the Pragmatic

Summer/Fall 2020

WHAT THE HEDGEHOG AND THE FOX
TEACH US ABOUT POSITIONING

POSITION, DEFINE AND GROW YOUR PRODUCTS

Your Kumbaya Moment Awaits.

"COVID-19 changed everything."

ONCE THRIVING OFFICE buildings were left empty.

Zoom became a verb, a necessity and a curse nearly simultaneously. Businesses closed; far too many jobs were lost.

We were left as an industry and a profession to re-examine how we did everything— talked to customers, influenced our peers, monitored rapidly changing competitive landscapes.

It is far too simplistic to say that we will all emerge from this stronger. But we can say—with great confidence—that we will emerge changed as a profession, as companies and as individuals.

Our commitment at Pragmatic is to be with you every step of the way. Perhaps not with all the answers, but certainly with places to hold discussions, share ideas and access resources. Whether that's in our online alumni community, in our weekly office hour and Product Chat series, or right here in the pages of the magazine.

We hope you find some great advice in these pages, and that you share it and your own thoughts with others in the product community. We're better together, no matter how physically distanced we are.

Stay safe and stay healthy,
Rebecca Kalogeris
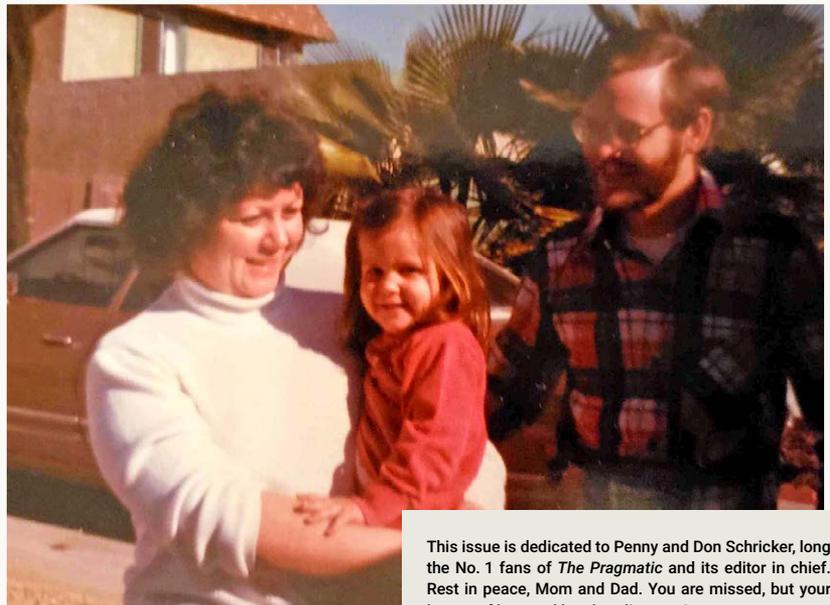
This issue is dedicated to Penny and Don Schricker, long the No. 1 fans of *The Pragmatic* and its editor in chief. Rest in peace, Mom and Dad. You are missed, but your legacy of love and laughter lives on in so many.

Got thoughts on how we should evolve the magazine or ideas for topics? Reach out to editor@pragmaticinstitute.com.

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A Pragmatic Peek

News and insights to inform your thinking

Analytics Once Again Prove Invaluable

One of the most critical decisions governments and health-care providers around the world have faced during the COVID-19 crisis has been how to best allocate limited medical resources (think intensive care unit beds and ventilators). But decision making was easier for those organizations that already had a mature analytics structure.

Analytics firm SAS gathered global health-care leaders to identify the role of analytics in organizations' responses to the crisis. Here is what SAS learned:

> Organizations that have excelled in their response to the pandemic have nurtured a culture of analytics.

> Start with the end in mind; that is, start with the question "What insights do I need to make this decision better/faster/cheaper?"

> Organizations that were accustomed to using analytics to make resource-allocation decisions were better prepared to make decisions in the pandemic because they had models already created that focused on the most important questions.

▶ **Pragmatic Take: Get familiar with the data you have, identify the key business questions it can address and start building models today. This will provide the infrastructure you need to make critical decisions when they become time sensitive.**

COVID-19's Effect on Consumer Behaviors

2021 is still several months away, and so too are public events and large gatherings. 30% of U.S. broadband households will avoid these get-togethers because of concerns about COVID-19. They've also cut discretionary spending by 50%—while consumer electronics and computer purchases have increased for the first time since 2011.

"70% of U.S. broadband households believe the economy will need a long time to recover from the COVID-19 pandemic, and only 23% believe the economy will rebound quickly once social distancing measures are lifted," said David Drury, research director at Parks Associates.

Parks Associates is tracking the impact of the pandemic on consumer behaviors, attitudes and intentions in the consumer- and home-technology markets through several research projects. The market research firm predicts that strong demand for technology products and services will continue into 2021 and potentially into 2022. This includes high broadband use at home to deliver messaging, video calling and virtual meeting applications; video game downloads; and streaming video services.

"With record-level unemployment and continuing uncertainty about the future, consumers have cut discretionary spending by 50%, although consumer-electronic and computer purchases have increased," Drury said. "These changes in behavior will not reverse in the near term."

70%

of U.S. broadband households believe the economy will need a long time to recover

▶ **Pragmatic Take: Stay in touch with current and potential customers to understand market problems and be prepared to flex when pain points change.**
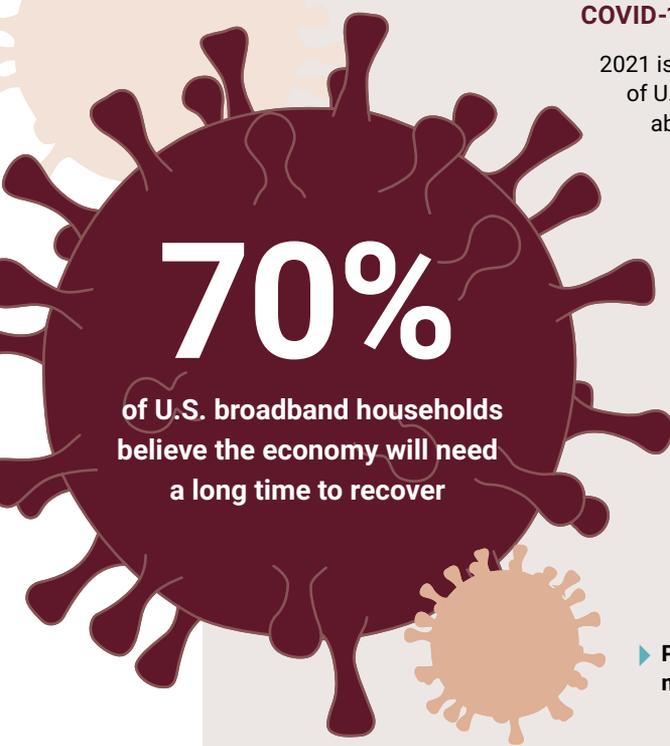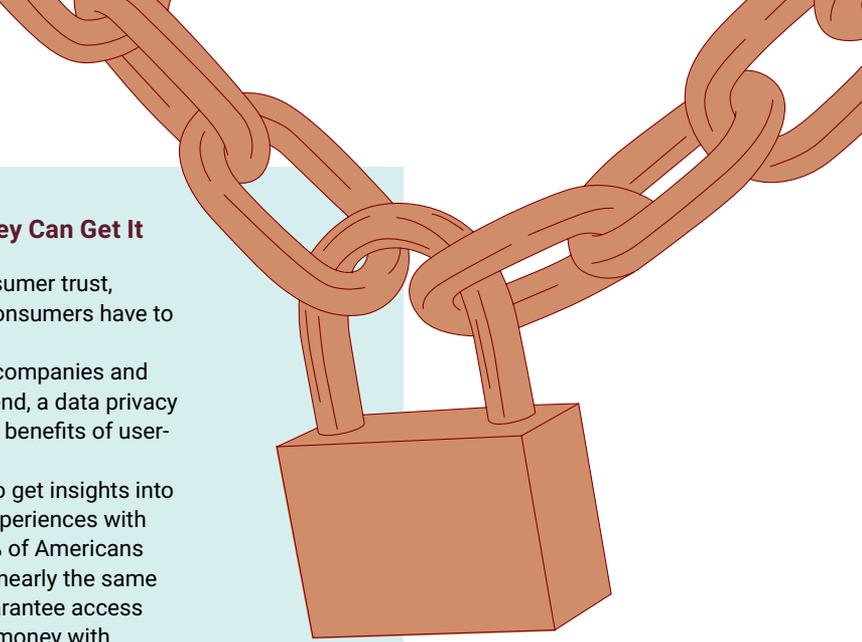
Data Privacy: Consumers Want It, but Don't Think They Can Get It

If your company is looking for ways to unlock increased consumer trust, preference and loyalty, you may want to look at the access consumers have to the protocols you have around data privacy and controls.

"Data privacy is a burning conversation for consumers, companies and regulators around the world," said Ben Brook, CEO of Transcend, a data privacy infrastructure company. "Businesses are not yet realizing the benefits of user-centric investments in data privacy."

Transcend recently polled more than 1,000 Americans to get insights into consumer expectations about data privacy related to their experiences with different companies. The results showed that more than 90% of Americans would switch to a company that prioritizes data privacy, and nearly the same number would prefer to buy from companies that always guarantee access to their data. Nearly 40% said they believe in spending more money with companies that prioritize data.

"Consumers are ready to align their loyalty and purchasing with companies that prioritize their data rights," Brook said. "But the data suggests high levels of current customer frustration."

88% of Americans are frustrated by the fact that they don't have control over their personal data and wish the process were easier. 94% want a better experience for getting their data from a company, regardless of whether they've ever tried.

"This may indicate that companies need to zoom out from compliance and approach data privacy in a vein of trust and business opportunity," Brook said.

88%
of Americans are frustrated by the fact that they don't have control over their personal data

▶ **Pragmatic Take: Being compliant and being trusted are not the same. Listen and respond to your customers to build a sense of trust and loyalty.**

A 'Real Person' Is Still Important, Even 6 Feet Away

Despite a global pandemic, consumers still want to talk to a real person when they're buying a new digital device. In fact, throughout the COVID-19 pandemic, the highest-volume sales channel for digital devices has been in-store.

Two new studies from J.D. Power on the wireless purchase experience—one on the full-service experience and the other on non-contract performance—found that wireless carriers are doing a good job of getting customers to their websites, but are struggling to convert those visits to sales.

"If carriers want to optimize their online channels, they need to better evaluate the purchase journey to successfully leverage the dynamic of person-to-person interaction and translate that to the digital sales platform," said Ian Greenblatt, managing director at J.D. Power.

Among the research findings, brick-and-mortar stores saw the highest overall volume in sales, accounting for 63% of sales among full-service customers. Online sales channels saw the largest year-over-year growth in volume, up 7%. Yet, of those who started their shopping process online, more than 20% made their purchase by phone after reaching out to a representative.

Brick-and-mortar stores saw the highest overall volume in sales, accounting for

63%

▶ **Pragmatic Take: Meet your customers where they are while at the same time identifying solvable hesitation moments.**

PRODUCT POSITIONING ACC[O]

BY STÉPHANIE LABRECQUE AND ETIENNE FISET

IN HIS BRILLIANT ESSAY "THE HEDGEHOG AND THE FOX,"
British philosopher Sir Isaiah Berlin expands upon a tale
attributed to the ancient Greek poet Archilochus and
divide people into two categories: hedgehogs and foxes.

Often seen as a symbol of intelligence and cunning,
the fox is a beautiful, sleek and crafty animal, able to conceive
of innumerable complex strategies for attacking its prey. Day
in and day out, the fox watches the comings and goings of his
target in silence, circling around his den and waiting for the
perfect occasion to pounce.

The hedgehog, on the other hand, has a cone-shaped
face, short legs and a body covered with porcupine-like quills.
Despite these sharp spikes that serve as his suit, the hedgehog
is a lovely animal. He wanders around searching for another
snack to nibble, taking care of his home and minding his
own business. Vigilant and cautious, he senses danger at the
slightest noise and always stays on guard.

"A fox knows many things, but a hedgehog knows one big
thing," Berlin summarized. While the fox sees the world from
many points of view, the hedgehog focuses on one big idea and
revolves his life around it.

When it's time to position new and existing products to
ensure customer loyalty, what kind of product professional
are you: a fox or a hedgehog?

Do you calculate many different lines of attack for market
penetration, employing various strategies to connect with
your potential buyers whose needs vary according to the
problems they want to solve? Or do you follow a simple
path to position your products in the market and reach
your potential buyers, focusing on achieving your goal and
disregarding anything that doesn't relate to your guiding
principle?

Customer loyalty—the key to referrals, repeat purchases
and recurring business—is highly sought by product
professionals. Loyalty, however, is not instantaneous. It's
earned through consistency, which is why Berlin's essay is
particularly relevant.

