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Volume 9 · Issue 1 · 2011

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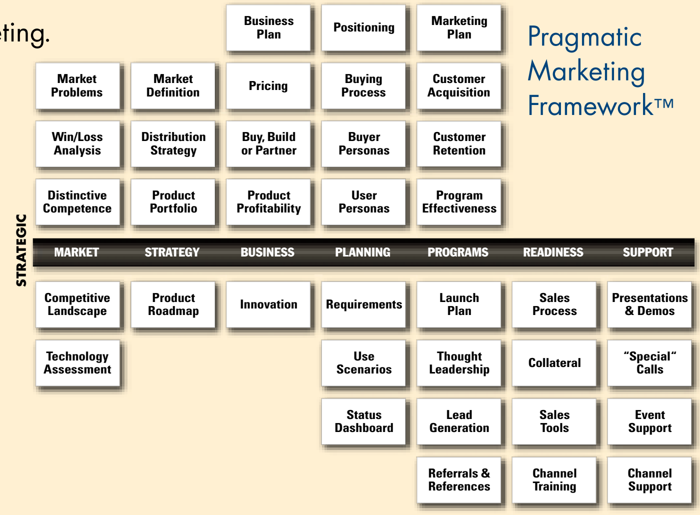

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Pragmatic Marketing's 11th Annual

Product Management and Marketing Survey

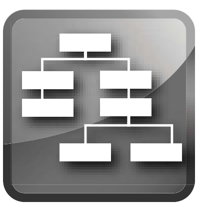
By Steve Johnson

Each year Pragmatic Marketing conducts a survey of product managers and marketing professionals. Our objective is to provide information about compensation as well as the most common responsibilities for those performing product management and marketing activities. Over 1,800 completed the survey between October 29 and November 25, 2010.

Note: When making decisions, remember this summary describes typical practices, not best practices. For best practices in product management and marketing, attend a Pragmatic Marketing seminar.

Profile of a product manager

- Average age is 39
- Responsible for 3 products and works in a department of 6 people
- 92% claim to be "somewhat" or "very" technical
- 33% are female, 67% are male
- 93% have completed college and 43% have completed a masters program



Reporting structure

The typical product manager reports to a Director or Vice President in the product management department.

Reporting to Title

- 39% report to a director
- 31% report to a vice president
- 21% report to a manager
- 9% report to a CXO

Reporting to Department

- 29% direct to CEO or COO
- 31% in Product Management
- 20% in Marketing
- 14% in Development or Engineering
- 6% in Sales

Product Management ratios within the company

When looking at staffing, it's often helpful to see how ratios of product managers at your company compare to the industry norm.

For each product manager, we find:

- 0.6 Product marketing managers
- 0.5 Marketing Communications
- 2.1 Salespeople
- 0.6 Sales engineers (pre-sales support)
- 0.4 Development leads
- 2.0 Developers
- 0.1 Product architects and designers

Other ratios of interest

- 1.8 developers per QA manager
- 3.0 salespeople per sales engineer

Compensation

For product management and product marketing titles, the average compensation is $96,483 salary plus $12,688 annual bonus. 67% of product managers and marketers get a bonus. Bonuses are based on (multiple responses were permitted):

- 69% company profit
- 26% product revenue
- 59% quarterly objectives

Geographic impact on compensation *(in US $)*

	Base salary	Bonus
Africa	$76,000	$22,500
Asia	$83,392	$5,058
Australia/New Zealand	$104,625	$11,163
Canada	$89,934	$10,747
Central/South America	$81,000	$12,000
Europe	$87,239	$12,257
Middle East	$109,334	$15,000
United States	$102,960	$14,173

US regional impact on compensation *(in US $)*

	Base salary	Bonus
Midwest	$91,157	$10,965
Northeast	$109,415	$16,179
Pacific	$113,880	$15,221
South	$100,375	$15,477
Southwest	$110,285	$16,973
West	$98,926	$12,496

Midwest (IA, IL, IN, KS, MI, MN, MO, ND, NE, OH, SD, WI)
Northeast (CT, DE, MA, ME, NH, NJ, NY, PA, RI, VT)
Pacific (AK, CA, HI, OR, WA)
South (AR, LA, OK, TX)
Southeast (AL, FL, GA, KY, MD, MS, NC, SC, TN, VA, WV)
West (AZ, CO, ID, MT, NM, NV, UT, WY)

Compensation by years of experience *(in US $)*

	Base salary	Bonus
Less than 1 year	$98,968	$13,593
1-2	$93,383	$13,891
3-5	$98,628	$12,715
6-10	$103,969	$14,059
11-15	$113,374	$16,009
More than 15	$121,734	$12,896

Compensation by education *(in US $)*

	Base salary	Bonus
Bachelors degree	$94,763	$12,260
Masters in Business	$105,031	$15,581
Masters in Engineering	$103,144	$11,696
Other Masters degree	$101,005	$13,546

Compensation by title *(in US $)*

	Base salary	Bonus
Product Manager	$100,964	$13,235
Product Marketing Manager	$96,470	$14,912
Product Owner	$104,702	$17,183
Technical Product Manager	$91,841	$9,845

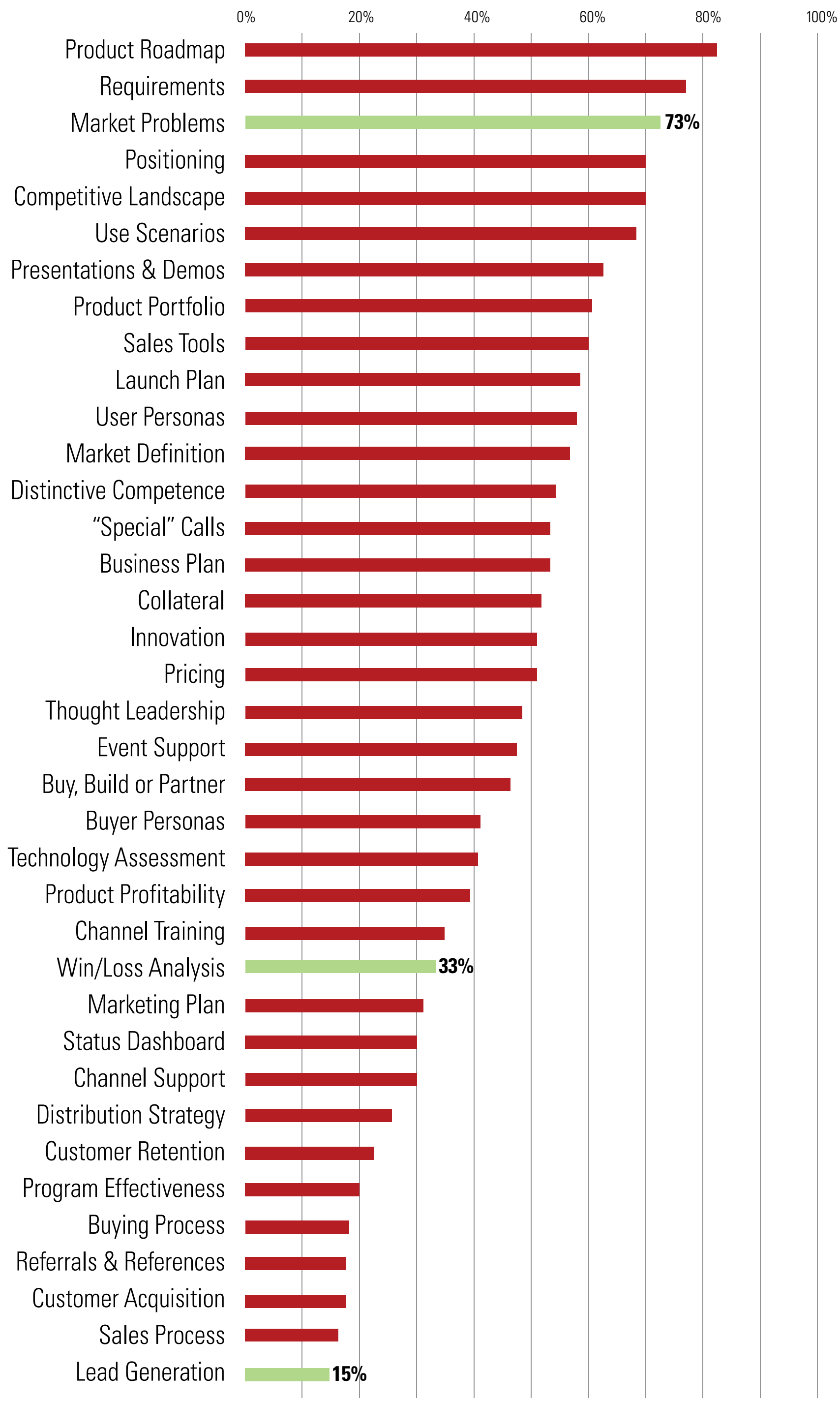
Compensation by technical ability *(in US $)*

	Base salary	Bonus
I am non-technical	$94,204	$12,962
I am somewhat technical	$99,082	$13,584
I am very technical	$101,973	$13,448

