Do you know why she said "Yes"? Was it your looks, your money, your smile or your sense of humor? As much as we want a simple answer that clearly points to a single explanation, chances are that events and decisions are the results of more complex, interdependent factors.

7. More data (or big data) is not better data. You can survey thousands of people and ask them who invented the light bulb, which will result in a false sense of security in perfectly inaccurate data. We tend to believe that more data gives us more precision, when it usually has the opposite effect. It is easy to draw a chart with two axes and it is possible to compare data using three dimensions. However, adding a fourth, fifth or sixth dimension makes data visualization an impossible problem in itself. With more information and more data points to correlate, we are forced to ignore or minimize large sets of data, increasing our chances of arriving at the wrong conclusion.

Sometimes we look for technology, sophisticated data models, complex analytics and expert advice to tell us about customer behavior when it would be easier just to

get out of the office and listen to them. The best insights come from observing and listening to customers. If you make it a habit to speak with at least one customer every day, you will gain insights that no computer technology can offer.

Bernadette Jiwa captured it beautifully in her book *Difference*: "We assume that the most valuable data is static and lives on graphs and spreadsheets….The truth of what we need to know and some of the most valuable data live in plain sight. The wrinkled nose of the diner. The sigh of the shopper waiting in line. The posture of the customer as she walks out the door. What she packed in her bag before she left home this morning. Noticing what people do is often more valuable to us than listening to what they say they think."

I am a believer in the power of big-data technology and the business value of insights because I have seen the success stories firsthand. But there also is a danger in following buzzwords and trends blindly, relying purely on metrics and analysis for decision-making.

Understanding the limits of what data can tell us, identifying the challenges in interpreting that data and being deliberate about capturing simple but useful data can lead to insights and action. Taking advantage of data, along with non-data-derived insights, results in better decision-making.

I am not suggesting that marketers ignore data. To the contrary, data is fundamental for every businessperson and can be especially useful for marketers. I am suggesting that you be aware of the limitations and traps of data to better comprehend its usefulness and to extract real value from the available data. **PM**

About the Author

Gerardo A. Dada is the vice president of product marketing and strategy at SolarWinds. A marketing strategist, technology marketer and entrepreneur, Gerardo has worked for companies like Microsoft, Rackspace, Motorola and Bazaarvoice. Read his blog at www.theAdaptiveMarketer.com, follow him on Twitter at @gerarodada or email him at gdada@hotmal.com.

THE TOP 10 THINGS AMAZING LEADERS DO

BY ROBIN SHARMA

LEADERSHIP. LOVE THAT WORD. Makes me think of Mandela and Gandhi. Gates and Edison. Mozart and Beckham. Bono and Bieber.

It's a word I've passionately built the past 17 years of my life around, reminding so-called ordinary people that they are called to lead. And create. And contribute. And win.

These are strange and fabulous times. Tons of challenges. Dazzling possibilities. To help you lead even without a title, I've distilled 10 of the most valuable and practical insights on leadership. I've taught these around the world to clients like Starbucks, IBM, Nike, GE and FedEx, and these ideas have helped them do great things. My wish is that they deliver the same results for you.

1 **The job of a leader is to grow more leaders.** I'll be blunt: If you're not building more leaders, then you're not leading, you're following. Your job (regardless of whether or not you have a title) is to help people do work they never dreamed they could do. Your job is to inspire people to own their talents, express their gifts and do the best work of their lives. That's part of what it truly means to lead.

2 **Nothing happens until you move.** Start small, dream huge, but begin today. Procrastination is nothing more than the defense mechanism of choice used by scared people. Here's what I mean: If we actually achieved our goals and acted on our visions, we'd become ultra-successful. And spectacular success brings responsibility. That frightens most of us. And so we put off getting great things done. And blame the world for any mediocrity that infuses our lives.