"The Hedgehog and the Fox" has already been applied to
business management in Jim Collins' book *Good to Great*. Let's
see how it can be applied to product positioning.

CUNNING STRATEGIES

As smart as they may be, foxes find it difficult to summarize
the positioning of their products into a guiding principle that
can direct and align the activities of engineering, marketing
and sales. For them, the market is a complex environment;
their buyers' needs are scattered and the reasons to buy their
products are broad. For these reasons, foxes prefer to play at
different levels, pursuing many buyers in different markets
and offering various features and functions. In this way, they
hope to hit a target. Which one and for what reason? Ask
them, and you'll probably get a scattered or broad answer.

CORDING TO THE HEDGEHOG AND THE FOX

To integrate their thinking into a single idea, some foxes may see product positioning as the process that leads to the market message. Thus, they produce a document with nice, punchy words for use in external communications and product-launch activities. The most creative foxes also come up with a tagline or slogan built around the product's features.

Unfortunately, these cunning strategies risk hitting the sharp spikes of their competitors, who may have applied the Hedgehog Concept for positioning new and existing products.

THE HEDGEHOG CONCEPT

In contrast to foxes, hedgehogs can clearly and concisely articulate the problems they want to solve for their buyers. They view the product positioning process through a converging lens that is focused on a single important idea: the reasons why customers will buy the product.

Hedgehogs simplify complex content into a single principle that unifies and guides the whole organization. Their product positioning is a concise, one-page document that provides other departments with a complete understanding of who the product is for, why they will want it and which pain points are being solved.

Because they want to build a product that will solve potential buyers' problems or meet unmet needs, hedgehogs execute the positioning activity first, before applying for resources and developing the product. This way, they have everything in hand to gain executive approval.

For them, product positioning is an internal deliverable, shareable with all departments—from engineering to marketing and communications, and even sales. Here's why.

Engineering and Development

Because they face many choices, the engineering and development team needs context and clarity about what they're doing in order to make the right decisions. By clearly articulating what problem needs to be solved and for whom, the technical team adds value to the development process. They also have the capacity to prioritize certain activities.

Marketing and Communications

In charge of writing external messaging, creating web content and producing advertisements, the marketing and communications team needs to understand the problems that the market wants to solve. This way, they can highlight the product's distinctive capability and connect with buyers. Rather than receiving the fox's tedious technical document full of explanations of features and functions, the hedgehog will provide the essential elements required to deliver the proper message.

Sales Team

If the sales team knows why the product has been built and for whom, explaining to potential buyers how the

> " As smart as they may be, foxes find it difficult to summarize the positioning of their products."

product solves their problems and meets their needs becomes clearer. With the Hedgehog Concept of positioning, the sales team can focus on the important benefits that will attract the technical buyer or the ROI that will appeal to the economic buyer, ultimately ensuring the loyalty of both.

Nevertheless, some executives and colleagues from other departments might resist the idea that complicated challenges and significant dilemmas can be formulated in such a simple way. Product managers using the Hedgehog Concept could even be perceived as simpletons. Facing such simplicity, their hierarchy and colleagues may believe that a large portion of information is missing or has been forgotten or ignored.

Despite peer pressure to focus on details, Princeton Professor Marvin Bressler recalls the power of the hedgehog during a conversation with Jim Collins: "You want to know what separates those who make the biggest impact from all the others who are just smart? They're hedgehogs." Freud, Einstein, Darwin, Marx: They were all hedgehogs.

"That's been one of my mantras—focus and simplicity. Simple can be harder than complex: You have to work hard to get your thinking clean to make it simple. But it's worth it in the end because, once you get there, you can move mountains." —*Steve Jobs*

In short, it doesn't matter how complex the positioning journey is for a hedgehog because he can convert all challenges and dilemmas into clear and concise ideas. Anything that doesn't relate to a simple principle holds no relevance.

So, how do you position your new and existing products according to the Hedgehog Concept? What fundamental elements are required for your one-page document that will serve as a guiding principle for your colleagues in engineering, marketing and sales? Where do you need to focus and centralize your efforts? The following pillars will help you clearly and concisely position your product to ensure customer loyalty.

PILLAR 1 — PICTURE THE COMPETITIVE LANDSCAPE

Do you have a simple picture that captures your competitive landscape and that any member in the organization can understand? Do you know the key factors you and your competitors battle for? Do you know what differentiates your product? These are the questions that W. Chan Kim and Renée Mauborgne address in their book *Blue Ocean Shift*.

Like a hedgehog, Kim and Mauborgne transformed this information into a one-page visual analytic called a strategy canvas, which captures an organization's current strategic landscape and its future prospects. It depicts the way an organization configures its offering to buyers relative to its competitors.

On the horizontal access of Figure 1, specify the key factors the industry historically has competed on and invested in. This might be the ease of use and intuitiveness for SaaS, accuracy and repeatability for measuring tools, speed and versatility for industrial equipment and so on. On the vertical axis, rate the offering level that buyers receive/experience for each of the industry's key competing factors.

Immediately, you can see that when your organization gets a high score on the vertical axis, it means your product solves the buyers' problems in a better way, offering them more. On the other hand, a relatively low score on the vertical axis means your product doesn't perfectly meet the needs of your market or it offers less than your competition. By connecting

Figure 1
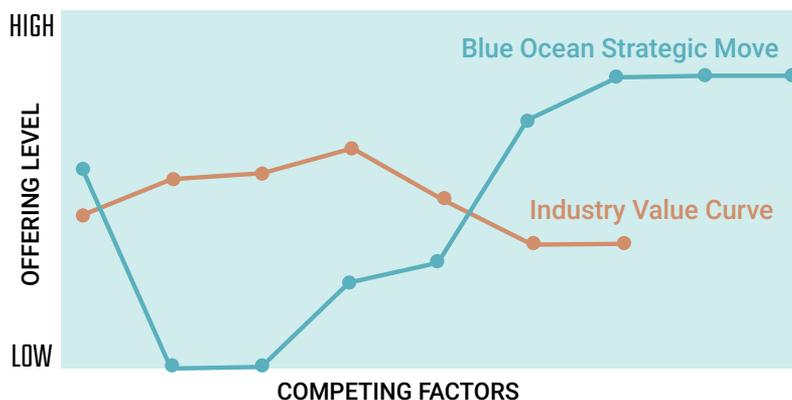
the dots, you get a simple, concise view of your organization's relative performance across its industry's factors of competition. You also see the same for your competitors.

PILLAR 2 — DEFINE INSIGHTFUL BUYER PERSONAS

Do you have a simple representation of the buyers to whom you are trying to sell? Do you know what their shared pain points are? Can you describe their common behavioral patterns? Do you know what goals they pursue in their daily activities?

These are the questions you need to answer to create your buyer personas. As a hedgehog, you will use these personas to highlight the four primary elements of your buyers: their goals, challenges, objections and decision criteria.

With this information in hand, the engineering, marketing and sales teams can tailor their product development, messaging and offering to match these buyers' needs, behaviors, concerns, preferences and requirements.

If market research is conducted properly, the four basic elements—goals, challenges, objections, and decision criteria—will offer insights regarding:

- Which companies are your most likely potential clients
- Who within the company prompts the search
- When the best time is to approach a potential client
- Which performance results the client hopes to achieve with the purchase
- Who is involved in the buying decision

- Which features matter to them
- What resources they trust for product evaluation and advice
- What barriers might prevent them from buying

PILLAR 3 — BUILD A WELL-CONSTRUCTED VALUE PROPOSITION

Do you have a simple formula that highlights your value proposition? Can you describe—in the buyer's words—the problem that you are trying to solve? Do you know the most important key factors that the personas will use to determine the value of your offering? Do you know the unique feature that sets your product apart from the competition? Can you prove the credibility of your product with indisputable facts? Your value proposition must answer these questions.

Inspired by Mike Gospe's book *Marketing Campaign Development*, a well-constructed value proposition can be built with a simple formula:

VALUE PROPOSITION =
PROBLEM + VALUE DRIVER + DIFFERENTIATOR + EVIDENCE

Problem: A technological challenge or an operational problem that buyers need to address or solve.
Value driver: An operational, technological or personal outcome that buyers use to define the value of an offering.
Differentiator: A product offering's unique feature that sets it apart from competing products.
Evidence: Indisputable facts that establish credibility by offering proof that your message is accurate.

Adding these four elements in a statement allows product professionals to articulate in a clear, concise way—as prescribed by the hedgehog—the perfect match between your buyers' problems and your organization's offering.

Based on Mike Gospe's book, Figure 2 illustrates an example of a value proposition for a rapidly deployable, more flexible and less costly data center.

Applying the Hedgehog Concept to product positioning has a positive impact on the development, marketing and sales teams because the whole organization must access the same essential information from which they can work together.

THE HEDGEHOG ALWAYS WINS

Successfully positioning new and existing products enables product professionals to ensure customer loyalty. The importance of positioning should not make its execution more complicated and difficult. Simply put, the goal of positioning is to find the intersection of the product's benefits and the customer's most important need.

If you are deploying myriad fancy strategies, diverging from your objective or incapable of synthesizing your research and describing it in a single page, these are signs that you're acting like a fox. "Despite the greater cunning of the fox, the hedgehog always wins," explained Collins, who documented what characterizes good-to-great companies and established the Hedgehog Concept in his book.

Regardless of the fox's line of attack, chosen path or strategic plans, the little hedgehog always manages to thwart his attack. Sensing the danger, his simply rolls up into a perfect ball of sharp spikes and waits for his attacker to appear. Each time the fox faces the hedgehog's defense, he must abandon the offensive and pull back to the forest. Nevertheless, these repeated setbacks never prevent him from making plans that are, more or less, the same as his previous strategies.

When the fox feels certain he's catching the hedgehog, jumping over the ground lightning fast and proudly shouting, "Aha, I've got you now!", the little hedgehog thinks, "Here we go again. Will he ever learn?" **P**

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UNTANGLING
PRODUCTS

BY KURT BITTNER

Focus on Desired Outcomes to Decrease Product Complexity

MANY ORGANIZATIONS STRUGGLE TO DEFINE their products. They have products that do a lot of different things for a lot of different people, making it hard to say what the product really is, what value it delivers and to whom.

Why is this bad? In a word, focus.

The more things a product does for more people, the more complex it becomes, the harder it is to use and the harder it is to deliver. Complex products that are burdened with features no one understands—but no one can kill—create organizational complexity, increase costs and result in baffling products that frustrate customers.

To cut through this, my simple definition of a product is "a vehicle for delivering outcomes to some group of people." With luck, these outcomes achieve value for the user as a result of a positive change. The customer (or user) finds value in *doing* things they couldn't before or *experiencing* things they hadn't experienced before.

The best products deliver a relatively small set of positive outcomes to a group of people with a common set of needs. To illustrate the importance of simplicity, consider when you're preparing dinner and you need to cut some vegetables. Which will better meet your needs: a multi-tool pocketknife or a chef's knife? And which knife would you prefer if you're hiking in a wilderness of unknown conditions?

Different people have different needs in different circumstances—each of which is served by different products that deliver different outcomes. A lot of product professionals talk about "the customer" as if there is such a thing as a single user with a single set of needs. This

language prevents people from seeing who really uses the product and why.

Going back to the knife example, I have both types of knives, so I am "the customer" for both. But focusing on all my needs at once is confusing. Instead, focusing on my desired outcomes under specific conditions yields better insights:

- I sometimes need to slice and chop a lot of different vegetables to prepare different meals

- I sometimes need different tools to solve different problems in various situations; but, because I can't predict these situations, the tools need to be portable but only need to perform adequately

Outcomes focus on the end result and the context in which I want to achieve them, not the means by which I achieve them.

SIMPLER PRODUCTS ARE EASIER TO DEVELOP AND USE

Many organizational scaling problems come from large, complex and poorly focused products. The more a product does, the more people who need to be involved in its development. As a product grows beyond something a single team can develop, the cost and complexity of delivering that product increase exponentially.

Rather than trying to figure out how to scale product development, first try simplifying a complex product into two or more simpler ones. If the product is getting too complicated, if it delivers this outcome to one group of people, that outcome to another group, and another outcome to a different group, it might be time to split it into several products.

For example, in Figure 1, "Product Polyglot" does a lot of different things for different people in different situations (by way of metaphor, it speaks in different languages to different groups of people). There also are some shared capabilities (the black dots) that benefit all users. By splitting Polyglot, each product becomes simpler to develop and use. There is a little complexity to manage the common capabilities in each, but there are ways to manage this—and using shared components is just one.

By dividing Polyglot, each product serves its customers in the simplest possible way. Each product development team can get to know their customers and their unique needs more intimately, thus producing better results.

Of course, there are some products that, if they delivered only a single outcome, they would be less usable. For example, think of using a single smartphone clock app (rather than separate apps) that tells your current time as well as the time in various time zones and has an alarm clock, stopwatch and timer.

An ideal product bundles related outcomes because people tend to think of them in similar ways. Likewise, that ideal product may be less costly to produce because similar expertise is needed to produce it.