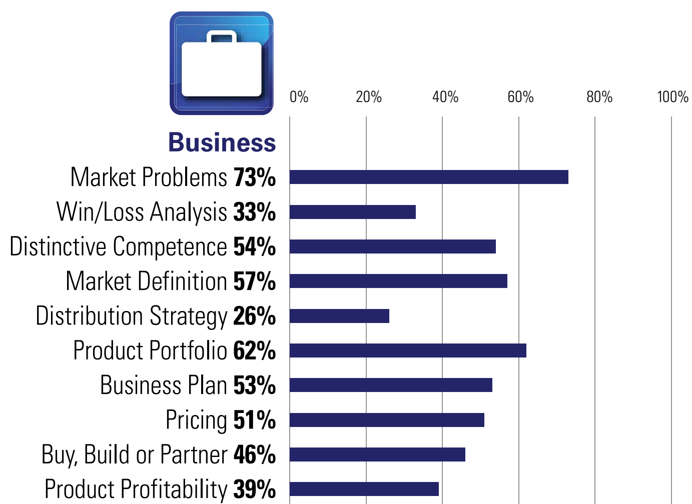
Responsibilities and job titles

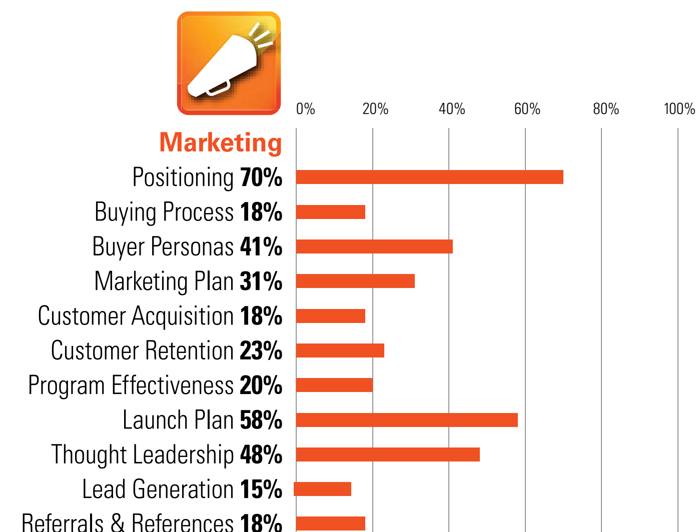
We looked at responsibilities for each of the 37 activities on the Pragmatic Marketing Framework™. So, for example, 73% of people with **product management** and **product marketing** titles claim responsibility for understanding Market Problems while only 33% claim responsibility for Win/Loss Analysis.

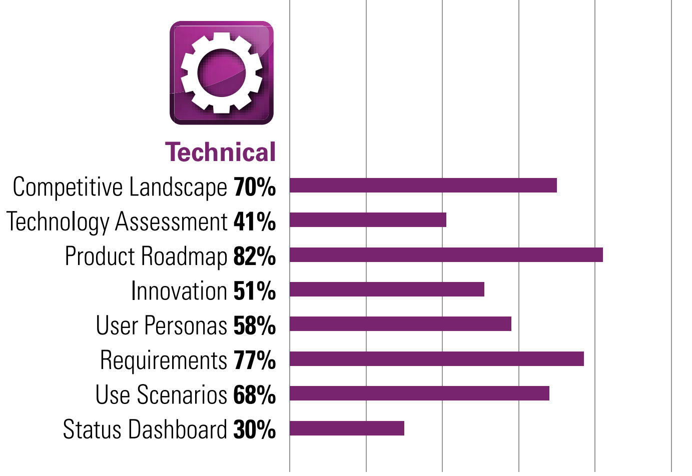
Here we see the activities and percentages sorted from most to least, showing "Product Roadmap," "Requirements," and "Market Problems" are the most common activities claimed by those with product management and product marketing titles while, at 15%, "Lead Generation" is least cited.

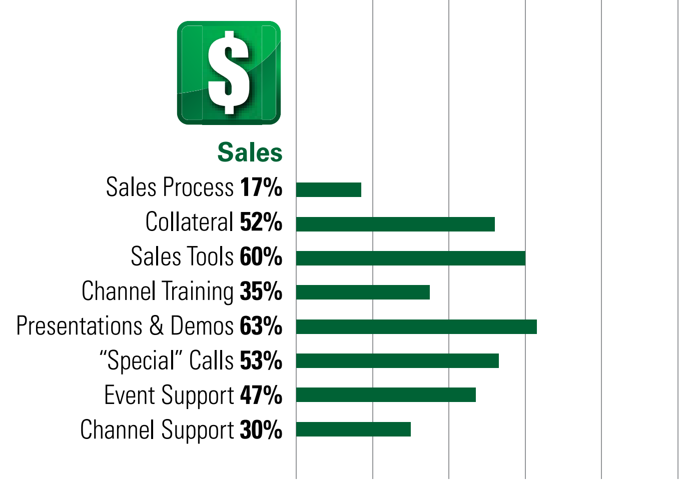


Here we see the same information—activities and percentages of people with **product management** and **product marketing** titles—grouped by discipline: Business, Technical, Marketing, and Sales support.









Contrasting titles:

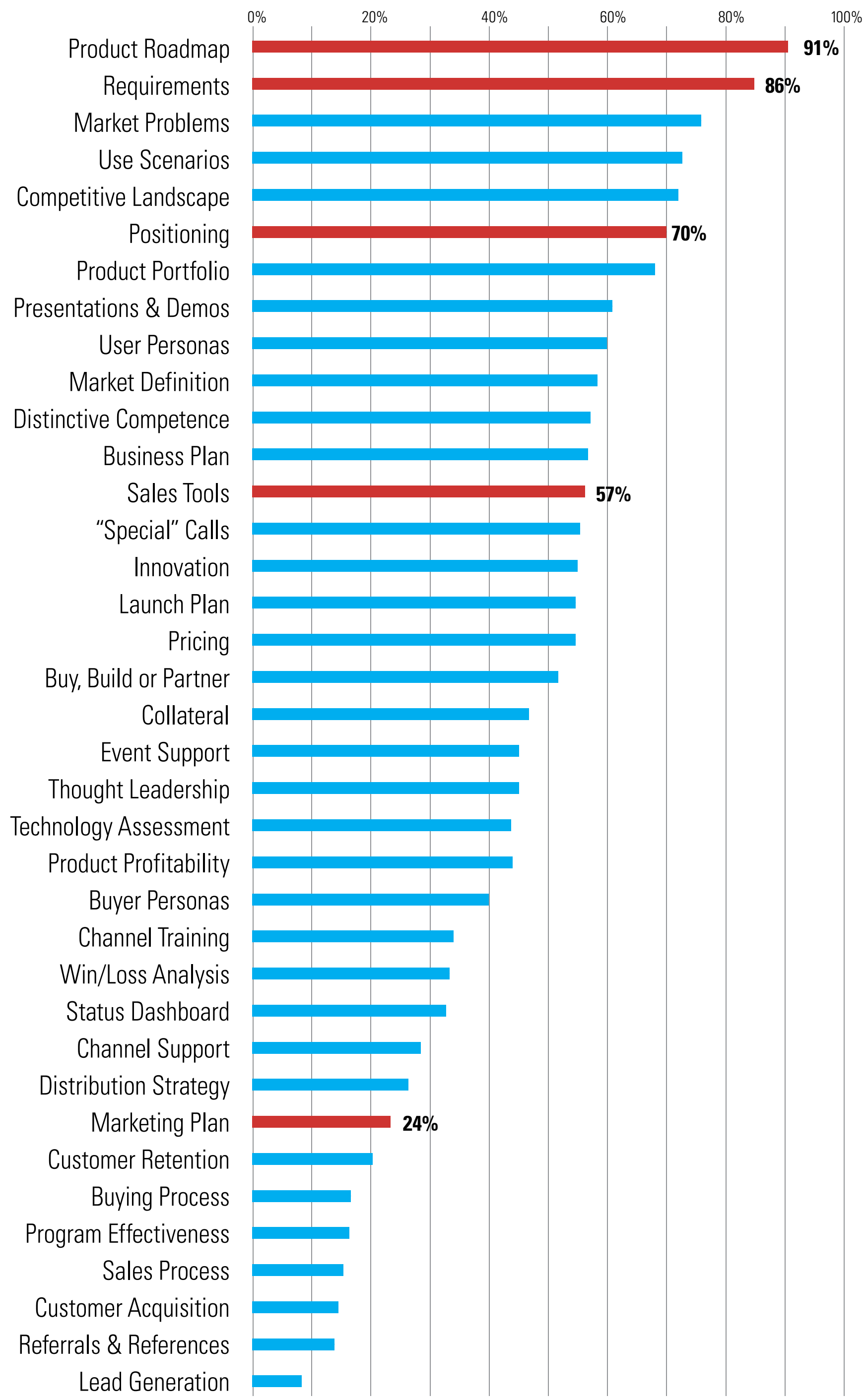
product manager
and
product marketing manager

Titles are a mess in our industry. What one company calls a product manager, another calls a product marketing manager. In general, when both titles are present in one organization, product managers are focused on technical and business activities while product marketing managers are focused on go-to-market activities.

For those with a title of product manager, we found these responsibilities

In the following charts, we've highlighted five representative documents to help contrast product management and product marketing: Product Roadmap, Requirements, Positioning, Sales Tools, and Marketing Plan.

As you can see, Product Roadmap and Requirements are the responsibility for over 80% of those with a title of *product manager*.