3 **Your behavior reveals your beliefs.** You tell the world what you believe via how you behave. Complain all day long and you reveal a deeply ingrained set of beliefs that you are powerless and apathetic. Present work that has typos and poor wording and you express a belief that average is cool with you. Mistreat others and you reveal that you're selfish and disconnected from the humanity that surrounds you. The good news is that as you wire in the beliefs of leadership (versus victimhood), your behavior changes automatically.

4 **Ideas are worthless without execution.** I'd rather have an average idea that my team and I flawlessly execute than a genius-level idea with poor execution. The best leaders and organizations are all about talking less and doing more. Fewer meetings and more delivery. Less analysis and more rolling up sleeves and getting projects done.

5 **When you learn more, you achieve more.** To double your income, triple your rate of learning. Few things have better served my professional career—and the careers of the billionaires, Titans and CEOs I privately coach—than this idea. Genius is much less about natural talent and much more about out-studying, out-preparing, out-practicing and out-learning everyone around you. Almost nothing yields the return on investment that investing in workshops, conferences, online courses, books and coaching does.

6 **Take care of the relationship, and the money takes care of itself.** Leadership is about relationships. The smartest, fastest and most effective leaders all get that the whole game is about people—developing teammates + serving customers + making the world better by the way you show up in it. Learn to listen like a master. Commit to being more inspirational. Keep your promises. Do nice things for people. Be the most generous person you know. Staggeringly great opportunities will come your way. Trust me.

7 **Respect is not granted but earned.** A title, position and a large office do not guarantee people will respect you. Nope. You've got to earn that gift. And the quickest way to earn respect is to give it. No need to say much more.

8 **Don't confuse movement with progress.** Yes, we live in the age of dramatic distraction. According to *The Financial Times*, we collectively spend 100 million minutes a day playing *Angry Birds* on our smartphones. Most people in business are spending the absolute best hours of their days being busy being busy. Leaders without titles are completely different. I teach a whole system of tactics to multiply productivity 20-fold. Here are a handful you can apply today:

- Set five daily goals and get them done before leaving the office (that's 1,850 small wins in 12 months)

- Use your first 90 minutes at work to fuel your most important project

- Get good at saying no

9 **Victims don't do giant things.** Victims make excuses while leaders drive exceptional results. You can spot a victim a mile away: They blame and complain and are negative and cynical. They've given away their power to achieve amazing things to other people and other conditions for so long, they've actually conditioned themselves to think they have none. You are not a victim. This day—and every one that follows—offers a platform of possibility. And the great thing about using your power to make things better is that the more you use it, the more powerful you become.

The quickest way to earn respect is to give it.

10 **Life is short, so be of use.** My dad is awesome. He often says, "Robin, when you were born, you cried while the world rejoiced. Live your life in such a way that when you die, the world cries while you rejoice." I always remember my dad's striking advice and carry it with me in all that I do.

To truly be a leader has nothing to do with ego-stroking, applause and fame. No, to be a leader is to make phenomenal contributions that make the world better and cause a lasting difference. To lead is to serve and to be of use. **PM**

About the Author

Robin Sharma is the author of 15 international bestselling books on leadership, including *The Leader Who Had No Title.* Robin is the founder of Sharma Leadership International Inc., a training firm with only one focus: helping people in organizations lead without a title. Clients comprise of many of the Fortune 500, including Microsoft, GE, Nike, FedEx and IBM. Organizations such as NASA, IMD Business School, Yale University and the Young Presidents' Organization are also SLI clients. Robin is a former litigation lawyer who holds two law degrees including a master's of law (Dalhousie Law School). Learn more about Robin at www.robinsharma.com.

Roadmap to Revenue

BY KRISTIN ZHIVAGO

SHIFTING YOUR ORGANIZATION FROM company-centered (marketing and selling) to customer-centric (supporting the customers' buying process) makes perfect sense.

Your customers are driving the buying process. They are in charge of the interaction. They know what they want and how they want to buy it. They hold all the cards. They can walk away at any moment.

If what you say and do supports the way they want to buy, they will stick with you through the process. You will make the sale. If you don't support their process, they will simply take their money elsewhere.

Making the shift from company-centered to customer-centric is a journey.