THE IMPORTANCE OF ARCHITECTURAL FINESSE

There is a good way and a bad way to split a big product into smaller ones. The bad way clones the big product into different versions, each of which is a partial copy of the original. The problem with this is that you now have several versions of the same code (or components for physical products), and each must be maintained.

Products become large because organizations don't have good ways to manage shared components. They

Figure 1: Refining with Outcomes Helps Simplify Products

Product Polyglot

A

Outcomes

B

C

Product Refinement

A — Product A

B — Product B
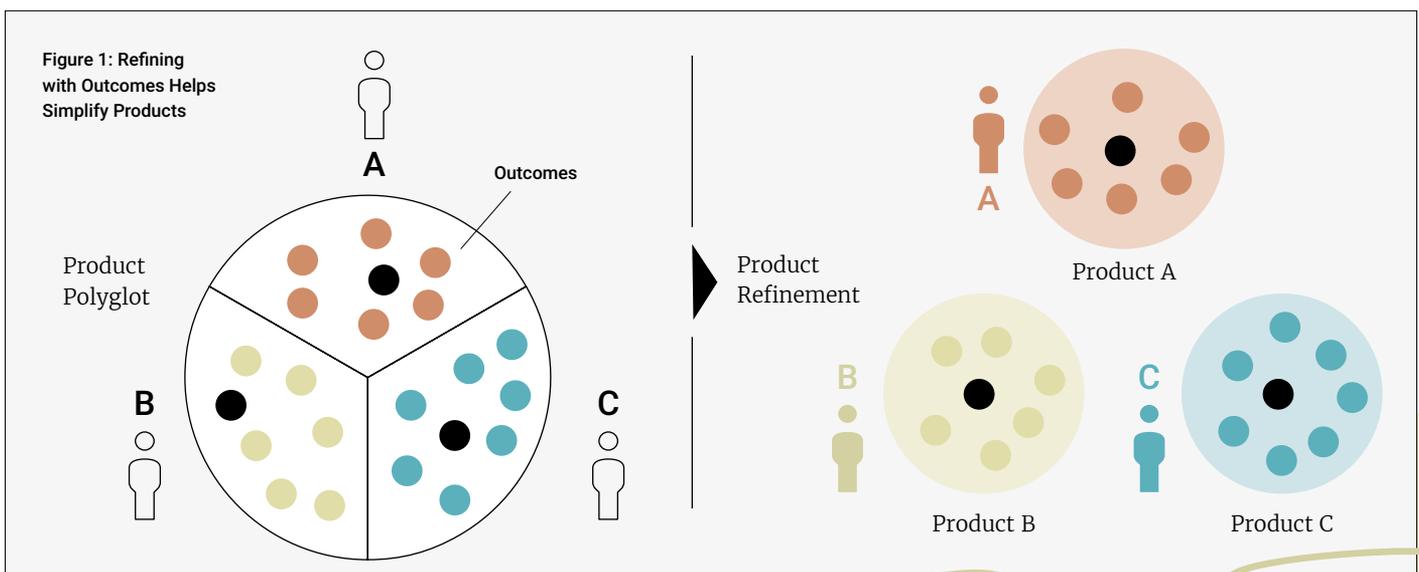
C — Product C

understand that maintaining multiple versions of the same thing is bad, so they choose the evil they consider less bad: bloated products.

But there is a better way. Figure 2 shows the three refined products from Figure 1 sharing a common platform architecture that consists of common components and/or services that each product uses to deliver its unique outcomes. The platform is almost like another product, except it has no real customers—it exists solely to serve the needs of the products it supports.

The best way to manage this is as a set of versioned services that are collectively managed by the product teams. If one team needs a new service, it lets its peer teams know what it's doing. If another team needs something similar, they can collaborate to build it. If one team needs to add something to an existing service or change the way a service works, it creates a new version of the service rather than potentially breaking that service for peer teams.

This approach to managing the platform works better than treating it like a product with its own team, as having one team own the platform creates bottlenecks for the "client" teams. The platform team would have to coordinate a lot with the client teams, and the client teams would have to wait on the platform team. Even worse, being one step removed from the real problems the platform is trying to solve, the platform team is less capable of really meeting the product teams' needs.

Figure 2: Similar Products Should Share a Common Platform

Product A   Product B   Product C

Common Architectural Platform
(components and services)

Simpler products backed by a shared platform enable each product team to rapidly respond to customer feedback or competitor shifts. Product teams are freed from the complexity of planning and coordinating large product releases, and they escape the complex political (and seemingly unavoidable) feature-negotiation process that large products seem to require.

The cost of this speed and flexibility is that the organization must learn to master the techniques of managing a shared set of services without creating a new team or organization to manage those services.

SIMPLIFY TO SCALE

Large products are challenging to deliver. Sometimes products are large because the problems they solve are inherently complicated (think of an airliner). But sometimes they are large simply because of a lack of focus. Refining products based on desired outcomes provides organizations with a tool to reduce products to their simplest form and avoids complex but unnecessary scaling approaches. ⬛P

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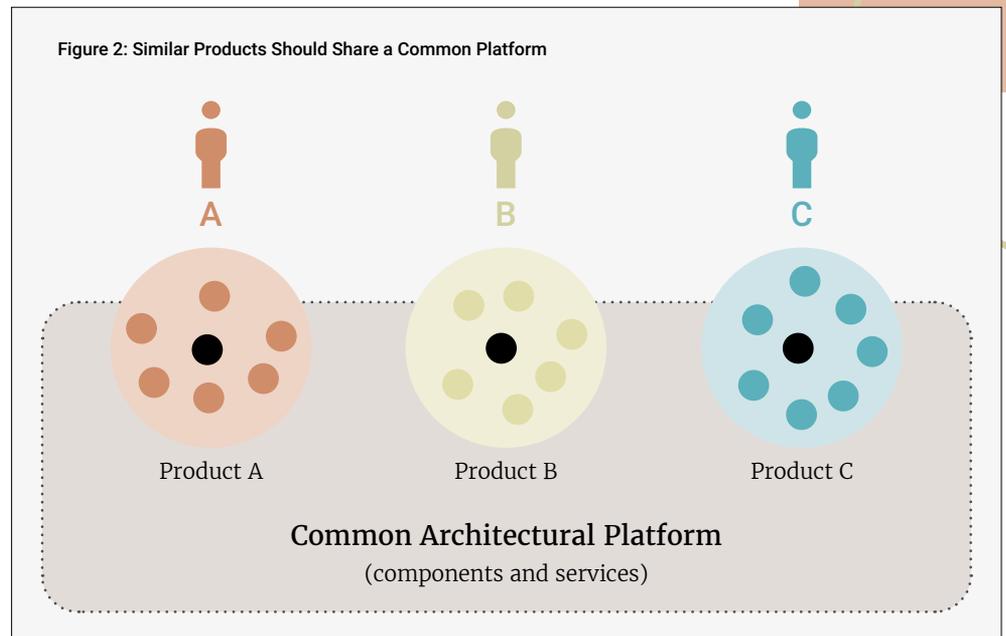
90%

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THE FUTURE OF BUSINESS

TAP INTO THE TAM

Your Secret Weapon for Growth

BY SHAWN MCKEE

WANTING TO MAKE A LITTLE extra money over summer vacation, a young girl sets up a lemonade stand in front of her house. Her proud parents and several neighbors buy a few glasses of the tasty beverage, and she's pleased with her sales—at first.

She thinks about the potential for her stand to sell many more cups of lemonade. She wonders how a possible relocation and an investment in more ingredients will impact her revenue. So she decides to conduct some research.

Considering her geographic boundaries and the area's demographics, she determines that her lemonade stand has tremendous growth opportunity: She's close to a park that's always filled with children and their parents, businesspeople on lunch breaks and joggers. She decides to relocate her stand to the park, and her sales explode.

This simple example shows the power of knowing your total addressable market (TAM), which is your product's or service's overall demand or revenue opportunity if everyone who could find value in it purchased it. In the case of our young entrepreneur, the seller's niche is her neighborhood. Although her market is limited, where she chooses to spend her time and money still matters—and who she sells to will determine her overall message and marketing strategy. Understanding market segmentation and recognizing the opportunities therein are key to maximizing growth.

TAM COMMUNICATES YOUR COMPANY'S VALUE—AND ITS OPPORTUNITIES

When the founder of MetaCert—a cybersecurity software maker for businesses—pitched his company to investors, he presented a slide commonly found in pitch decks: the company's TAM.

But this founder, Paul Walsh, did it right. Rather than claim a broad, massive market, he demonstrated:

- How his team strategically thought about their niche market (and the extent of their product-market fit)
- How they used that information to plot their product roadmap

Walsh also demonstrated that he could identify markets with legitimate potential, which brought more credibility to his pitch and, ultimately, led to successful fundraising.

Building and growing any kind of business is a challenge, but increasing market share in the B2B space can be especially arduous. To achieve sustainable growth and reduce churn, it's critical to identify the prospects who will convert to long-term customers. Understanding your TAM is like seeing a map: Instead of blindly choosing a direction, you can intentionally choose a path and know exactly how to prepare for it. This insight can help you align your internal processes and get everyone—from product to marketing to sales—traveling in the same direction.

Knowing your TAM will uncover potential avenues for growth that you may have previously overlooked—something that will make any revenue-driven product marketing and sales team rejoice. This is especially true if you've already cornered a significant portion of a niche industry's market and it feels like there's nowhere left to expand.

At WebPT, we found ourselves facing this challenge. When the finance team came to marketing and said we needed to drum up more leads per month, we weren't sure where there was room to grow. So, we sat down and recalculated our TAM and market share.

If you work in a niche vertical, it's important to understand how many deals go through in the market on an annual basis so you can estimate the number of prospects whose attention you need to grab. The last thing you want is to discover you only reached 50% of the prospects who are buying; clearly, you need to do better than that.

USING TAM TO UNDERSTAND YOUR PATH FORWARD

Of course, TAM represents your business's ideal future; it's highly unlikely that one business will capture an entire market. However, TAM does give you an idea of the true size of the pond—as well as where your potential growth lies and the best spots to fish. It contains essential data to help you:

- Reach the right buyers at the right time
- Demonstrate demand-potential to investors who can fund your product development and marketing budget
- Understand your true competitive landscape
- Inform your strategic decisions
- Gain an edge in the market

Devoting resources to a new product (or even adjusting its price) without knowing the TAM for that product is a risky endeavor—after all, the potential market opportunity may not be

"Understanding market segmentation and recognizing the opportunities therein are key to maximizing growth."
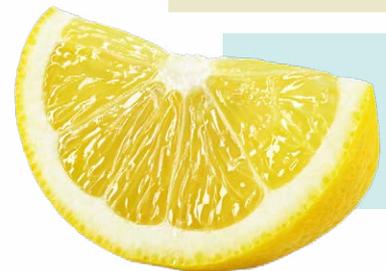
as big as you initially thought. Conversely, you might leave a lot on the table if you don't devote enough resources to a market that has more potential than you realized.

As marketers, we've been conditioned to cast a wide net, but that's no longer effective in today's commoditized marketplace. Defining

your TAM today requires more nuance and focus—and it requires your entire team to work together. The process can drive internal alignment across marketing, sales, and even customer success functions as you work in tandem to identify market potential. When the team at WebPT needed to learn more about whom we could sell to, researching this data became our natural next step.

We provide a cloud-based electronic medical record (EMR) platform to outpatient rehab therapy clinics that employ physical therapists, occupational therapists and speech-language pathologists. In the beginning, we thought small- to medium-sized practices were the extent of our market—and we typically sold the same products to the same personas. But our TAM revealed additional segments that we could market to, and we used this new data and knowledge to confidently market to different types of customers. It also opened the door for us to better understand the differences between the various segments in our market, as well as which products best suited each.

TAM DATA-COLLECTION EFFORTS

How do you define and measure your TAM? Ultimately, it comes down to collecting and tabulating data. There are several ways to compile TAM data, and this is how WebPT approached it.

We started by scouring publicly available job-market data from Data USA, the U.S. Census Bureau's American Community Survey (ACS) and Public Use Microdata Sample (PUMS), and the U.S. Bureau of Labor Statistics (BLS). Because we target rehab therapy clinics that provide different specialty treatments (e.g., physical and occupational therapy, speech therapy), we also researched the number of clinics and different facility types in our market (e.g., outpatient, hospital, home care). We also purchased reports from IBISWorld that included data such as employee counts. This data helped us calculate how many employees worked at the businesses that could potentially use our product.

We purposely triangulated data sources to validate our findings—and then weighted these data sources based on credibility, compared the results to the data we had in our CRM, and matched all of this information to the responses collected in our industry survey. Finally, Bain & Company, a global management consultancy, was

> "Leverage your data to determine whether there's a big enough market to create a new product or if it's time to chase a new market."

commissioned to conduct a similar study that ultimately validated our findings.