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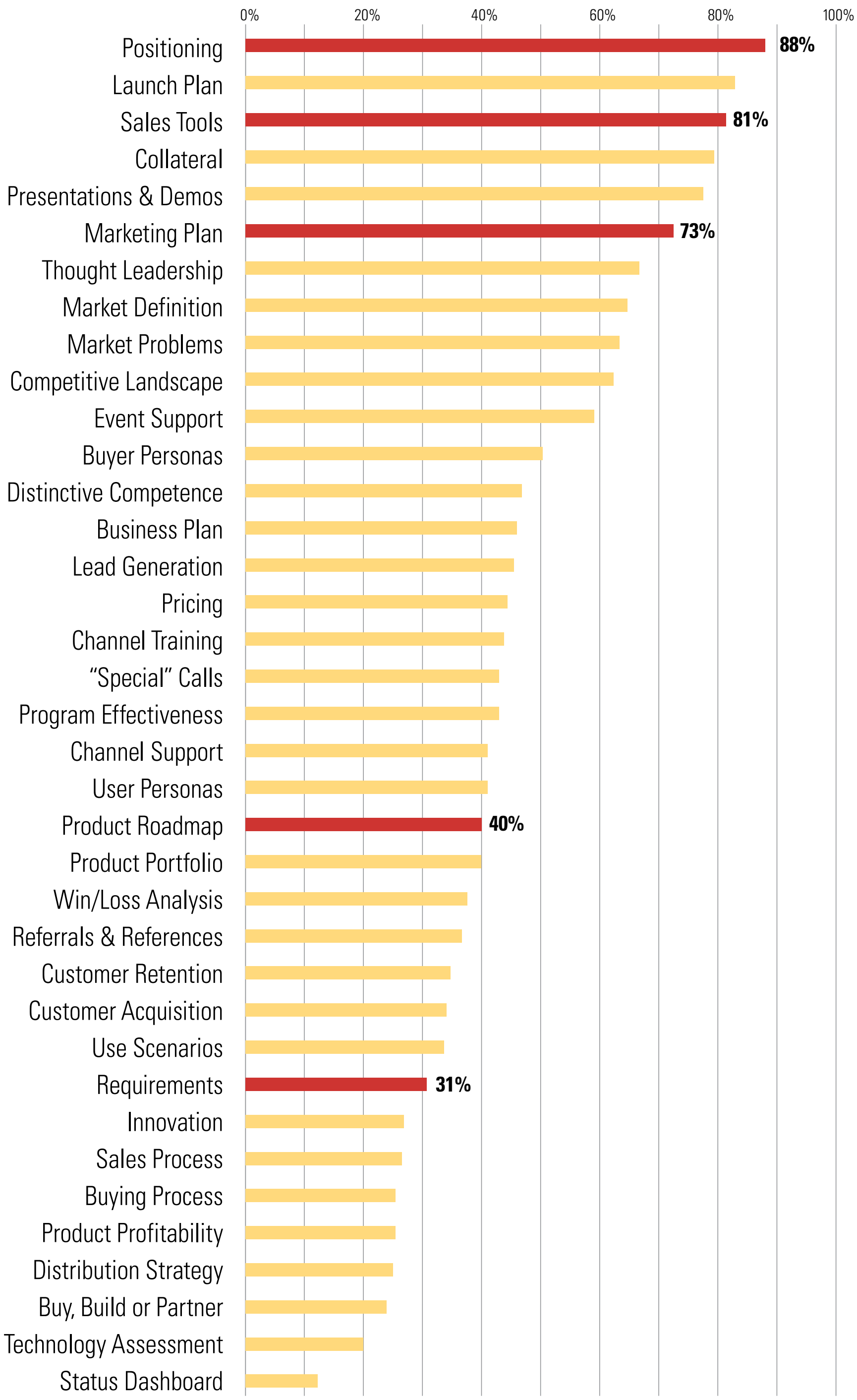
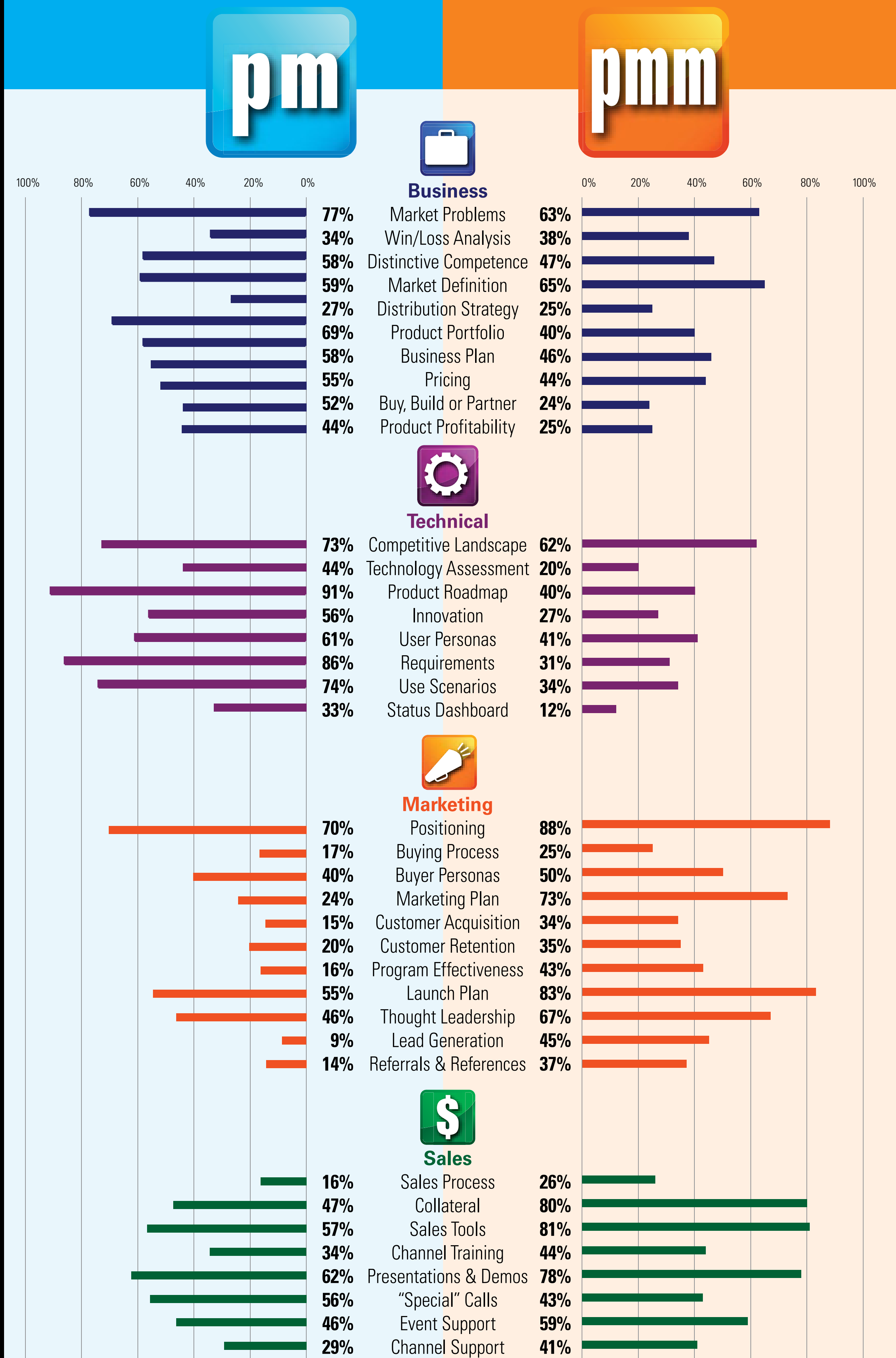
For those with a title of product marketing manager, we found these responsibilities



While product managers tend to focus on technical activities, *product marketing managers* are more inclined to focus on go-to-market activities. Positioning, Sales Tools, and Marketing Plan all rate greater than 70% while Product Roadmap and Requirements (which were rated very high for product managers) are less than 50% for product marketing managers.

Looking at the same data in groups, it's clear that product managers tend to focus on the technical activities shown in purple below; however 70% of product managers also claim responsibility for Positioning.



We asked, "How has your job changed over the last two years?"

Do more with less

- I am doing three jobs at the same time.
- A million more tasks.
- Fewer people to support my products, in all parts of the company: Marketing, Engineering and Operations.
- Fewer and fewer opportunities to get out of the office as additional layers of management were brought in.

Agile

- Agile has rolled out further through the company.
- Agile development teams, much more reporting to executive team.
- Development process has moved to Agile model necessitating a change in how requirements are communicated. In general I believe that this is actually more in line with the Pragmatic approach so I'm ready!

Good news

- Greater C-level focus on product management including additional budget and staff (a good thing).
- A lot more responsibility and new focus on growing the business.
- More market oriented with increased customer interaction.
- Far more involvement in business development.

If you could say one thing to your company president without fear of reprisal, what would you say?