After you make the shift, you won't be marketing and selling anymore. You'll be supporting the customers' buying process, systematically removing barriers to the sale and selling more.

The Work Ahead

You can't make the shift from company-centered to customer-centric without interviewing your customers. But there is more to it than just finding out what they want to buy from you and how they want to buy it.

You have to analyze that knowledge, turn it into an action plan and get everyone in your company involved. If you don't, you won't really be making the shift. You'll still be marketing and selling, while trying to make the shift. You'll still have all the same problems, plus the complication of everyone thinking, "The Boss wants us to do this shift thing, but I'm not clear what I should do, and I have a deadline to meet right now." You'll be confusing matters instead of bringing new clarity to your revenue-generating activities.

The entire roadmap to revenue process includes three basic steps.

STEP 1: DISCOVER. Find out what they want and how they want to go about buying it.

You will interview customers to find out what they need and how they want to buy. During the interviews, customers will also give you additional critical information, such as their perceptions of your company, products, services and website; trends they see; how they're using technology to make purchases; and what they think of your competition.

The information gathered in the initial interviews will be turned into two reports: a conversation report and a summary/recommendations report. The conversation report will contain the customers' comments, categorized by subject. The summary/recommendations report will contain summaries of what your customers said and recommendations on how the company can solve the problems raised by customers.

These reports will reveal what is broken and what is working. You will know what customers want to buy from you, how they want to buy and which aspects of your product or service they find most appealing.

It is never what you assume; customers will say things that surprise you and make you realize you've been moving in the wrong direction in some areas of your business.

STEP 2: DEBATE. Resolve the differences between what they want versus what you have to sell, and how they buy versus how you sell.

Once your brain trust has read these reports, it's time to hold a brainstorming and planning meeting. On the first day, you will:

- Analyze, discuss and prioritize what customers have said. The findings of your customer research will be presented to the people in the room (usually consisting of top management, sales, marketing, product management and web folks). List the issues most important to customers and all of the other issues, trends, perceptions, needs and buying-process data uncovered in the interviews. Everyone in the room will now be aware of what customers want, the problems that need to be solved, your strengths and weaknesses, and barriers to the sale.

- Agree on the essence of your promise to customers. Customers are attracted to companies and their products or services because they expect to find a solution there. Promises are made by the company, to the customer, about the company and its products. The customer expects those promises to be kept. This is where you will identify and articulate the promises customers want you to keep—and ones that you can keep.

STEP 3: DEPLOY. Document your customers' buying process so you can support them every step of the way, then build an action plan.

On the second day of your brainstorming and planning meeting, you will:

- Build a buying-process roadmap. Using the information gathered in interviews, and the experience of your salespeople, marketing people and web people, you will build a buying-process roadmap for each of your products and services. The roadmaps will show the different stages of the customers' buying process. For each stage, you will list who is involved in the buying decision, the concerns they have and the actions they take, as well as the tools you will use to address those concerns, answer their questions and make it easy for them to take the next step. The buying-process roadmap will align your sales, marketing and web teams. Everyone in the room will understand their role in supporting your customers' buying process.

- Build your revenue-growth action plan. You'll want to fix what is broken and improve what needs improving. You will create a master to-do list. Each item on the list will have a description of the issue, the recommended solution, the steps involved, the owner, the due date and the status.

As you go forward, with the buying-process roadmap as your guide, you will build, implement and then fine-tune your lead-acquisition and lead-conversion activities. You will institute methods for obtaining customer needs and preferences data. After the initial meeting, you'll have weekly meetings where everyone can report on their progress (or completion). If anything is falling behind schedule, you'll figure out how to get it moving again. The action plan must include the processes and systems for continuing to interview customers and gather data from customers when they interact with your customer-facing people. Processes must then be set up so the data leads to action.

The revenue-killing momentum caused by insider mentality is like a boulder that must be pushed up a hill. Stop pushing, and it will roll over you. Over time, as you make the shift from a company-centered mentality to a customer-centric mentality, the boulder will decrease in size. Don't be surprised if it takes a year for the shift to take place. Don't relax even then. There will always be negative forces at work trying to separate you from your customers' realities. You can't afford for that to happen. Customer realities drive your revenue.