To accomplish this in your vertical, start with publicly available data and couple it with industry-specific resources, like quarterly reports of public companies that operate in your targeted space. Pinpoint how many customers in your target market could potentially buy your product, then multiply those numbers by your current pricing. Once you have a snapshot of the total market, break your data into segments so you can further analyze product-market fit.

As you calculate your TAM, be wary of some common pitfalls like ignoring category potential. The most infamous example of this pitfall is when AT&T hired consulting firm McKinsey & Co. to predict the potential penetration rate of cell phones in the United States. The firm's initial estimate—900,000 subscribers—was significantly lower than the actual number of adult cell phone users today—approximately 246 million in the United States alone.

A similar situation occurred when analysts tried to estimate Uber's value using data strictly from the car-for-hire market. The issue was that Uber didn't only bring on existing taxi passengers as its customers; it also converted public transportation riders and those who previously used their own vehicles. Essentially, Uber expanded the entire car-for-hire market.

It's also important to understand that opposite ends of a market can be quite different—which is a lesson we learned after we better defined our TAM.

A ROADMAP TO NEW LEADS

With our validated TAM data in hand, we set out to breach new opportunity spaces and ended up increasing our marketing qualified leads (MQLs). What surprised us most about our research was our clear potential to continue expanding into a variety of market segments.

For example, we discovered that half of our market comprised small businesses with one to four rehab therapists. Initially, we took our eyes off of this segment because it was the "small" side of the market, but we realized its sheer volume translated into a lot of lead and revenue potential.

So, we pivoted our marketing and sales efforts to focus

on the areas where we knew we could make a big impact: the larger and smaller practice segments. We also altered our marketing strategy and started creating custom messaging based on segment. Suddenly, our marketing copy was different for owners and practicing therapists than it was for C-suite executives.

We also used our TAM (specifically, the data about the volume of different buyers) to adjust how we distributed our marketing resources. And it wasn't just our marketing and sales strategy that changed. Once we identified new opportunities at the lower end of the market, we created more affordable product packages for smaller clinics.

TAM DATA IS ACTIONABLE
Discovering opportunities is the cornerstone to successfully building a business. It also should drive the business to expand, grow, and develop or alter existing products. Had we not found a fresh—and deeply informed—way to look at our market, we may have stagnated. Instead, we peeled back the layers of

our TAM and used that information to increase our number of qualified leads by 30%, close 25% more deals, expand our market share by 33%, and attract a global private-equity investor.

You can put your TAM into action by:

- Including TAM data in strategy sessions: Sales, product and marketing teams should be privy to how much of the market you currently service and who you can realistically target and attract

- Using TAM to set yourself apart: Your defined TAM can help you understand which of your competitors are serious; then you can focus on and showcase your strongest differentiators

- Identifying potential: Leverage your data to determine whether there's a big enough market to create a new product or if it's time to chase a new market

We achieved great results after defining our TAM, but we know better than to become complacent,

because TAMs are always evolving. The market is in a constant state of change, and we know the assumptions we're working from now will—at some point—become obsolete. Keep your nose to the grindstone. Continue working to determine where the market is and where it's going; then, adjust your strategy to meet it. ◼P

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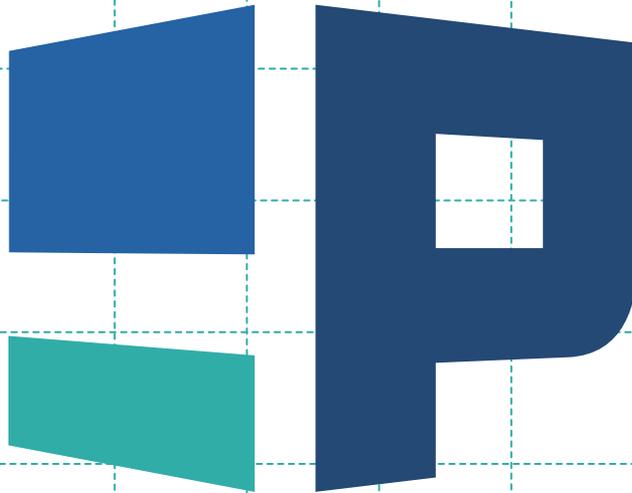
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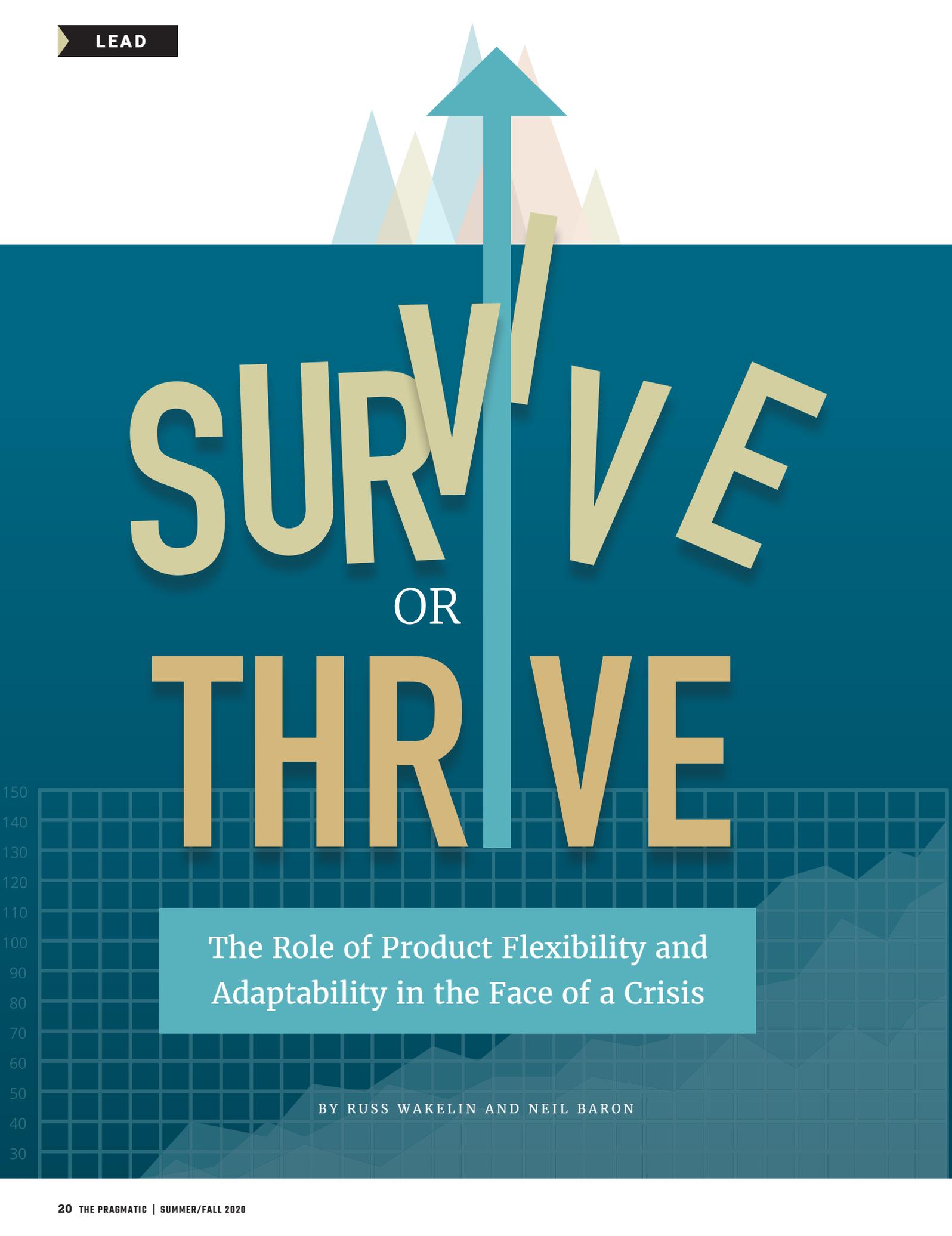
SURVIVE OR THRIVE

The Role of Product Flexibility and Adaptability in the Face of a Crisis

BY RUSS WAKELIN AND NEIL BARON

DURING AN ECONOMIC DOWNTURN caused by a crisis like the COVID-19 pandemic, hunkering down and waiting for better times is a natural response. It's comfortable. However, challenging times present a significant opportunity to build a long-term competitive advantage—as long as your organization is built on a foundation that allows for flexibility and adaptability in its products and services.

As companies prepare for the future, they are asking how product management and product marketing professionals can help. Payfactors, a B2B compensation technology company that helps organizations ensure they attract and retain the best talent, is a case study in how established product offerings and client-experience best practices can allow a company to adapt and pivot.

Since its founding in 2014, Payfactors has provided tools for companies to understand how their employee pay trends against an ever-changing market and how they should adjust. These insights drive employee retention, ensure pay equity, and help manage companies' No. 1 expense: payroll.

More than 20% of Payfactors' customers are Fortune 500 companies. They span 22 industries and represent more than 12 million employees with combined salaries of more than $466 billion. Its customers typically have a dedicated staff of compensation analysts.

Though relatively young, Payfactors has seen 40% annual growth since it was founded. To sustain this growth, the company has kept a close eye on the market and stayed adaptable. Specifically, Payfactors took several proactive actions prior to 2020 that enabled it to adapt when the pandemic hit.

ACTION 1 — FOCUS ON SOLVING MARKET PROBLEMS

The Payfactors founders are self-described "compensation geeks." As a result of their deep understanding of compensation, they realized that large organizations struggled with issues such as centralizing their internal employee compensation data—which was largely managed in spreadsheets—and reconciling this data against market surveys.

Compensation professionals don't want to be considered a back-office function. They want a seat at the leadership table to help drive business strategy via compensation strategy. But if they spend too much time on small, transactional tasks, they have no time left to think about compensation as a strategic tool.

From the start, Payfactors focused on providing tools to reduce tedious activities and enable compensation leaders to connect the dots between compensation and talent management strategies. This market need–driven message resonated, and the company grew rapidly.

Payfactors' senior management team recognized the reason for this success: fostering a culture that continues to ask, "What is the biggest market problem in compensation, and are we solving that problem?" This market-problem focus served them well at the onset of the COVID-19 crisis.

ACTION 2 — CHALLENGE ASSUMPTIONS AND VALUE OUTSIDE EXPERTISE

Payfactors' senior leadership has a combined 60 years of compensation experience, making it easy to fall into the trap of thinking "we know everything." What made them successful since the company's inception could blind them to future opportunities.

For example, the company achieved explosive growth selling to compensation departments of large, enterprise-scale organizations. Leadership believed there was an opportunity to expand into the middle market (companies with 250 to 1,000 employees). Initially, leadership believed that middle-market companies were simply smaller version of large enterprise organizations—and that the same messaging and sales approach would mean success. However, under the Payfactors culture, these assumptions about the middle market needed to be challenged.

In summer 2019, Payfactors engaged with a B2B market expert, Neil Baron of Baron Strategic Partners, to objectively identify potentially dangerous assumptions. Together, they listened to sales calls, spoke with salespeople, reviewed client case studies and interviewed customers. Through these exercises, it became obvious that what was successful with large enterprises would not resonate with the mid-market.

The key insight from this work was realizing smaller companies do not have a compensation department and, thus, the buyer need is different. In smaller companies, compensation was included among other tasks on the HR team's plate. These HR generalists wanted compensation data, but they didn't have the time or desire to become compensation experts. Armed with these insights, Payfactors revised its value proposition and

> Challenging times can present a significant opportunity to build a long-term competitive advantage.

organizational structure for the mid-market.

Within nine months, they restructured their sales organization to introduce a dedicated leader, business development representatives and sales approaches targeting HR-generalist buyers. This new team came back with more learnings around specific market problems for this segment. These learnings helped Payfactors to expand its "Payfactors Free" offering, which originally targeted only small businesses.

The impact was substantial. In the quarters after the team restructure, the company reduced the time it took to close new deals by more than 10% when compared with prior years. And the insights gained during the mid-market project proved valuable during the pandemic.

ACTION 3 — ESTABLISH THE ROLE OF CHIEF CLIENT EXPERIENCE OFFICER (CXO)

As Payfactors grew, senior management wanted to ensure that the company maintained its laser focus on the customer as well as the market problems that needed solving. As vice president of product management, Russ Wakelin approached his role by going into the field, interacting with clients frequently and measuring the success of product improvements with direct-use metrics.

The founders appreciated Wakelin's approach. He created processes that connected with customers and related to them on an emotional as well as business level. His approach caused management to ask, "What if this process could be extended beyond product research into a more holistic, cross-functional look at optimizing the client experience?"

In fall 2019, Wakelin was promoted to the newly created Chief Experience Officer (CXO) role—something that has emerged in many organizations in the past decade but was a new concept for Payfactors. Together, Wakelin and Payfactors CEO, Jeff Laliberte, looked at what a CXO role generally looks like, then refined it to fit the company's specific needs. They established three broad goals for the role:

1. Monitor client health through metrics such as net promoter score
2. Encourage client and employee interactions and engagement
3. Drive thought leadership.