- Focus the business on a few key strategic initiatives.
- Focus on the customer's problems (the "Tuned In" philosophy).
- Our short-term orientation means less focus on long-term strategies.
- We're focused more on detail and less on big picture.
- We're constantly whipsawed by the urgent needs of the next sales presentation or inside-out product idea.
- Company strategy needs to be created, communicated and measured throughout implementation.
- A strategic vision is only helpful if you stick to it. (Or at least make a very good case why the vision has changed.)
- Product expertise and industry awareness must be expected within all departments of the company.
- Allow more control from employees below upper management in doing their own jobs.
- I could do my job better if I was allowed to talk to customers.
- I could help us be more effective in marketing and product development if you would only let me.

We had 236 responses from "You're doing a great job!" to "Quit!"

– Kudos (30%)
– Need for better communication (9%)
– Need for more resources (19%)
– Need for coherent strategy (26%)
– Concerns about micromanagement (16%)

TPM

Steve Johnson is a recognized thought-leader on the strategic role of product management and marketing. Broadly published and a popular keynote speaker, Steve has been a Pragmatic Marketing instructor since 1996 and has personally trained thousands of product managers and hundreds of senior executive teams on strategies for creating products people want to buy. Steve is author of the Product Marketing blog. Contact Steve at sjohnson@pragmaticmarketing.com

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Pragmatic Marketing's seminars have been attended by more than 60,000 product management and marketing professionals.

Finance as a $takeholder in Product Management

By Stephen J. Konig

When was the last time you talked with Finance?

We often talk about the cross-functional nature of the product management role; indeed, the product manager is sometimes described as the "CEO" of the product. But when talking about how the product manager interacts with others in the company, we usually talk about sales, marketing, product development and senior management. One critical role in a company that isn't much talked about is *Finance*. →

Don't confuse Finance with financial data; product managers are used to dealing with market size, penetration, unit volumes, market share and sales. But this is mostly expressed in terms of units sold, bookings and forecasts, not in accounting or financial earnings terms. One of the challenges with Finance is reported financial earnings, especially if your company is public. And unfortunately the discrepancy between sales bookings and reported financial earnings can be significant, especially under specific circumstances. As a product manager you should really be aware of these when the CFO knocks on your door (or cube) and starts talking about software revenue recognition.

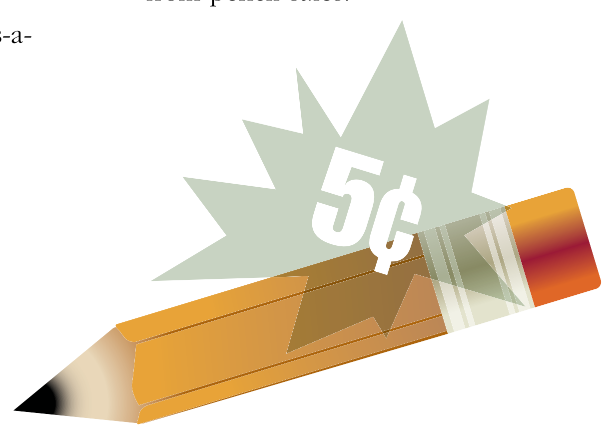
The rules for software revenue recognition are varied and complex (for details, read the American Institute for Certified Public Accountants' *Statement of Position 97-2*). There are times when decisions about the product can have a direct effect on how it gets treated from an accounting perspective. And there are times when product features, sales approaches and purchasing models impact Finance, such as when a product

- is new and trying to satisfy "early adopters"
- requires a lot of post-sale professional services
- is sold under a software-as-a-service model (SaaS)

What is revenue recognition and why should I care?

Usually when measuring a product's performance we're focused on sales—i.e. how many units or copies were sold or shipped, what was the average price, the length of the sales cycle, the win rate, etc. Often ignored is how those sales got treated from an accounting perspective. If the company incurs a future obligation under the terms of the sales contract, some or all of the contract value may be recorded as deferred revenue (a kind of liability like debt) instead of revenue or income. Imagine if every sale of a product caused the company to look like it was taking on more and more debt… if it stayed that way you'd quickly go out of business. Revenue recognition is the set of accounting policies and rules under which Finance determines whether your sale will be classified as revenue versus deferred revenue, and when that deferred revenue can be re-classified as real revenue or income.

Let's say my business is selling pencils, and each pencil sells for 5 cents. On Thursday a customer buys 10,000 pencils. I take $500 cash from the customer, hand him the pencils, and $500 of revenue goes onto my books. Simple and easy. In this world my total sales of pencils in the quarter will always be the same as my reported revenue or income from pencil sales.



On the other hand, suppose I don't actually have the pencils I'm selling; maybe I sell custom pencils (for example, with the customer's name and logo). On the very last day of the quarter I get an order for 10,000 custom pencils. My policy is to get the cash up front, so the customer pays me $500, but I still have to make and deliver those pencils. This takes a few days, and won't actually happen until a day or two after the start of the next quarter. In this scenario, the accounting rules say I need to consider that $500 cash a liability, not revenue, because *I still owe the customer something*. I can't really say that I've earned $500 until I fulfill my end of the bargain, which is to make and deliver those custom pencils. If for some reason I weren't able to deliver those pencils (maybe I decide to go out of the pencil business, or my pencil machine breaks and I can't deliver them by the time I'd promised), I'd have to return that $500 to the customer. This liability is *deferred revenue*—it represents money we think we're going to earn, but haven't earned yet. Continuing with this example, my financial results for the quarter would show no revenue or income from pencil sales, but would show that my deferred revenue increased by $500. Let's say I do deliver those pencils a few days later: I can now say I've legitimately earned the $500. On my financial statement for the next quarter I could fairly claim $500 of revenue or income, and reduce deferred revenue by the same $500. If I were just reporting on sales in the quarter, none of this matters—in both cases I could say I made $500 in pencil sales. But from an accounting perspective, these two scenarios are quite different. ➔

The problem in many software sales is a customer doesn't always immediately get what they purchased. It can take a long time for a product to be implemented or customized or configured… and until the customer gets all of what's paid for, the company may not be able to report the full value of the sale as revenue. While this is usually just temporary—the money will eventually be recognized as revenue as future commitments are honored, deliverables are delivered and obligations fulfilled—the longer it takes, the larger the discrepancy between the product's internal performance (contracts signed, cash received from the customer) and its reported financial performance. Indeed it is possible for a dichotomy to emerge: internally the product can be performing well (sales volumes and bookings are high and cash is coming in the door), while externally it appears as though the product is not earning any or even losing money (since the costs associated with delivering the product—like salaries—are being paid now, even though you aren't earning any revenue with which to offset those costs). The longer the period of time between a sale and the reported revenue, the greater will be the disparity between the product's internal performance and its reported financial results. The greater the share of your company's overall performance is attributable to the product, the greater will be the impact for Finance. If the company is publicly traded or preparing a public offering, this takes on increased significance, since shareholders and financial analysts are often unable to review internal sales metrics… all they see is reported financial earnings. Consequently they may have an incomplete and comparatively negative understanding of the product's performance.

While there are many circumstances that can lead to a product's sales being booked as deferred revenue, in this context understand these three: (1) when making a promise to deliver new functionality in a future release; (2) when the product requires significant post-sale services; and (3) under a software-as-a-service (SaaS) delivery model (see the table below).

Revenue recognition issues encountered in software sales

Scenario	Revenue Recognition Issues	Mitigation
Promising future functionality	Future functionality is treated as an "undelivered element" of the contract that results in all contract revenue being deferred until all future functionality has been delivered or until the customer has accepted the new features	1. Avoid if possible 2. Ensure future functionality commitments are tightly and carefully worded 3. Seek favorable acceptance criteria from the customer
Product includes significant and lengthy post-sale services	If the services are necessary to use the product, software revenue is recognized over the term of the services engagement	1. Augment the software with features that reduce the services effort 2. Enhance the offering to include pre-packaged configurations 3. Enhance the offering to include standard integration to 3rd party systems 4. Enhance the offering to reduce the level of customizations required
Product is sold under a software-as-a-service model and includes significant post-sale services	Revenue is deferred until customer is live. Services revenue is recognized ratably over the term of the contract.	1. Augment the software with features that reduce the services effort 2. Outsource delivery of professional services to a 3rd party

Promise of future functionality

A common challenge is the prospect who says your product lacks some critical functionality without which they won't buy. While it is not a good idea to manage the product roadmap for individual customer requests, there are circumstances in which it may be unavoidable.

When entering the market with a new offering it is common to solicit early adopters with the hope these customers will turn into references. Generally these customers are willing to accept a product's immaturity because they see its potential. The hope is you convert early adopters into successful users, who then serve as reference accounts to future prospects.

It is common—particularly in markets where references from peer organizations are critical to sales success—to spend a significant amount of time and effort courting and working with early adopters. Ideally the early adopters are also considered bellwether organizations by their peers, enabling the sales team to reference them in discussions with prospects.

Because the product is new and you may be selling before all of the key features have been developed, early adopters often find the product to be inadequate or incomplete. While they may see the promise the product offers, they are uncertain when or if it will be developed to satisfy their needs. As a way to hedge risks, they ask you to commit to including certain additional features or functionality, often by a particular date.

Once agreed to—whether verbally or in the contract—you have a revenue recognition issue. The future functionality commitment will be treated as an "undelivered element" in the contract, making it likely that *no* revenue from the sale can be recognized until *all* of the promised features ship. (There are many accounting rules surrounding undelivered elements and multi-element contract arrangements that can cause a different accounting treatment. However in most cases the undelivered element of a future product deliverable will cause *all* of the revenue associated with the deal to be deferred until the promised features and functionality are delivered.)