Insider mentality is like a boulder that must be pushed up a hill.

Of course, even the small, immediate changes you start to make will make it easier for people to find you, understand what you are selling and buy from you—even before you have fully instituted the shift. Their questions will be answered in a way that satisfies them and takes them comfortably to the next step in their buying process. One by one, their concerns will be addressed and eliminated, and they will gladly make a purchase.

The initial, incremental changes in the way you market and sell will move your revenue needle in the positive direction. **PM**
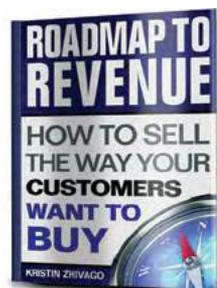
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🔸 **About the Author**

Kristin Zhivago is a revenue coach and author of *Roadmap to Revenue: How to Sell the Way Your Customers Want to Buy.* She recently co-founded two companies: Cloud Potential, which helps companies move their IT infrastructure to the cloud, and Conversion Platforms, which helps clients create complete digital-marketing platforms. Contact Kristin at Kristin@Zhivago.com or follow her on Twitter at @KristinZhivago.

A PRAGMATIC APPROACH

Put this issue's ideas into action.

Price for Your Customers

Create a pricing model that aligns with your customers' goals.

Jim Semick

page **8**

Alert Your Competition

When you make price changes, send signals about why you're making those changes.

Mark Stiving

page **12**

Get Them on Your Side

Think about whom to collaborate with and why they are necessary.

Holly Krafft

page **15**

Prioritize Services

To drive more profitable pricing, understand which services are valuable and the associated cost to deliver them.

Reed K. Holden

page **17**

The Burning Question

Ask yourself: "What do we want to achieve by building this product?"

Anna Miedzianowska

page **22**

Who Owns What

Rely on skillsets, not titles, to define ownership.

John Milburn

page **25**

Understand Data's Limits

Your data is only as good as the questions you asked.

Gerardo Dada

page **28**

Learn More, Achieve More

To double your income, triple your rate of learning.

Robin Sharma

page **32**

Become Customer-Centric

Interview customers to discover what they need and how they want to buy.

Kristin Zhivago

page **34**

THE PRICING ISSUE
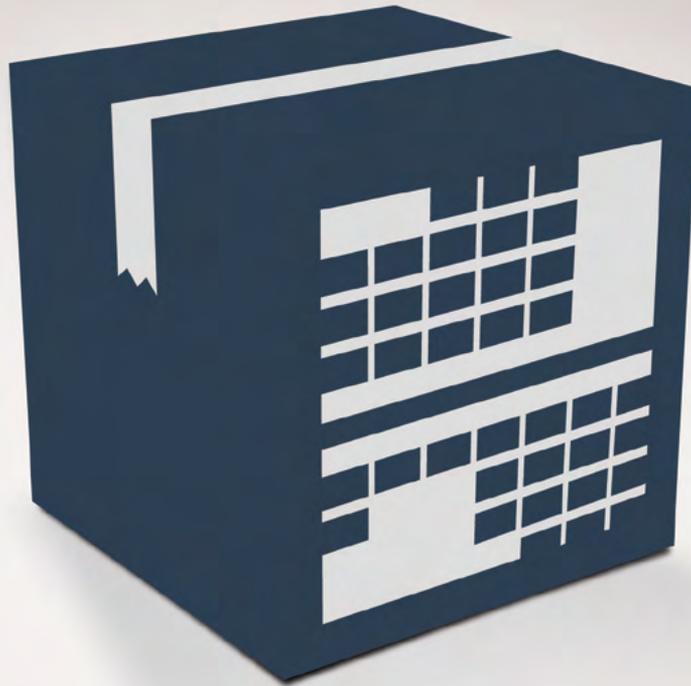
Think inside the box.

(All 37 of them)

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