Shortly after establishing the role, Wakelin traveled to dozens of clients and spoke at regional compensation conferences and gatherings. Working with client success managers, he visited clients onsite, listened as they explained the value they got from Payfactors, and discussed future challenges they were facing. Customers were carefully targeted for visits based on renewal dates, risk and complexity.

Discoveries from these interactions were shared with the broader Payfactors organization via weekly impact summaries. These reports, which included session recordings, were used to improve features currently in development, generate product upsells, schedule follow-up training to re-engage clients who were underutilizing the system, and shape thought leadership and market hypotheses. Retention for clients with CXO-driven interactions increased by more than 15%.

ADJUSTING FOR A COVID-19 WORLD

The actions Payfactors took in 2019 allowed the company to adapt quickly when the pandemic hit.

Leverage the CXO

Centralizing ownership of the client experience into the CXO role enabled Payfactors to quickly pivot how it interacted with clients. This was especially true for clients in hard-hit industries (e.g., hospitality, restaurants, airlines). The CXO quickly established virtual meetups with clients as well as prospects in similar industries. Wakelin structured the format so participants could engage with each other and discuss the various challenges facing their compensation and HR teams.

It was a cathartic experience that strengthened Payfactors' client relationships by demonstrating empathy and support. Additionally, Wakelin quickly learned how COVID-19 affected different industries, how to adjust client risk profiles and which specific market hypotheses needed to change.

The feedback became a way to scale CXO

> ## "
> Organizations that invest in building customer relationships and collecting customer insights have a strong foundation to adapt to market shifts."

client interactions from dozens per quarter to hundreds. In just one month of running two meetups per week, more than 200 clients had participated. And more than 90% of participants requested that the meetings become routine. Many themes emerged that proved as valuable as the client engagement:

- Furloughs and company layoffs reduced some industries' compensation teams' headcount to near zero
- Companies needed up-to-the-minute market data more than ever
- The desire to communicate with peers was high

Leverage the Mid-Market Project
The mid-market project exposed that selling to companies with a compensation team is different than selling to HR generalists who don't want to be buried in compensation details. When the meetups revealed that many larger companies had furloughed their compensation teams, it was a problem that Payfactors already knew how to solve. It needed to talk to these lean clients as HR generalists, not compensation geeks.

Fortunately, the plays built by the mid-market team already included stories around the value proposition for HR generalists. The market need was pivoting to Payfactors' strengths, plus the mid-market team's messaging could be used to expand these stories back to the enterprise companies that had experienced compensation-team furloughs.

Modify Pricing and the Product Offering to Fit the Current Situation
Like many companies, Payfactors offered a free version

of its product. In response to the pandemic, the company pivoted the value proposition of the free version from "Free for Small Business" to "Payfactors Community Free" for organizations of any size. In less than a month, Payfactors Free Community was adopted by more than 180 new, high-profile enterprise clients.

Before the crisis, Payfactors believed that enterprise clients would not see much value in a free offering. By staying true to its culture of challenging assumptions, Payfactors adapted to market changes, pivoted its offerings and tried something new. As a result, a stable of strong future sales leads with marquee brands was generated.

LONG-TERM PLANNING AND ADAPTABILITY PAY
The Payfactors case study is one model for converting smart investments into a strategy to remain relevant, regardless of the crisis. Organizations that made investments in building customer relationships and collecting customer insights have built a strong foundation to adapt to market shifts. For organizations that didn't make those investments, it's never too late to start.

Product management and product marketing leaders can begin by answering a few questions:

- How can we stay close to our customers, both intellectually and emotionally, when we cannot visit them in person?
- How do we use our customer insights to make the appropriate pivots to our value proposition?
- How do we keep our value propositions self-evident and easy to obtain?
- What are our processes for gathering routine market and client information to challenge our assumptions and answer the question "where am I wrong?"

Now is the time to execute product management, product marketing and customer experience best practices to build the foundation for a successful post-COVID environment. As Payfactors has demonstrated, this effort will make your organization more resilient in challenging times. And hunkering down until the COVID-19 crisis ends is not an option. ⬛P

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Best Practices for

LEARNING ABOUT YOUR TARGET MARKET

BY MATTHEW WOODGET

WE CAN ALL THINK OF TECH COMPANIES with a failed rollout or a product that didn't catch on. Sometimes the timing wasn't right, or the original iteration wasn't quite *there.* More often, though, a failed product is the result of companies thinking they know everything but having a flawed understanding of the market.

For example, microwave ovens were introduced in the 1940s but remained unpopular until the 1970s, when both their size and cost dropped significantly. But even in the 1970s, no one woke up one morning demanding a microwave oven. Rather, people with increasingly busy lives wanted the ability to heat food as quickly and safely as possible.

When companies fail to properly gather, analyze and use information from their target market, they inevitably create products that don't resonate or meet the needs of people they're trying to reach.

RESEARCH OBSERVATIONS, IMPLICATIONS AND RECOMMENDATIONS

Customers are best served when we give them exactly what they need; and to know that need, we must pay attention and truly listen. We must understand how our customers feel, what they think and how they go through life. Ultimately, we must understand their stories and journeys so we can lead them to buy our products.

Like the microwave, needs can be implicit. Unlocking what those needs are can lead to new wants—and new products. The best way for a company to gain insight on how its consumers feel is through:

- Observations: What data and trends did we find when conducting our research?
- Implications: How can we take what we've observed and incorporate it in the company? What happens if we don't make those changes?
- Recommendations: Based on our observations and implications, what should we do differently?

> 〝 You don't need formalized research to find out about your clients and their feelings about your products."

Because of the required investment, companies often are hesitant to conduct extensive research. But if you don't know anything about your customers, you'll never sell to anyone. Therefore, anything that helps you better understand your customers and their values is an essential investment.

Consider YouTube. This ubiquitous content-creation platform originally started as a video dating site. It even used the slogan "Tune In, Hook Up." But the company gained no traction when it brought dating videos online—it turned out that users (especially women) didn't want to make videos of themselves talking about who they are and the kind of partner they want. Co-founders Steve Chen and Chad Hurley even took out Craigslist ads offering women $20 to upload their videos to the site, with no success.

Eventually, the duo looked at the market and knew they already were ahead in the online video space. YouTube pivoted to become a general online video platform, where users could upload any genre of video. In 2006, Google bought YouTube for $1.65 billion, and the website has since been the leader in video content.

By using the feedback and information they gathered from the market (i.e., no one wanted to upload dating videos, but they were willing to share other types of video content), YouTube made a change to its strategy that ultimately resulted in an improved internet experience.

MARKET RESEARCH METHODS AND HOW THEY WORK

There are many market research methods, each of which delivers different results and opinions. To be cost effective, start with one that you believe will help your company the most. Here are some of the most popular methods and the types of results they yield.

Sleuthing and Online Research

You don't need formalized research to find out about your clients and their feelings about your products. People share their opinions in online forums across the internet (e.g., Reddit, a community's professional chat rooms,

product reviews). However, take this feedback with a grain of salt. People often only post extremely positive or negative reviews, so what you see online may not be indicative of what the mainstream public or majority of your product users think. Still, this is an easy and inexpensive way to gather initial information and see what direction to take your research in. Performing this step first can help shape the rest of your plan.

Web scraping and crawling are other ways to find information online. Web scraping is the process of extracting large amounts of data from a website to gather information. The web crawler browses the internet to find relevant links and websites. From there, the web scraper accurately and quickly extracts the relevant information from those sites. By having a lot of web data, you can extract market and pricing insight and then compare it to your own company's positioning and pricing. Finally, run analytics on the data gathered, such as a word cloud of the key words people use to talk about your product, category or brand.

Survey

A survey is a quantitative tool that presents a series of questions to inspect the market. Typically, surveys ask around 15 questions plus a few on demographics, and they take about five minutes to complete (any longer and you'll see high abandonment rates). Surveys are meant to be administered and completed with minimal effort. Because of their brevity, they're good for getting a mass amount of information on current trends, though the feedback doesn't offer a chance for dialogue.

Traditional, In-Person Focus Group

A focus group is a deliberately selected group of people who are assembled to collect their thoughts. A moderator takes the group through a product, brand or advertising campaign and asks them pointed questions about it. A well-designed moderator guide can be used to draw out more complex thoughts than a survey can. The success of the focus group depends on the quality of the participants. If they don't warm

"Knowing their context for decision making can help you seek similar customers or learn how to convert others to use your product."

to the product or moderator, the conversation may not gain too many insights. Focus groups tend to be more qualitative and can be used to dive into trends found in surveys.

Virtual Focus Group

One drawback of traditional in-person focus groups (COVID-19 aside) is that participants can fall into groupthink and repeat the same opinions. In a virtual focus group, participants sign into a text or video chat and discuss the product there. By going online, you can receive a more diverse range of people rather than being geographically restricted. With the participants separated, there is no risk of groupthink or being influenced by others' observations. While there is no face-to-face interaction, the responders are more flexible and comfortable in their own setting. Plus, as an organizer, there is no event-space cost (although you will need access to a suitable platform).

One-on-One Interview

Sitting down with one person and discussing the product is a great way to have an intimate, engaging conversation. You get more personal opinions that inform how the customer uses your product and why they chose your company. Knowing their context for decision making can help you seek similar customers or learn how to convert others to use your product. The interview can be done virtually as well, though the conversation may be more insightful and informed if held in person (global health situation permitting, of course).

In-Product Feedback

Like a survey, you can gain a constant stream of new information by asking for feedback in your product. This is most useful for software and cloud services. You can learn new market opportunities from your clients and their usage. If you update your product, you can see how customers immediately react and feel about it and then make changes based on those observations.

PLAN YOUR RESEARCH METHODOLOGY

Although you have a menu of market-research methods in hand, it's important to remember that all the data in the world won't mean anything if you don't have a plan for how to use it. Here are some practical steps you can take:

- Commit to putting the customer at the center: To understand customers, it's important to look to the outside world. The people within your organization may be incredibly smart and think they know the answers, but their opinions don't matter if the market doesn't respond. Research will help you gather information about the market and go on a journey with your customers.

- Develop a hypothesis that includes what you seek to understand: Think of your personal hero. If you had one minute with them, what would you ask them and why? What insight do you seek to learn? Take this approach when you evaluate your customers. What do you really want to learn from them? What can they get from you? Distill your thoughts and put yourself in your customers' shoes. As the process continues, you can always do more research later and continue to learn as your relationship with and understanding of your customers evolves.

- Develop a plan with your goal in mind: It's easy to say you want to be "better." But what are the tangible ways to make this a reality? What is your story and how can you achieve the best results? Talk with your team about the research results and how the company can improve the client experience. Discuss benchmarks for achieving success, then start with an achievable short-term goal, a developed long-term goal and all the steps in between.

'CULTURE EATS STRATEGY FOR BREAKFAST' — PETER DRUCKER

Countless companies have lost focus on their journeys and have had to redirect their approach to be more customer oriented. Using the research methods addressed here, these companies have taken what they've learned from the market and applied it to their products and messaging strategies. And they've gone on their own journey to better help the people they serve as well as transform their companies to achieve greater success. ◨P

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Leveraging Technology to
ENHANCE AUDIENCE FEEDBACK

BY JOY LEVIN

IT'S CRITICAL FOR PRODUCT MARKETERS to get accurate feedback at every stage of the product lifecycle from both current and target customers. There are many methods for acquiring this feedback, but the reliability of traditional methods can be limited. Consider three examples:

- Surveys: A respondent may answer survey questions about your product long after they used it, relying on their memory (which may not always be accurate).

- Focus groups: Customers in a focus group may be asked to explain their motives, emotions and behaviors in front of the group, which may inhibit honest answers.

- User groups: In real-life labs or user testing environments, researchers and product developers may peek over the respondent's shoulder, distracting the customer. Or, because respondents are in an artificial lab environment, they may not use the product in the same way as they would if they were interacting with it more naturally.

This isn't to say product marketers shouldn't rely on these methods for feedback; they remain useful tools that can be critical to getting customer insights. However, there are new technologies that are less intrusive and can leverage product use in a natural situation. Let's explore two of these methods.

FACIAL RECOGNITION
Marketers have used many facial-recognition applications in the past several years. In-store, product marketers can track a person's movements and facial expressions to understand which brands hold the greatest appeal. Brands with a service aspect (e.g., hotels) are deploying facial recognition to highlight areas of friction in their processes so they can identify how to improve and deliver a superior customer experience. For example, guests at a few Marriott hotels in China can use facial recognition technology at a kiosk to check into a room that has been reserved beforehand, circumventing what can be a time-consuming check-in process.

Product marketers also are leveraging facial-recognition tools on various devices. Because cameras are embedded with an algorithm that can read facial expressions, product marketers can, at a relatively low cost, evaluate emotional responsiveness and attentiveness to various stimuli. This provides a quick and easy understanding of customer reactions to content, advertising, messaging strategies, product placement and product positioning. In turn, this data can empower marketers to deliver products that satisfy and potentially delight customers.