If the sale includes other elements—such as services for setup, configuration, customization, training, maintenance, data conversion, subscriptions or hosting—not only will product revenue be deferred until the promised functionality is delivered, but *all* of the revenue from *all* of the other elements will be deferred! If, for whatever reason, you don't deliver those new features, the customer could legitimately ask for their money back, even the money spent on other services, as they never would have purchased those other items had they known they weren't going to get their requested features. In essence, your company will receive no economic benefit from the sale until all the promised functionality has been delivered to the customer.

If you're facing whether to agree to a prospect's request, what should you do? In one way, the financial significance of the commitment helps in judging whether you should agree to it. There are scenarios such as market entry where the value obtained may be worth the short-term economic costs. Finance should always review contracts or agreements when promises for future functionality are made and will typically advise on the implications of the various terms.

If you have agreed to certain features in the future, the challenge will quickly shift to mitigation, as not all commitments are created equal. Since the value of the sale will be deferred until all future functionality has been delivered, it becomes important to understand what "delivered" means. There are a few traps to avoid: (1) vaguely-defined features or requirements that are subject to wide-ranging interpretations, and (2) any sort of sign-off or acceptance on the part of the customer with respect to future functionality.

Vaguely-worded feature and requirements can create a significant problem for revenue recognition, since it becomes difficult to identify when the promised feature has actually been delivered. If you agree to deliver "a way to publish content to the Web," it can be hard to understand when you've actually done that, since different people may have different ideas of what this means. The circumstances around the sale and the best understanding of what the customer (not you) had in mind will likely be used to determine if the promised feature has been delivered. When considering a commitment for future functionality, it is important to know *what you are actually committing to*. How will you know (or rather, when an objective person would know) the commitment has been met? The commitments should be in writing, should be narrow and clearly scoped and should include a definition of "done." ➔

It is not unusual in cases where the customer asks for a commitment of future functionality they also ask for contract language to provide the right to accept what is delivered. Sometimes this acceptance language is explicitly tied to the future functionality, but often comes as a generalized right with respect to all of the activities within the contract. In some cases the acceptance language can be vague or subjective, such as a language that deliverables are simply subject to the customer's satisfaction.

Acceptance by the customer of future product features can create an issue, as the test for whether the company can recognize the revenue from the contract becomes not one of, "have we delivered the functionality we promised?" but rather "has the customer accepted what we delivered?". Acceptance language will cause the revenue deferral to last until the *acceptance* has occurred, which may be long after the delivery!

There are a few approaches to mitigate the acceptance issue. Best case, seek to avoid any customer acceptance with respect to the future product deliverables. Without explicit acceptance language, the test for revenue recognition reverts to "have we delivered what we said we would deliver." Provided the features are clearly scoped, a simple documentation exercise of describing how "what was delivered" met the commitment given can be sufficient to declare "done" and recognize all the deferred revenue.

If it's not possible to avoid acceptance language in the contract, include clearly defined acceptance criteria as part of the commitment. Then the acceptance becomes objective (were the acceptance criteria met?) rather than subjective (does the customer like it?). Documenting the acceptance criteria in advance also helps determine the scope and cost of what you're agreeing to deliver.

Precisely defining acceptance criteria up front may be impractical. In this case, seek language defining a formal acceptance process that is closed-ended. For example, the language may specify the parties will work to jointly define the acceptance criteria for the features once the work begins, or the acceptance process may include only a limited number of rework/revision periods in which you agree to make changes. In general, the more tightly defined and closed-ended the acceptance process, the better. Just make sure the contract language is reviewed by Finance.

Products that include services

A different problem occurs when the product consists of licensed software with significant post-sale services (such as those for setup, configuration, data conversion or customization). If the services are essential to the delivery of the solution—i.e., the software has limited or no value from the services that go with it—there may be revenue recognition issues.

The accounting literature makes a distinction between services that are *incidental* to the software and those that are *essential*. While there is no hard-and-fast rule when services are essential or incidental, the following factors would suggest the services are essential: (1) the software itself is not off-the-shelf (i.e., it is not shrink-wrapped but is highly tailored for each customer); or (2) the software is off-the-shelf but the customer is getting significant alterations to the out-of-the-box features and functionality; or (3) you need to build complex interfaces in order for the customer to use the software; or (4) the customer pays for software as the service work is performed; or (5) payment for software is milestone-based or subject to customer acceptance[1]

In the case where there are no services sold with the software or where the services are deemed non-essential, the software license fee would be recognized as revenue as soon as it is delivered.

However if the services sold with the product are determined to be essential, the rules require that "revenue should be recognized in accordance with contract accounting."[2] Under contract accounting, the revenue from the license fees will initially be booked as deferred revenue, with "a portion of the total [license fees]… recorded [as revenue] in each period based on the relative cost or effort applied during that period."[3] Essentially the software license is recognized as revenue as the services work is performed. If the related services stretch over twelve months, one-twelfth of the software license fee would be recognized as actual revenue each month.

[1] KPMG, *Software Revenue Recognition: An Analysis of SOP 97-2 and Related Guidance*, Second Edition, August 2005, pp. 207-210; http://us.kpmg.com/microsite/attachments/2005/SoftwareRevRecognitionBook2005.pdf

[2] Steven T Petra, *Revenue Recognition for Software Products with Multiple Deliverables*, AllBusiness, April 1, 2005; http://www.allbusiness.com/accounting-reporting/record-keeping-gross-receipts/1096815-1.html

[3] The 'Lectric Law Library, *Legal Lexicon on Accounting Methods,* The 'Lectric Law Library, retrieved 25 June 2009; http://www.lectlaw.com/def/a099.htm

The impact in this scenario is less obvious but still potentially significant. Finance will likely look at how to shorten the revenue recognition period and the obvious way to do this is to shorten the duration of the services engagement. But there are limits to how much time can be compressed in a project with a fixed amount of work.

If the product is new, some effort may be needed to work around functional gaps. Closing these can result in decreased effort and time. You could look at ways to reduce deployment and setup time (e.g., tools that assist in implementation, or moving configurations from a test environment into production).

Regardless, you will need to identify ways to replace the lost revenue. Good approaches here include selling prepackaged configurations or interfaces separately, increasing the software price, or selling services as a fixed price package at a higher price, rather than on a time-and-materials basis.

Customers often don't distinguish or care about the ways in which functionality or features are delivered, merely that they get delivered. Provided the overall price and timeline are acceptable, whether a feature is delivered directly out of the box or as a result of services it may not be a significant distinction to a customer. However, the dividing line between software and services *can* be significant from the perspective of Finance.

Software as a Service (SaaS)

In software-as-a-service arrangements, the customer doesn't buy the software up front; they pay for how much they use on a periodic basis, usually monthly.

Two different kinds of revenue recognition issues can arise under a SaaS arrangement. Revenue cannot be recognized until the customer is "live," or using the software with actual data. Additionally, any associated professional services sold must be recognized evenly (the accounting term is *ratably*) over the term of the subscription contract, instead of as they are delivered. Both of these can impact the way revenue recognition impacts the product.

In the first case, consider a customer who agrees to pay $10,000 per month. The customer signs the contract and begins paying the subscription fee. However your offering involves some significant setup, configuration and customization work, so it takes six months before the customer is able to use the software in a production capacity. The typical accounting treatment would be to defer the subscription revenue until the customer is live, meaning that none of the subscription fees can be recognized as revenue until then.

For six months, the company would not be able to record subscription revenue.

The significance of this is in an effort to recognize more revenue sooner, Finance may ask if anything can be done to shorten the implementation period. This might include adding features to your product to make setup, configuration and implementation more efficient.

If the goal is to reduce the implementation time without reducing the total revenue, you may need to evaluate the feasibility of increasing the services billing rate, of offering pre-packaged services that generate the same revenue but can be delivered more quickly, or to better define what represents a true go-live milestone (e.g., deferring tasks that could be performed after go-live).

The second case presents a more interesting challenge and suggests other potential remedies to investigate. Under the traditional licensed software model, revenue from professional services is recognized as the work is done. For example if the customer purchased $100,000 worth of software and $120,000 worth of professional services, and the services engagement lasts for twelve months, your company would recognize $10,000 of services revenue per month (assuming the work was done in even increments over this period). This approach works well because the costs are typically incurred in a similar pattern: your company probably pays employees working on that project monthly as well. Assuming the deal is profitable overall, your company will be able to report profits from this engagement right from the start.

Unfortunately, the accounting treatment for this arrangement under a subscription arrangement is less favorable. Under subscription rules, the revenue from associated professional services must be recognized *over the term of the subscription contract*, not over the duration of the *services* engagement. Consider a similar example to the one above, except that in this case the customer purchases a $10,000 per month, three-year subscription to the software. They still agree to the same $120,000 worth of professional services which are still performed within the first twelve months.

Accounting rules for subscription arrangements will require your company to recognize the $120,000 ratably over the term of the contract. In this example, that means the company can only recognize $3,333 per month of revenue from the professional services engagement. But if we are paying our employee $8,000 per month, the company will report a *loss* of $4,667 per month on the services.