There also are other benefits to using facial recognition for product research:

- Improves the value of survey-based feedback: While surveys can ask customers to provide answers rooted in their emotional experience, facial recognition measures actual emotional reactions and attention levels, improving the ability to understand behavior and preferences at a deeper level. Research studies, for example, have detected changes in mood based on how a product was displayed in its advertising.

- Minimizes bias: Algorithms in devices are based on machine learning, so findings are more objective and reliable than feedback that's subjected to human interpretation. Eye tracking can demonstrate what users are looking at when performing tasks, rather than reporting this information. Eye-tracking movements can help discern, therefore, aspects of an app that might be confusing or distracting, allowing the designer to emphasize or change the elements to do a better job of leading a user to more efficiently complete a task.

- Eliminates the need for training: Because the data capture and analysis are preprogrammed, product marketers don't need specific training to leverage this technology in a research environment. For example, event marketers can use cameras at events to learn which sessions attract the most users, determine how long attendees study event attractions, or view certain marketing assets to find out what holds the greatest appeal for attendees. Such cameras often don't require special hardware and can be easy to install and configure.

- Enhances other survey data: Facial recognition in research enables product marketers to understand other research findings at a deeper level. For example, respondents may be asked about purchase frequency or attitudes toward the product category in general in a questionnaire, whereas emotional data exposes more about frequent users or those who are experiencing

barriers to purchase. This helps product marketers understand how to overcome these barriers or how to more deeply appeal to frequent purchasers.

- Measures dynamic sentiment: Emotional reactions to an advertisement often change many times over the course of 30- or 60-second spots. Facial recognition can identify in-the-moment changes, highlighting those aspects of the ad that hold the greatest appeal. It also provides direction about which tone has the greatest resonance at the beginning, middle and end of an advertisement or video.

- Facilitates A/B testing and benchmarking: Product marketers are frequently tasked with A/B testing and comparing results with the competition. Facial recognition can be leveraged to test and compare advertising variables as well as gauge a respondent's assessment of both your and your competitor's content. If members of your target audience are exposed to two different ads, for example, facial recognition can be used to determine which ad does a better job of evoking a desired reaction.

> "Facial recognition in research enables product marketers to understand other research findings at a deeper level."

There are still privacy concerns about the use of facial-recognition technology, and cost traditionally has been a barrier to entry. But the tide is turning. People are becoming increasingly accustomed to the many applications of facial recognition in society. Do you have an iPhone X or a higher version? If so, you're carrying facial-recognition technology in your pocket, and you can use it to unlock your phone or authorize transactions. Similarly, banks are beginning to deploy facial-recognition at ATMs to prevent fraud. And, because most computer webcams regularly come equipped with facial recognition algorithms, the cost of using this technology is rapidly declining. There are still a few best practices product marketers should keep in mind:

- Ensure privacy and informed consent: It's important that respondents opt-in to a disclosure that explains how you will capture and use the information you gather, and how long you will store the data. Complete transparency is a must.

- Be sensitive to geographies: When using a facial-recognition vendor as part of a study that covers different geographies, ensure that the vendor can address cultural

and facial-structure differences. Ask them if they have been involved in the location you're researching, how their technology has been used there before, and whether they have addressed cultural differences.

- Consider device options: If your research allows mobile device participation, facial recognition can be tricky because angles and lighting can change. Explore this issue with your vendor up front—before the study begins—to see how it can be addressed.

MOBILE ETHNOGRAPHY

Ethnography, or the practice of collecting data while observing customers in a natural environment as they interact with a product, used to be cost prohibitive for all but very large companies. Technological changes have favorably disrupted the availability of this methodology, providing companies of all sizes with the ability to understand product use in real time. Therefore, mobile ethnography has broadened the reach of this research method and offers an agile approach for product marketers to better understand how customers and prospects interact with their products in a native environment.

A variety of platforms can be used to prompt respondents to answer questions through exercises on their smartphones. For example, respondents can upload videos of themselves completing a task, and companies can observe various elements of product use (e.g., context in which it is used, time of day, real-time respondent reactions, barriers to use, customer preferences). Other benefits of mobile ethnography include:

- Increases the opportunity for feedback: It is rare for someone to not have a smartphone; the ubiquity of these devices allows product marketers to get feedback from anyone in their target audience at a time that's convenient for the customer.

- Leverages the reliability of spontaneity: While the developer decides which exercises respondents will complete, respondents are fully in charge of when and how they complete the exercises (unless specified). For this reason, it can be useful to keep instructions to a minimum so that you, the product marketer, can leverage the degree to which the data will be reliable and, therefore, actionable.

- Provides the opportunity for scale: Ethnographic studies were severely limited because of the costs inherent in an in-person study. Today, technology affords the ability to study more participants at a much lower cost.

- Leverages location: Companies can successfully use geofencing technology to choose when to ask respondents to complete exercises.

- Increases the ability to explore content: Product marketers often are surprised to learn about

> " Mobile ethnography offers an agile approach for product marketers to better understand how customers interact with their products in a native environment."
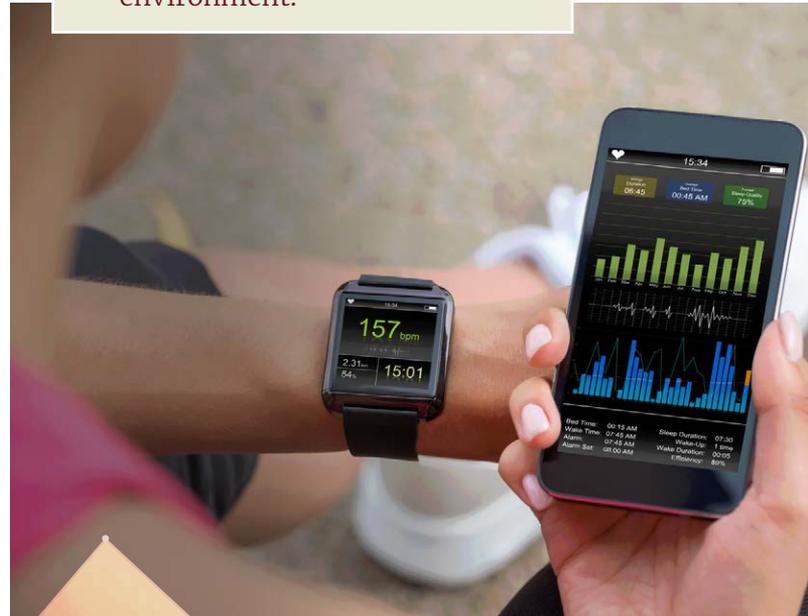
circumstances in which their product is used that they hadn't previously considered. For example, customers may use products at certain times of the day, in the presence of others or when music is in the background. This data can be used to guide the development of marketing messages and advertising imagery.

- Increases the opportunity for higher return on investment: The results of this research can be used in many situations. For example, videos that respondents take can be used to onboard employees and facilitate a greater connection between product developers, engineers, designers and the end user.

A NEW DOOR TO NEW OPPORTUNITIES

Again, facial recognition and mobile ethnography don't replace other methods that researchers and product marketers have been using for decades. However, these options do offer the opportunity to gain insights that can lead to more successful product marketing efforts. ▪P

About the Author
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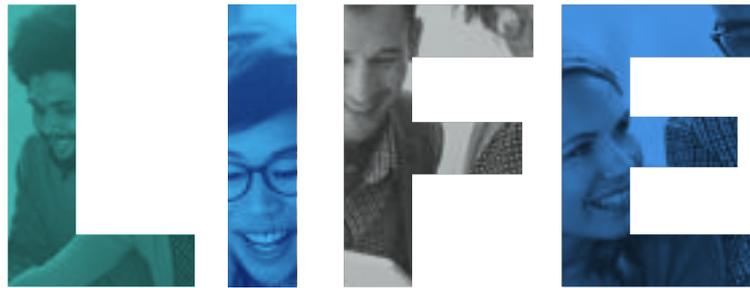
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Practical Tips for Getting to the

TRUTH IN CUSTOMER CONVERSATIONS

BY NATASHA NARAYAN

THERE ARE A LOT OF WAYS TO get to know your customers, but the best way is a direct conversation. Nothing beats picking up the phone and having that candid, one-on-one interaction.

These calls allow you to hear firsthand what customers are thinking, desiring, planning, building and envisioning. You'll tune into their needs more closely, and that will influence your roadmap and positioning. You can even pick up their own words to use in your messaging, thus ensuring it resonates.

It's no wonder that companies that conduct customer research grow faster. Marketing firms that make a regular practice of researching their client markets grow more than 10 times faster than those that don't, according to research from HubSpot.

But when you get on a call with a customer, how can you ensure you'll elicit meaningful insights? Listening closely is an art and a skill. It requires curiosity, open-mindedness and a willingness to be comfortable with pauses and "dead air." The good news is, there are specific tactics you can learn to listen well and encourage candor. They're not hard, and the more you practice the better you'll get.

GET TO KNOW YOUR INTERVIEWEE

An easy way to get the conversation rolling is by asking your interviewee about their role and their company. It helps your customers start talking and it helps you get inside their world. For example:

Question: *To help my understanding, I'd love to hear a little bit about you, your title, your role and your organization.*

Interviewee: *So, we're a financial services company and I report to the CEO. My title is business analyst, but it doesn't really describe what I do. My job can involve anything from project management to process improvement to vendor review or product acquisition or whatever. It's a bunch of things that don't easily fit into one bucket.*

Already, you have a sense of this person's daily experience. Throughout the conversation, your goal is to listen with a customer-centric ear. If you can genuinely understand the customer's world, you will see how your offering intersects with their pain points and goals. Ultimately, you will understand your own value proposition better.

ASK OPEN-ENDED QUESTIONS

Clear the way for your interviewee to go where they want. It may not be where you expect, but sometimes that's where you find the most valuable insights. Given an open question, people typically head toward the place where they experienced something memorable that caused a strong emotion.

Question: *So, could you walk me through what happened with the implementation?*

Interviewee: *Well, for starters, it was never as seamless as they said it would be. They said you would download an Excel file, upload to their platform and that was it. You were done. It was definitely not like that. It took one of my colleagues essentially an entire day to get all of the data uploaded to their platform.*

PHRASE A QUESTION IN DIFFERENT WAYS

A direct question might hit a stone wall, but don't give up—just try asking in a more indirect way. You might get closer to the information you want.

Question: *How much did the deal cost? Do you remember?*

Interviewee: *No, I'm sorry, I don't.*

Question: *OK. Do you think it was in the $10,000 to $15,000 range? Or do you think it was higher?*

Interviewee: *Oh, no. Much lower.*

Question: *Oh, it was lower. OK.*

Interviewee: *Yeah, it was less than $5,000.*

PLAY BACK WHAT YOU HEAR

Summarize what you are hearing, perhaps even distilling and re-articulating it. Your intent is to confirm that you've truly understood. If you haven't, you want to hear more. You eventually want your interviewee's response to be, "Yes, that's right." At that point, you can move to the next question. Keep questioning and playing back until you get to "Yes, that's right."

Question: *It sounds like it wasn't necessarily the product capabilities, it was really the way the rep managed the answers to your questions, missed calls, and just overall engagement?*

Interviewee: *Yep, that's absolutely correct.*

MIRROR TO INVITE DEEPER CONVERSATION

This tactic encourages interviewees to give more detail, and it's surprisingly effective. By mirroring, or repeating, a couple of words that the interviewee has said, you signal your interest and that you want to know more. The interviewee usually responds with more detail.

Interviewee: *All these companies are pushing their new user portals. They're great, they have awesome features, but that kind of thing isn't going to work for us.*

Question: *It's not going to work?*

Interviewee: *No, not at all. More than half of our workforce is in environments where they may not even have internet access, and they're working off a 2G cell signal. They're lucky if they can send an email.*

SAY NOTHING

That's right, just leave dead air. People are uncomfortable with this and will talk just to fill the silence. If you ask a question and your interviewee doesn't respond right away, don't rush in. Take a deep breath and count to three.

OFFER A FINAL OPPORTUNITY TO SHARE

When you get to the end of your conversation, ask one last open-ended question, such as "Is there anything else you'd like to tell me?" Listen carefully, because this can be the place where someone shares an insight that is really on their mind. It comes at the end of the conversation, when the interviewee is often the most comfortable and open. You might get a great summary, a reassessment or a new insight, so it's worth paying attention.

Question: *Is there anything else you think would be helpful for me to know?*

Interviewee: *I don't think so. I mean, I've painted kind of a dire picture. It really isn't like that all around. Obviously, we do continue to renew. We love the platform. We just want to be able to get as much out of it as we possibly can. We probably need to fix our relationship with the company to have a closer working relationship.*

> "Firms that make a regular practice of researching their client markets grow more than 10 times faster."