It is possible for the treatment to be less severe, as there are means by which some of the $8,000 can be spread over the contract term, as well. However it is generally not possible to spread *all* of the costs over the contract term. The effect of this is also muted over time as more and more subscriptions are sold, since revenue from previously completed engagements continue to be recognized even though there may no longer be any continuing direct costs. However margins will generally appear far less favorable under a subscription arrangement than under a perpetual license arrangement.

Since the impact to the accounting treatment is directly correlated with the amount of professional services needed, lessening the amount of services will lessen the financial impact. Another alternative is to recommend the company not provide services at all, but instead partner with a third-party firm to provide them. In either case your company would be foregoing the services revenue. Perhaps there is room to increase the monthly subscription fee in order to offset the lost services revenue, perhaps you can generate referral revenue from the partners, or you may simply conclude that the revenue recognition issues are not worth the incremental services revenue. But in modeling these scenarios—especially one that involves partnering with third parties—make sure you take customer satisfaction into account.

A final alternative would be to shorten the duration of the subscription contract, ideally to a timeline consistent with the expected duration of the services engagement. The drawback here is it increases the potential for customer churn (as customers are able to discontinue the subscription sooner); in addition, your company may incur increased retention costs as well (e.g., sales costs to re-engage with the customer and ensure they are satisfied before their contract expires). You will need to model the effects of increased churn and retention costs to determine if shortening the contract duration is a viable option.

Conclusion

It may be surprising to learn that you need to understand accounting revenue recognition rules or that you need to involve Finance in decisions around your offering. Ignorance of revenue recognition, how they impact your company and how product offering decisions influence them can result in very bad outcomes for the company. Outcomes that a product manager is in a position to avoid, if aware of the issues.

As a first step, consult with Finance to understand how revenue from your offerings is recognized today and what policies Finance has adopted. When considering a new offering, review the expected elements of the offering, the nature of the sales arrangement and deliverables, and the expected cash flow and timing of payments. Review this before the first sale and you can avoid significant downstream pain and ensure the offering is structured for the best possible revenue recognition treatment. Just as with product development—where changes become more expensive as the development process progresses—changes due to finance concerns become much more expensive once your product has launched. TPM

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MINING CONTENT GOLD

By Cheryl J. Goldberg

How to Interview Content Experts

As technology companies increasingly turn to content marketing, their challenge is coming up with compelling information. Knowing how to interview experts will help you uncover nuggets that take your content marketing to the next level.

Content marketing has become a critical part of the marketing mix for technology companies. Content marketing employs content to engage current and potential consumers based on the notion that delivering high-quality, relevant and valuable information drives profitable consumer action. According to a recent study by MarketingProfs and Junta 42[1], 9 out of 10 organizations market with content while 51% of marketers plan to increase their spending on content marketing over the next year. The computing/software industry is the biggest adopter of content-marketing strategies, with 94% of technology companies using this strategy. Yet, creating the right content isn't easy. The same study found that developing engaging content and producing enough content were two of the biggest challenges facing marketers.

One of the best ways to find riveting content is to pick the brains of experts. Whether you need to come up with a compelling angle for a white paper or thought-leadership article to pique the interest of your target audience, or determine key customer challenges, or fill in technical details that will bring your piece to life, experts can help you uncover better content more quickly. Experts are likely to have access to information that would be difficult, or even impossible to find otherwise.

Mining these golden nuggets requires you to find the right experts and to know how to interview them so you can best extract the knowledge they have to offer—while being respectful of their often busy schedules.

Hunting the elusive expert

Clearly, the first step in finding the right nugget of content is identifying the right expert. To do that, you must determine what type of content you need to produce. Often your content requirements are obvious. If your sales force comes to you all the time asking how your solution addresses the Dodd-Frank Wall Street Reform and Consumer Protection Act, you know what you need to produce and probably whom to ask.

But what if you simply need more content for lead-generation and lead-nurturing activities? Start by performing an audit of your existing content. Compare the content you already have with what you need for different stages of your customers' buying process. If you need input, go to customers, prospects and your sales force. You can then determine what's missing.

The type of content you will be producing will point you toward the types of experts you need to interview. Examples of content experts that might help you come up with content for various stages of the buying cycle are as follows:

- **Early-stage education.** If you want to educate prospects who've never heard of you, you'll want to start with thought-leadership content that defines the customer problem and what's necessary for a solution. Helpful experts include industry analysts, customers, prospects, sales representatives that specialize in that target market, and industry solutions managers at your company who specialize in a particular industry. Your company's professional services consultants will also be familiar with the challenges customers face.
- **Research phase.** As customers realize they need a particular type of solution, they'll start researching their options. To help customers at this stage, you'll want to provide more in-depth technical information about your product and its benefits. Experts that can help you with this type of content include recent evaluators of your product, engineers at your company, product managers, and your chief technology officer.
- **Validation.** Here you'll want to provide proof of your product's ease of implementation and success in solving customer problems. Interview existing customers, your professional services consultants, and your customer support/help-desk representatives.

[1] *B2B Content Marketing: 2010 Benchmarks, Budgets and Trends,* by MarketingProfs and Junta 42

Experts are from Mars; Novices are from Venus

While experts can furnish much useful information, you may encounter one major roadblock: They literally speak a different language from everyone else. In their book *Made to Stick*, Chip Heath and Dan Heath call this issue "the curse of knowledge." In the book, the authors write about a study performed by Elizabeth Newton at Stanford in 1990 that illustrates the problem. A group of researchers gave half of the participants in their study a song, say the "Star Spangled Banner" or "Mary Had a Little Lamb," and asked them to tap the melody on a table. The other half of the participants were asked to guess what song was being tapped.

When the tappers were asked to predict how many of the listeners would guess the song, they guessed 50 percent. The listeners actually correctly guessed the song only 2.5 percent of the time: 3 out of 120. The reason for the discrepancy is that once we know something, we find it hard to imagine what it was like not to know it. As a result, it's difficult to share our knowledge with others because we can't readily re-create our listeners' state of mind.

One way the curse of knowledge manifests itself is that experts often speak in highly abstract terms. You see this all the time in marketing materials. For example, take the following description of a leading middleware product:

XYZ Company Middleware is the #1 application infrastructure foundation available today. It enables enterprises to create and run agile, intelligent business applications while maximizing IT efficiency through full utilization of modern hardware and software architectures.

Huh?

Here's a simple test to diagnose when experts have entered "curse of knowledge" territory. As the expert is talking, your eyes glaze over and you'll say to yourself, "Huh?"

The solution is to get people to speak in concrete terms, describing implications and providing lots of detailed examples. Being armed with a few tricks-of-the-trade will help you get the specific, concrete information you need from content experts.

Honing translation skills: How to improve your interview skills

When I interview content experts, I act as a translator between expert-ese and plain English. Much of that translation work is taking abstract expert-speak and speaking in concrete terms. The following are some tips and tricks that will help you improve this translation process.

1. Prepare carefully

Every good interview starts with preparation. You need to be clear on what you want to accomplish and do your homework. But at the same time, remember that an interview is a conversation; know what you need to get out of it, but don't follow a script.

- **Set goals.** Before setting up any interviews, clarify what you want from the interview and communicate in advance your goals with your content expert. For example, are you looking to determine the direction to take for a particular piece? Do you need to know the primary messages a piece should convey? Do you need clarification about a product's messaging? Write down the items you want to cover and send this list to participants before the meeting so you both can prepare.
- **Do research in advance.** If you're looking for direction on a good approach to take in a particular market, read some trade publications or analysts' reports about relevant trends before you do the interview. If you're looking for more information about a product, read any existing materials about the product and its competitors including white papers, PowerPoint presentations, analyst reports, press releases and news stories.
- **Create a list of questions.** Content experts are always busy so you'll want to make the most of their time. Prepare specific questions. For example, if you're looking for high-level direction, be prepared with the types of questions that typically appear on a creative brief, such as the goals for the project, the audience, message, the three-to-five supporting messages and so on. Alternatively, if you're looking for clarification on technical points for a datasheet or brochure, go through existing materials and have specific questions ready.
- Mentally prepare to depart from your list. At the same time, keep in mind that when you conduct an interview, the person may answer one question in the course of answering another. Don't think you must go through your questions one by one. Keep your questions at the ready, but be prepared to change course as you proceed through the interview.