In this case, "Is there anything else you'd like to tell me?" revealed important information. It gave context to the entire conversations. Yes, there were frustrations, but all in all the customer loved the tool. And, importantly, it helped the customer articulate an actionable insight that would allow everyone to get more value out of the relationship. It could be as simple as setting up a weekly phone call—an easy fix that could pay off with much greater customer satisfaction and a long-term relationship.

LISTEN WELL

Listening well is a vital skill for customer research. By practicing these techniques, you will get deeper insights from your customers and you will understand them better. You may find these skills useful in daily life, too. If you'd like to share your own experience with customer interviews, reach out to us at info@icebergiq.com. We'd love to listen. ⊞P

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THE PRICING

PROCESS

How Product Marketers Can Improve Revenue with a Scientific Approach

BY JUSTIN TOPLIFF

PRICING. IT'S THE MOST effective driver of revenue and profitability for a company at any stage—and the thing every product marketer is terrified to touch. Yes, pricing is intimidating, but the cost of not giving it the constant attention it deserves is crippling. Neglecting pricing can undermine the success of your product portfolio and, at an extreme, drive your company out of business.

Product marketing is a mix of art, heart and science, while pricing is more science than art. But not many product marketers buy into this belief: 52% base pricing on the competition, 24% use cost-plus pricing, 21% ask customers what pricing should be, and 18% guess, according to Price Intelligently.

The reality is that pricing can be set more accurately by using a scientific process. And you, as a product marketer, need to own it.

THE IMPORTANCE OF PRICING

Pricing affects revenue and profitability more than anyone realizes. Regardless of stage, but especially for companies in expansion and growth stages, pricing is the best lever to pull to make more money. Too often, companies that want to increase revenue reach for the "sell more," "reduce costs" or "invest in new products" levers.

While each of these could theoretically increase revenue, they're not the most effective. Just a 1% movement in top-line pricing can equate to a 12.7% increase to the bottom line. The

same improvement 1% improvement yields far less when applied to revenue, cost of goods sold, research and development, and selling, and general and administrative expenses. A 1% improvement in pricing is twice as efficient as the same improvement to retention and is four times as efficient as the same improvement to acquisition.

But simply increasing prices isn't the only way to improve pricing. Packaging redesign also can drive significant improvements to revenue and profitability. By recalibrating which products, features and services are in each of your packaged offerings (based on usage and market demand) and adding or removing packages, it's easy to net additional revenue while making your product portfolio more market driven.

Despite all this upside, most companies neglect pricing. While it's common to see dedicated pricing roles (or even entire pricing teams) in late-stage corporate machines, this is atypical in smaller companies. In a recent OpenView Venture Partners study, 55% of expansion- and growth-stage companies reported that no one has pricing in their job description. For the remaining 45%, pricing tends to be a small piece of someone's responsibilities rather than an area of focus. But companies without someone thinking about pricing and product packaging are literally losing money because of it.

Pricing should be a living, breathing organism in every company. Early-stage companies should review pricing quarterly and make changes every six months. Later-stage companies should review pricing quarterly but only make changes once or twice a year.

Changing pricing is scary but offers rich benefits. Ongoing improvements to your pricing model let you monetize customers more effectively by charging for the value you're constantly adding to your products and services. It also clears the lead funnel by forcing out customers who aren't willing to pay and are, therefore, truly unqualified. Pricing changes can also spur annual contracts from prospects and current customers who are up for renewal and want to lock in existing, lower prices. Put simply, pricing paves a faster path to revenue and profit.

A PRICING CASE STUDY

One of the most effective behaviors a product marketer can employ is playing the empathetic challenger. There was no better time for me to play that role than when I learned that it had been three years since my company last evaluated its pricing. We also were one of the 18%

who set it by simply guessing.

A lot had happened in those three years. First, our product looked significantly different. New capabilities and value had been added to our core product—and these were being given away for free instead of being monetized. New ancillary product lines and services had emerged, which were simply added to the existing pricing model as line items with, you guessed it, arbitrarily set prices.

Sales reps were having trouble articulating platform value to customers, navigating our price book and generating proposals for prospects. There was no clear upsell or cross-sell path. This resulted in confusion and inconsistency that bordered on anarchy. We were constantly changing our pricing on a deal-by-deal basis, discounting was through the roof and prospects were just as confused as the salespeople.

But, perhaps most shockingly, existing customers were telling us that we were "cheap," and they were willing to pay more. While a great problem to have, it's a bad sign that we were long overdue for a price overhaul. While it would be a slog to get back on course, the upside for the company was huge—if everyone was willing to get on board.

YOUR NEW MANTRA

Before touching anything related to pricing, it's imperative that you accept that "pricing is a process" and evangelize that mentality across your organization. This must be embraced before you start, retained during the journey and held close after the first wave of changes is implemented.

> " Pricing should be a living, breathing organism in every company."

Making any degree of change to optimize pricing is an emotional process. Pricing affects every department, from finance and its revenue projections to marketing and its budgets to sales and its quotas. As such, just about everyone will have an opinion on what pricing should be. Evangelizing that pricing is a process sets you up for success and helps manage expectations. It establishes
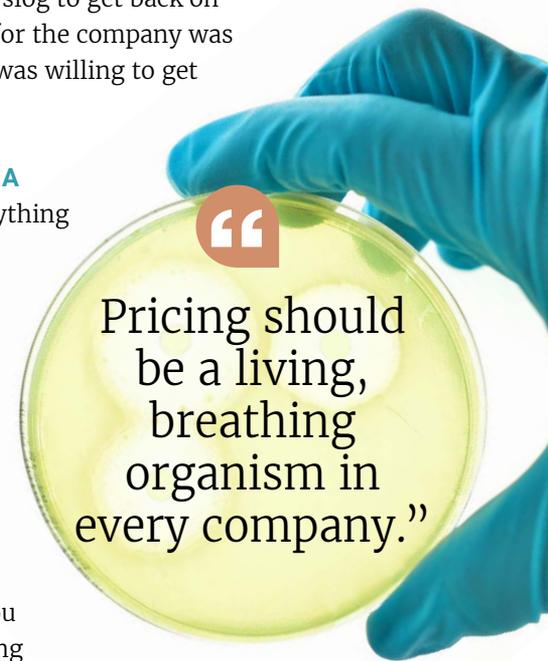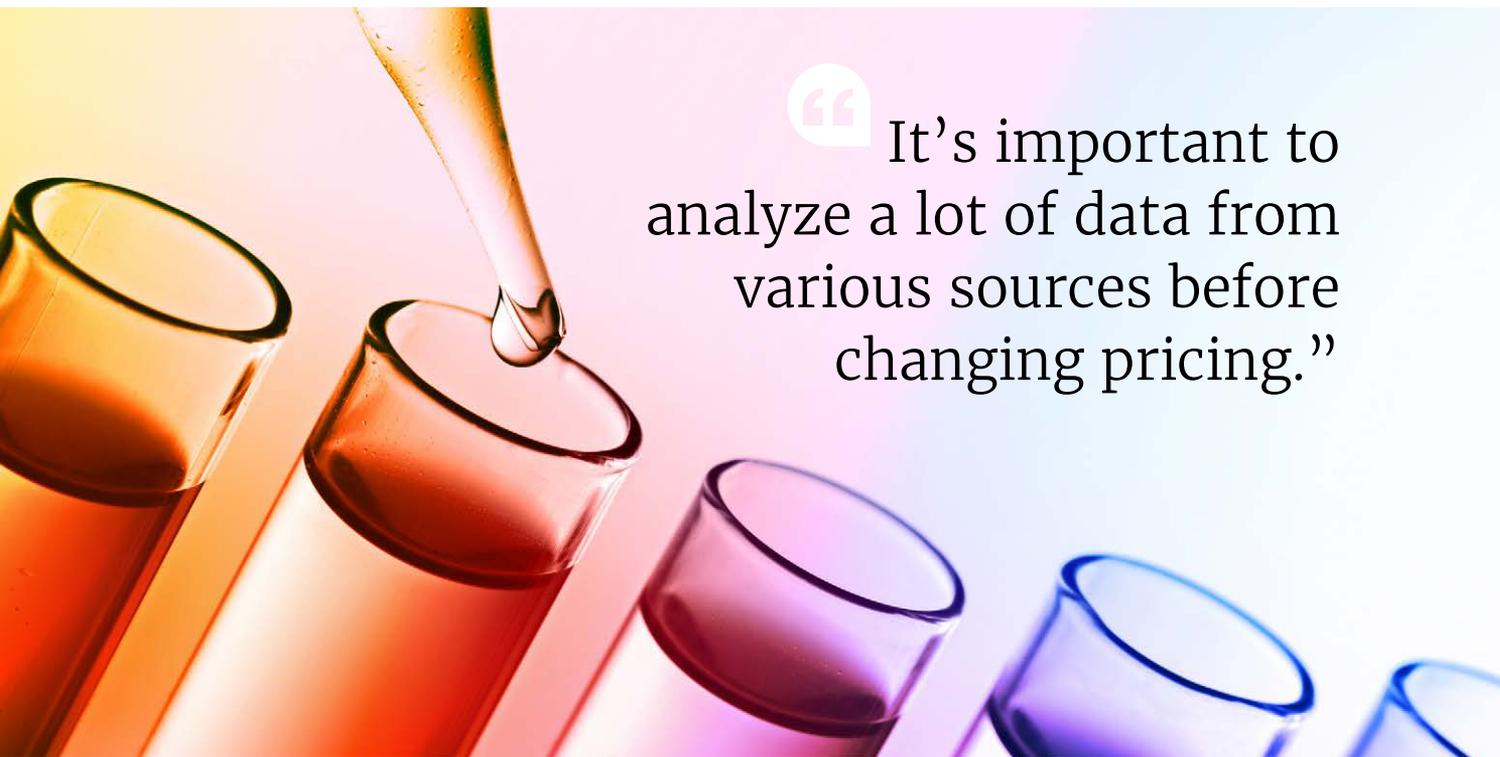
> "It's important to analyze a lot of data from various sources before changing pricing."

that changes will be approached scientifically, as a team decision and, therefore, as close to perfectly as possible. It also sets the expectation that new pricing isn't final and will continue to be iterated, preemptively allaying fears from stakeholders and preventing stalled decision making.

To approach pricing changes as a process, you must:

- Conduct a study to analyze internal and external data and arrive at a new pricing hypothesis
- Pilot the new hypothesis with a small group of salespeople and prospects
- Fully roll out pricing changes to new and existing customers
- Repeat

This sounds simple and fast. And it will be, the more often you go through the cycle. But your first time through will be the longest and hardest—especially if your company hasn't touched its pricing in years. Fear not. If you follow the process, you'll arrive at the right answers.

STEP 1: ANALYZE DATA AND CREATE YOUR NEW HYPOTHESIS

If you've ever been in a bank during an audit, you'll notice two things: the auditors always wear blue suits and they scare the heck out of bank tellers and managers. Approach your pricing audit with the same thoroughness and bias toward data—but preferably without the fear. Or the blue suits.

It's important to analyze a lot of data from various sources, both internal and external, before changing pricing. Internal data sources should include stakeholder interviews with all department heads and members of field teams, bookings and sales mix data, discounting levels, win/loss reports, financial projections, product feature usage and various anonymous surveys. External sources should include voice of customer (VOC) interviews, competitive benchmarking around offerings and pricing, and market panel interviews and surveys.

Because pricing touches every part of the business, it's important to examine each part to get the whole picture. Grab every piece of data you can get your hands on. You may find that much of this data has never been pulled. Think ahead and partner with your administrators and stakeholders to build reporting frameworks that will make sourcing this data easier in the future. That way, you'll have the data you need, when you need it, without the heavy manual lift you experience the first time. Regardless of how accessible quantitative data is, it's often easier to start with qualitative analysis. Get some NIHITO visits and customer calls scheduled to get the ball rolling.

The goal in analyzing this data is to spot trends, outliers, deficiencies and opportunities. Things I spotted included:

- Discount rates significantly higher for one customer segment over others
- The sales mix skewing heavily toward one package and almost zero sales on another
- Price never being mentioned on win/loss reports
- Thematic frustrations from salespeople

When I interviewed customers and prospects, they echoed that our pricing was far too low for the value we were providing. More importantly, these interviews gave me insights into which parts of our product they valued the most.

You'll begin assembling your new pricing hypothesis based on the insights you gather. Your insights could involve changes to the price points of products and services, edits to package content, and/or the birth or sunset of offerings. To get quantitative data around price points and package contents, I used two helpful tactics.

Tactic 1: Peter van Westendorp's Price Sensitivity Model

I asked prospects and customers a series of questions regarding price and value. Based on price, they believed our product was one of three things: a bargain, so cheap that its quality came into question, or too expensive. I was able to triangulate optimum and indifference price points to determine the market's willingness to pay. This informed the pricing of individual products, services and packages.