2. Handling the preliminaries

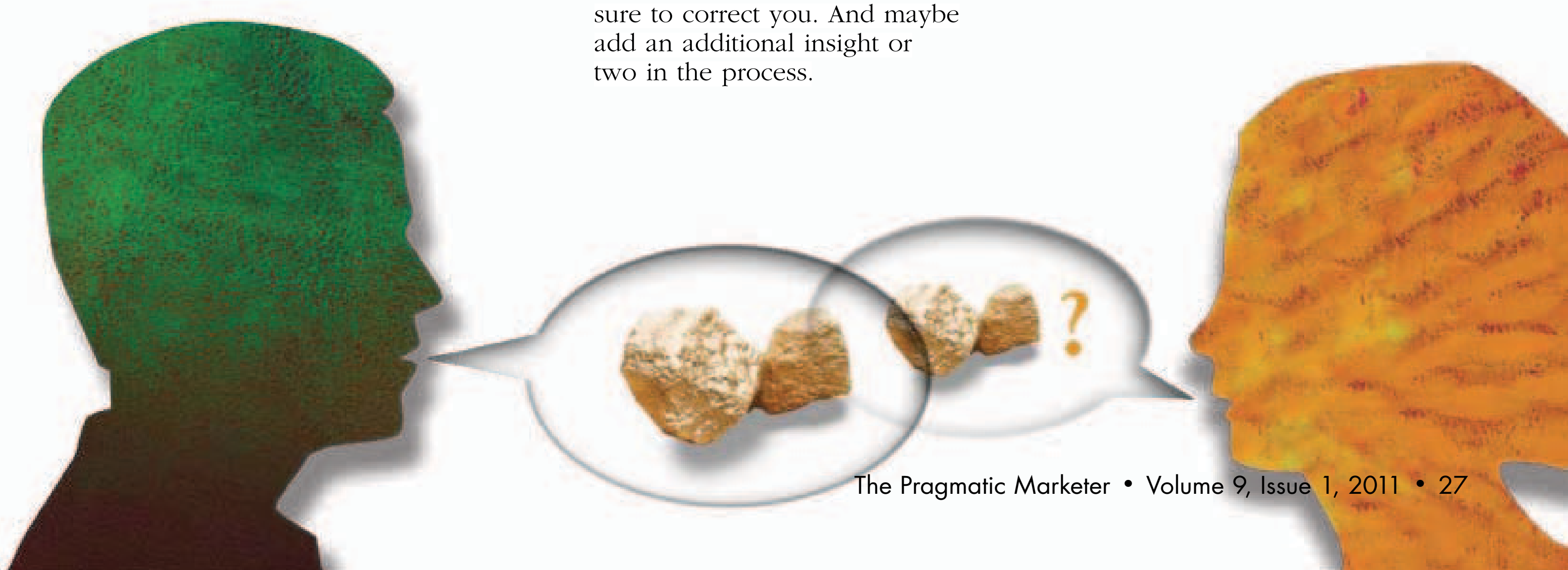
Once the interview has started, you'll want to set the stage to make your interview subjects feel comfortable and keep them on track.

- **Set the stage.** After some initial chitchat while you're waiting for everyone to join the call, review any procedural details. For example, when conducting interviews for customer success stories, I always talk about the review process; reassuring customers that they'll have an opportunity to review and adjust any of the copy as well as to provide written approval.
- **Ask for preliminary information.** Next, go over any housekeeping information. For example, be sure to get the correct spelling of the expert's name and their proper title.
- **Summarize your agenda**. Once you've attended to the preliminaries, review any information the subject should keep in mind. For example, you might want to briefly remind them of the audience for the piece, the topic, and objectives for the interview. Sometimes I'll even summarize the types of questions I'm going to ask.

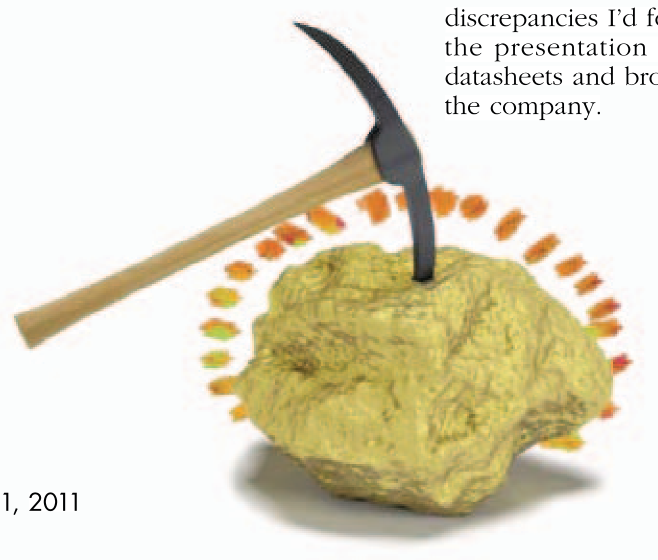
3. Conducting the interview

An interview ideally should be treated as simply a conversation whose purpose is to find out information. However, the following techniques will help you get people talking, make sure you truly understand what they have to say and extract the most useful information.

- **Start with open-ended questions.** Although I always come to the interview prepared, I like to start with open-ended questions rather than close-ended questions that can be answered "yes" or "no." For example, if I'm talking to an expert about what direction a piece should take for a given audience, I'll ask: "Given that our audience is large group medical practices, clinics or small hospitals, what's the most important problem our product might solve?" If I'm interviewing a customer for a case study, I'll ask, "What are the most important benefits your company has achieved from using our product?" Remember you're talking to someone who knows more about the topic than you do and simply getting them talking may well lead to insights you hadn't considered.
- **Repeat what the expert just said.** If you want to be certain you understood what your subject has just said, repeat what they told you in your own words. If you don't have it exactly right, they're sure to correct you. And maybe add an additional insight or two in the process.
- **Go from abstract to concrete.** Earlier, I mentioned the curse of knowledge. If you can't quite get your mind around something someone tells you, it probably means that their explanation was too abstract. There's a few types of follow-up questions you can ask to gain clarification:
  - Ask for an example. If you're talking about a particular product feature, ask them to describe a particular instance of how someone would use that feature.
  - Ask them to describe a process. Another way to obtain helpful examples is to ask how people would do a particular process without the feature and then how using the feature improves the process.
  - Ask them to tell a story of one particular time that they used the feature and how it helped solve their problem.
  - Ask them to say the same thing another way.
  - Ask how they would explain the subject to a non-technical person.
  - Ask why the feature or idea is important.



- **5W and 2H.** In journalism, people talk about how you need to find out the 5Ws and 2Hs. This is a good construct for helping you understand software capabilities.
  - Why is this feature/technology required?
  - Who is going to use it?
  - What does the feature/technology do? What are the specific benefits of the feature/technology?
  - When is the feature/technology used?
  - Where does it fit into the workflow?
  - How is the feature/technology used?
  - How often is the feature used? Is it one-time only or administrative in nature?
- **5 Whys**. Another reason you may be interviewing a product expert is to determine the benefits of a product or service. Yet some technical experts have difficulty describing how the feature might benefit a particular audience. Taking a page from Six Sigma methodology can help. In Six Sigma methodology, people talk about using "the 5 Whys" to fully determine the root cause of a problem. You can use the same technique to fully understand the benefits of a solution. For example, people often give the example that the feature is the drill and the benefit is the hole. But there might be an even more important benefit for a particular audience. If the driller is a furniture maker, the benefit might not just be the hole, but the fact that because the drill makes holes so quickly, the craftsman can finish their handcrafted pieces in half the time. Going one step further, the reason why that's important is that it allows the furniture maker to make more pieces in the same time. The reason that's important is that the furniture maker can make more money in the same amount of time.
- **Ask great questions.** This tip comes from Michael Stelzner. He gives examples of how to improve your questions:
  - **Bad question:** Is a data backup plan important?
  - **Better question:** Why is a data backup plan important?
  - **Great question:** Can you tell me three reasons why a backup plan is important?
  - **Excellent question:** What are the implications of not having a backup plan?
- **Repeat the question.** When I first started out in journalism, I once asked an experienced reporter what to do if someone wouldn't answer a question. His answer, "Ask it again a different way." This advice holds true not just for a budding Woodward or Bernstein but for someone interviewing a content expert. An expert may not answer the question you thought you posed, or they may not understand the question. Asking it a different way will help them understand what you mean and may just elicit the response you're looking for.
- **Embrace silence.** When someone stops talking, don't say anything. Give people a moment or two or three of silence before you jump in with your next question. This may feel uncomfortable, but do it anyway. People abhor a vacuum in the conversation and will often come up with another idea that they might have forgotten if you rushed in to save them with your next question.
- **Anything else?** In the same vein, once someone seems to have run out of steam on a particular topic or at the end of the entire interview, I always ask them if there's anything else they want to add. Often I get the most interesting information from the off-the-cuff responses they give when they think the interview is over.
- **Ask permission to follow up.** For complex, technical topics, it's often necessary to do a second interview to clarify points missed in the first interview. For example, I recently interviewed a sales rep for a telecommunications equipment vendor about the ROI of his company's optical networking products. The piece we produced was based on a sales presentation. In our first interview, the rep went over the presentation and the key points he wanted to get across. In the second, I drilled down on specific technical details that he hadn't mentioned in the conversation as well as discrepancies I'd found between the presentation and other datasheets and brochures from the company.



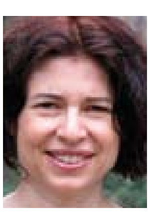
Logistics

Here are a few tips on the logistics and procedural aspects of conducting an interview.

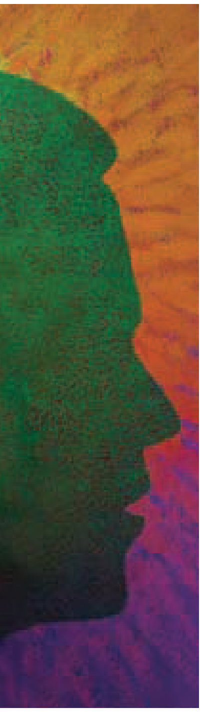
- **Taking notes.** Content from your interviews is very valuable. You don't want to lose any of it. Different people prefer different methods for recording content. Because I do a lot of interviews and type very quickly, I almost always type my notes during the conversation. This saves me from having to transcribe either written notes or tapes. I prefer to type as much of what people say as possible. However, many people suggest jotting down the main points and then going back and filling in the details once the interview is over.
- **Taping the call.** If the content will be very technical, I usually record the call and take notes. That way, I can go back and fill in any details from the conversation I may have missed. While you can use a tape recorder to tape conversations in person or over the phone, I use the RecordMyCalls service that records calls over the phone. You simply dial into the service and then dial the phone number you're calling and the service starts recording the conversation. At the end, you have a digital sound file you can listen to on your PC or send over email. RecordMyCalls charges a small monthly fee and a per-minute charge for each minute of recording time. For an additional fee, they'll even transcribe your call.
- **How long should a call be?** Calls with content experts vary. At minimum, they'll be 30 minutes. Sometimes calls can go as long as 90 minutes. Generally speaking, I prefer to keep the calls under one hour because any longer and it's difficult for everyone to focus and retain information.
- **Group conference calls.** If you have several experts at your company in the same area of expertise, it's helpful to have them all on the same call. In this way, each expert can hear what the other is saying, interact in real time and come to an agreement on what information to include and what to leave out.
- **In person or on the phone.** One might argue that it's best to interview people face-to-face because it allows you to have a real conversation with them. Also, people like to draw diagrams on whiteboards and reference other props while they talk. Nonetheless, with most content expert interviews, the phone works just fine. If you really need to see something, many companies are equipped with an online conferencing solution like GoToMeeting.

Conclusion

Interviewing experts provides valuable information that will help you create more compelling content and infinitely enrich your content-marketing efforts. By finding the right content experts and employing some of the interviewing techniques described here, you're more likely to extract just the golden content nuggets that will bring your content marketing to the next level.



Cheryl Goldberg has been interviewing content experts for more than 25 years as a marketing copywriter and technology journalist. As principal of Goldberg Communications, she currently develops, writes and edits marketing communications—such as white papers, customer success stories, thought-leadership articles, solution sheets, email campaigns, web content and much more. She has previously held senior editorial positions at PC Magazine, DBMS Magazine, *and* Macintosh Business Review. *For more information, go to www.cjgoldbergcommunications.com and read her blog at www.hightechcommunicator.typepad.com. Contact Cheryl at cheryl@cjgoldbergcommunications.com*



Cracking the Tough Nuts

By Cheryl J. Goldberg

How to Manage Difficult Interview Subjects

Your first few interviews were flawless. You think, "This is a piece of cake." Don't get cocky. With a little preparation and a few interviewing techniques in your back pocket, most interviews will go off without a hitch. That's because most people are flattered to be asked for an interview and there's nothing most people like to talk about more than themselves and their areas of expertise. But a small percentage of folks are far from easy to interview. Don't let them throw you for a loop. Be prepared.

Here are the most common types of challenging interview subjects and how to get what you need from the interview anyway.

The Strong, Silent Type

Arguably the most common of the "problem" interview subjects are those that simply don't like to talk—even about themselves. When you ask a typical, talkative subject an open-ended question, such as how does your company benefit from using our product, they'll talk for 10 minutes about which features they like best, why they like them, and what benefits they provide. Some people will cover most of the questions on your list without your even having to ask. But when you ask an open-ended question to the taciturn type, they'll respond with five words.

So how do you get the information you need from these people to create a piece that really elaborates fully on the facts in a way that will provide enough context for the average reader?

When you encounter a taciturn subject, take a step-by-step approach. For example, if you're interviewing them for a customer story, you might need to go through the entire list of product features and walk them through every aspect of what you need. For example, I may ask "What about this particular feature? Is this something you use? Do you benefit from this? How? What are the implications of that? How did you do things before? What do you do differently now?" While these are the same questions I'd ask anyone, the taciturn type requires a lot more explicit prodding.

Although many interviewers and journalists warn against using leading questions, you may have to resort to this tactic with the strong, silent type. Don't get me wrong, my purpose isn't to get them to say what I want them to say. I use this technique simply to put forth a theory for them to react to and find out if they agree or disagree and why. Because my interview style is friendly and non-threatening, this works well for me. Someone with a more forceful, combative interview style, however, may not get the subject's true opinion from using this tactic.

The Wanderer

The wanderer is the interview subject that constantly veers off on tangents. You ask them about X and before you know it they are off to the races on topic Y. The wanderer is also fairly common.

To keep the wanderer in line, you need to be very clear from the outset on what you need from the interview. To this end, you'll need to keep a list of questions in front of you and keep going back to it. In addition, it's useful to have a pre-approved outline and continue to gently remind them of your agenda and pull them back to the task at hand.

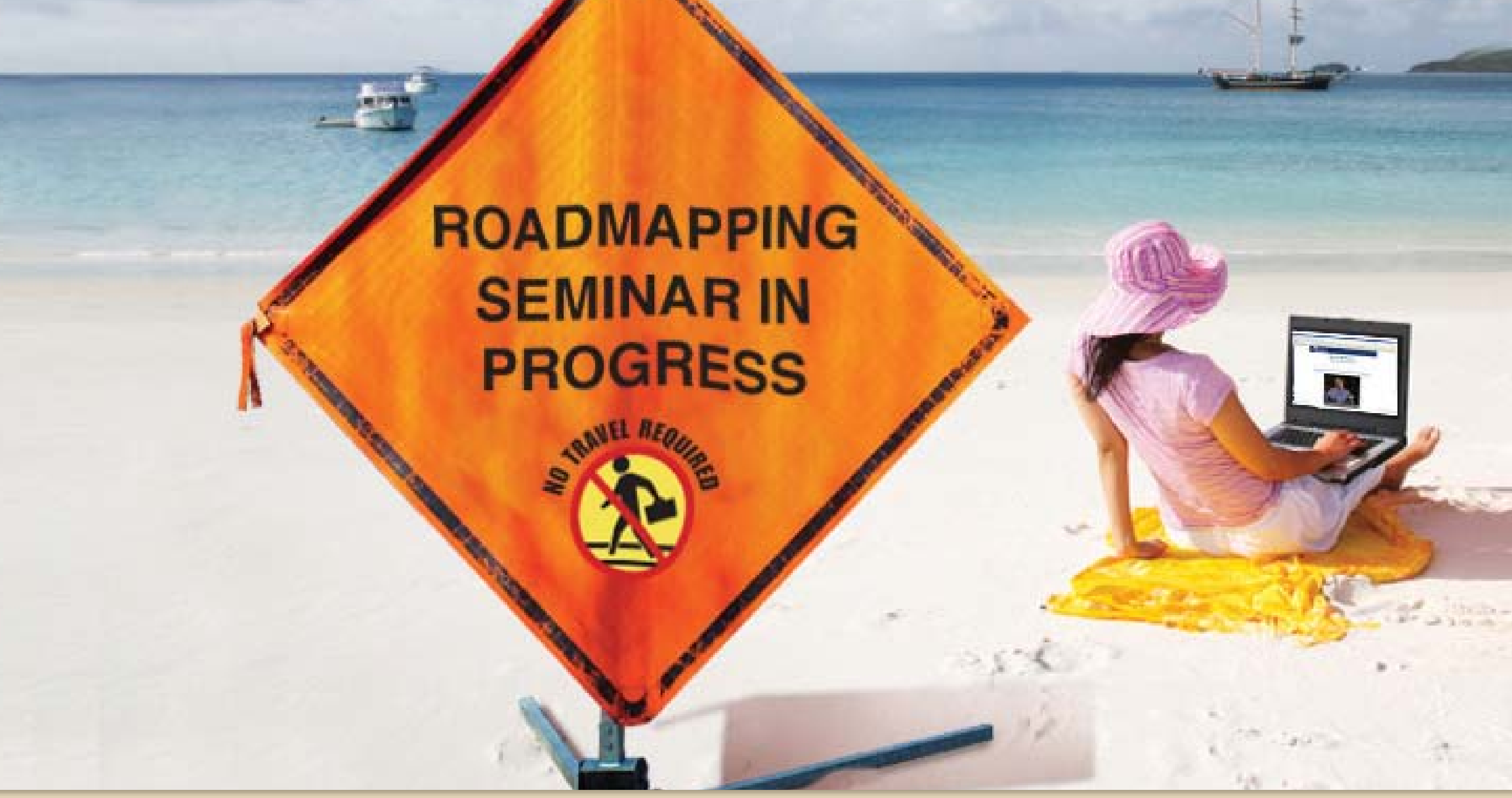
The Arrogant Snob

I don't run into people who are arrogant in interview situations very often, but you encounter them from time to time. Often, they're technical folks who look down on marketers as a lesser species. Whereas most people take the attitude that there is no such thing as a dumb question (although it is a good idea to do your homework first to ask as few questions that appear dumb as you can), the arrogant interviewee will go out of his way to pounce on any "dumb" question or otherwise find ways to make you feel stupid.

So how do you avoid the scorn of these interviewees? You need to do your homework, learn your topic and be as prepared in advance as possible. When you ask questions, make sure it's clear that you're asking for clarification for something that's unclear to a reasonably intelligent person. Restate their answers in ways that pull in related information so they know you know what you're talking about.

You don't know what you'll get

Of course, the thing about interviews is that you never know in advance what your subject will be like. Prepare for the worst by doing your homework, having an outline and a list of questions at the ready, and by having a bag-of-tricks up your sleeve for dealing with difficult interview subjects—just in case. TPM



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