Tactic 2: Leveraging Product Usage Data

For package contents, I analyzed product usage data and conducted maxdiff (an analytic approach used to gauge survey respondents' preference score for different items) and conjoint feature analyses. I asked customers to make tradeoffs to identify which product features were most valuable. Once I talked with enough customers, I could confidently rearrange product, feature and services offerings within each package so they mirrored market demand and propensity to pay.

Once you arrive at your hypothesis, it's time to shop it around internally. Brace for strong personalities and passionate conversations. Present it to stakeholders, show the data, explain your reasoning and get their feedback. Keep discussions rooted in data as much as possible. Remember: Opinions, while interesting, are irrelevant. Aim to build momentum and move toward testing rather than trying to achieve consensus and perfection. Remind everyone that pricing is a process, much risk has already been eliminated by being scientific and more risk will be eliminated in the pilot.

STEP 2: PILOT—DON'T LAUNCH—YOUR HYPOTHESIS

After several meetings spent fine-tuning our hypothesis and putting fears to rest, my team arrived at the new pricing and packaging we would pilot in the market. Our new pricing moved us from individual line items to packages, which made it easier for salespeople and prospects to understand. Each package also had a clear value proposition and was tailored for specific personas,

their needs and propensity to pay. We retained some offerings that were valuable but didn't fit into a package as add-ons. This gave our customers flexibility and, for us, offered a clear upsell path and improved monetization.

Once you have your new pricing hypothesis, don't just say a little prayer and kick it into the market. Pilot it. Pricing is a (risk-reduction) process. Piloting your new pricing with a subset of your best salespeople and prospects is the best way to further eliminate risk. This validates that you've arrived at a price that the market can bear, and your salespeople can justify.

Effective pilots are time-bound, meticulously organized and closed-looped. To truly test your new pricing, it needs to make it through at least one sales cycle. At my company, that was about six months. My stakeholders were less than enthusiastic about this timeframe—until I painted a picture of us getting the price wrong. If initial responses were favorable, we compromised that we would expand the pilot to more prospects, customers and salespeople.

Choose your cohorts of salespeople, prospects and customers wisely. Use seasoned salespeople who are great at value selling, open to you riding along on calls and who are more objective than subjective. If you serve many audience segments, select prospects from each segment or industry to ensure you've tested evenly across audiences and offerings. While prospects who've never seen your pricing are the easiest to test with, remember that you'll want to "true up" your existing customers to the new pricing at renewal. Choose some of your friendlier customers—perhaps the ones on your advisory board— and present and socialize your new pricing. To get unbiased feedback,

> "Great product marketers infuse emotion into their marketing, not their decision making."

consider offering to grandfather those existing customers.

Earlier, I mentioned pricing changes are emotional. Great product marketers infuse emotion into their marketing, not their decision making. Those strong personalities and opinions will continue to surface throughout your pilot. This subjectivity—whether it's in the form of opinions, emotions, confirmation bias or forgetfulness—is especially dangerous as you work to fine-tune the pricing model that you ultimately will take to the broader market.

I used one centralized document to set strategy and run and close the pilot. It quickly ballooned to close to 100 pages, but I did—and continue to—swear by it. Whether it's a Google doc, Word document or Smartsheet, one source of truth for coordination, collaboration and collecting feedback is critical for success. My document:

- Summarized the "why" behind the pricing pilot and new model
- Identified the internal and external audiences authorized for testing
- Outlined protocols and timelines
- Outlined decision-making authority with a RACI chart
- Recorded feedback from everyone involved in deals
- Logged changes
- Presented the final pricing model

The pilot of 20 prospects and customers was invaluable. We fine-tuned everything, from price points and package contents to sales narratives justifying the new prices. By the end of the pilot, we were confident that we had arrived at the correct answer, could articulate the value behind our prices and could roll out the new pricing with conviction.

STEP 3: ROLLOUT

If you've done everything correctly to this point, rolling out your new pricing is the easiest step. You've eliminated most of the risk associated with a pricing change. You've market-tested your new pricing and it holds. A subset of your strongest salespeople have become experts in selling with the new pricing and they can train and mentor the rest of sales. Marketing collateral is updated, and new SKUs are loaded into your price book and CPQ tool.

Now it's time to invest heavily in training and certification around new pricing—and don't limit this to field teams. Create materials like quick reference guides, scripts justifying new pricing, FAQ documents, escalation trees and discount matrices. Role-play customer calls until your salespeople are blue in the face. Try to exhaust and master responses to every foreseeable objective they'll receive. Talk with your sales and finance leadership about implementing safeguards (e.g., clawbacks) so that it's a hard switchover to new pricing and no one can revert.

Get everyone—again, not just field teams—excited about new pricing. Pricing is a key driver of company health, and everyone should know about the monumental effort you completed and celebrate the company making changes to improve its financial performance. All-hands or department meetings are great venues to champion new pricing and answer any final questions before rollout.

Have confidence at launch, but also know and accept that you likely

> **"**
> Have confidence at launch, but also know and accept that you likely will not retain every customer."

will not retain every customer. New prospects are none the wiser when it comes to pricing changes, and most reasonable customers will accept price increases—if they're not outrageous or there are mechanisms in place to make the adjustment less painful and abrupt.

For existing customers encountering small price increases, explain the changes in markets, the value you've added to your product and why they should come along. Clearly outline dates and price-change amounts. For customers facing larger increases, approach renewals like a new sale: outline a strong justification for the new pricing, dedicate a team to work accounts, and employ tactics like grandfathering, "meet in the middle" discounts or clockwork price increases.

When you're ready to go live with new pricing, remember that pricing is a process. When you go to market with your new pricing, learning won't end. I started, another document similar to my pilot document when we went live. This way, I already had a head start on my next audit when it came time to re-evaluate pricing six months later.

THE END RESULT

The two metrics I cared most about upon launch were average sale price (ASP) and regrettable churn. We blew ASP out of the water. Our average for new sales doubled immediately and increased by one-third for renewing customers just six months after launch. As for regrettable churn, it was zero for the same renewal cohort.

The entire process offered so many learnings, but four in particular stand out. First, lack of humility will sabotage your pricing and your business. Perhaps the most underrated interpersonal skill in business, product marketers are the best champions of humility because we trust customers' opinions more than our own. It's critical that you beat the drum of "we are not our customers"

and get everyone to leave their egos at the door. Validated learnings and insights gained from an outside-in approach go into your pricing models. Remember that you won't have all the answers you need, so get out of the office or pick up the phone to get them.

Second, project managing a pricing overhaul is, arguably, a larger undertaking than the overhaul itself. Because pricing affects every part of the business, you'll work with a lot of stakeholders, salespeople, prospects and customers. While product marketers are no strangers to having multiple bosses and fielding everyone's wants and needs, pricing changes take this to a new level. Solidify and get signoff on your approach, plan, meeting cadence and attendees—and a decision on RACI—early on. This will make the cats more herdable, decisions unblockable and your blood pressure lower. Having one central document and change logs that track each decision or modification let you battle "I thought" statements with "You said, and we agreed."

When you believe you've over-communicated, communicate more. Undoubtedly, you accidentally missed someone who needed to hear or know something. Throughout the process, stakeholders will be out of the office, concentrating on projects or not reading their inbox. The more you can document, communicate, follow up and remind everyone of status and progress, the better. This holds true for stakeholders, field teams and everyone else up, down and across the company. Remind everyone that pricing is a never-ending process.

Have patience, confidence and conviction. Pricing done right takes time. Pricing done wrong is expensive. The opportunity cost of deviating from the process, rushing decisions and not taking actions to eliminate as much risk as possible is high. The moment you make a mistake, you're eating into your profits. If you follow the right process, you will arrive at the right answer—and you'll be able to launch with confidence and have the conviction to say, "We may not keep every customer, but this new pricing is right and fair for us, fair for the market, and balanced with the value we provide."

You'll know you're priced correctly when customers complain, but buy anyway. Follow the process and you'll cash in. But don't delay. Time is money. ◧P

About the Author

Justin Topliff is a product marketer at Highspot who specializes in starting and scaling the product marketing function at VC-backed expansion- and growth-stage companies. He can be reached at justin.topliff@gmail.com. Follow him on Twitter (@justintopliff) or connect with him on LinkedIn at linkedin.com/in/justintopliff.

The AGILE/ PRAGMATIC INTERSECTION

Blending Passions for Product and Team Success

Rob with his sisters, Colleen (left) and Julie, on St. Pete Beach in Florida.

BY JIM FICKESS

TALK WITH ROB SHEA AND IT'S HARD to separate the Agile coach from the Pragmatic PMC-VI.

That's because the veteran product manager has used foundational principles from both disciplines in building his customer-centric business worldview. The Philadelphia-area resident recently took some time between coaching assignments to talk with *The Pragmatic* about his work for DailyAgile, a training and coaching organization that helps companies adopt better ways of working and achieve better outcomes; product-managing pioneer online-learning programs; his vision of project management's future; and how he likes to spend his time away from work (which includes managing a fantasy baseball team; running; and chauffeuring his two daughters, Lucy and Margot, to theatre and ballet rehearsals).

Describe your job as an Agile coach.

Shea: I help people and organizations embrace change in volatile, uncertain and highly competitive environments. Many of our old ways of working were geared to fight change. I always start with, "Agile embraces, invites and harnesses change while questing after value, quality, speed and happiness. We believe in lots of continuous feedback and intense customer interaction."

I like to use this analogy: When a project goes horribly awry, a company often forms a war room where people talk to each other, prioritize and seek clarity. Agile uses this process from the start. Agile is the peace room ... a peaceful version of the traditional war room.

How did you get involved with Agile?

Shea: I've been a coach since February 2017 after I was cut loose in a corporate reorganization. I've been doing it along with leveraging what I learned in Pragmatic courses. They go well together. It's been 3 and a half years and I've loved every minute of it, every day. From the small to the extra-large clients.

You were a product manager for years before going with Agile. Briefly describe that career.

Shea: I started as a product manager in 1995. Wow! It's been 25 years. I managed a suite of web-based online courses for adults wanting to learn new job skills. Actually, we started out with CD-ROMs. I put some of the first laptops in New York City schools in the early 1990s. What really set my mind on fire was being out there with customers—K-12 students and adults, going to foster homes, and inmates and corrections officers at Rikers Island. I was watching them have a quality educational experience and asking them what they wanted from our product. That's Pragmatic 101.

Obviously, Pragmatic has been a great fit with your career as a product manager and Agile coach. How did it all begin?

Shea: In 2004, my employer, WebCT, was acquired by Blackboard. The marketing and product teams were taking Pragmatic training, and 2006 was my first exposure. I loved the content right away. It was very transformational. The expertise of instructors like Rich Nutinsky

and Stacy Weber is astounding! They were all super high-quality workshops. There is data out there showing that 90% of business training is viewed as worthless. So, my antennae go out for expert people who engage you and make it stick. With Pragmatic, we get to hear, see, taste, and do all that these folks teach us.

Rob's North Carolina and Cheerwine roots run deep — all the way to the early 1970s! Cheerwine has been produced since 1917 in Salisbury, N.C.

When people ask about Rob's favorite tools, the answers are simple and always the same: sticky notes and a safe environment for crucial conversations.
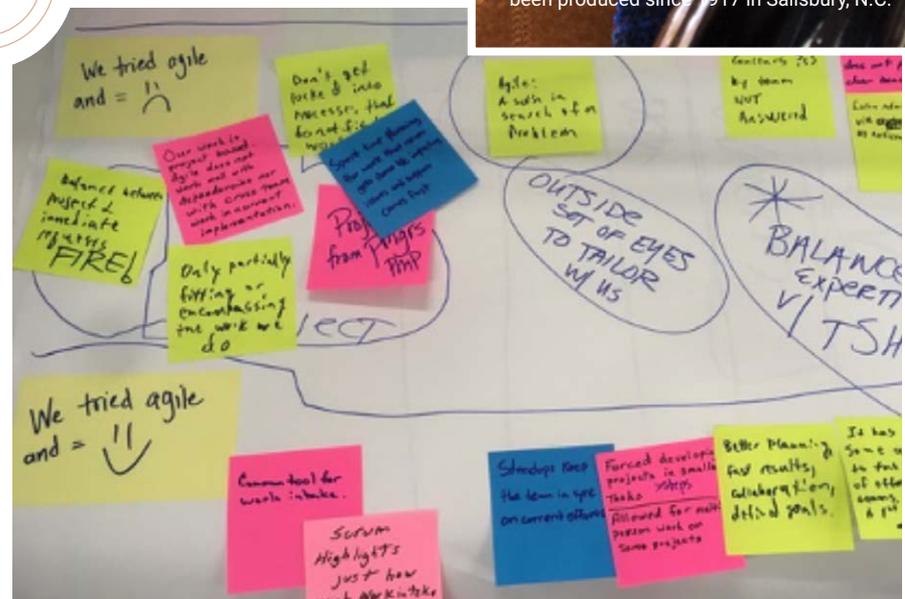
You've said you hate to be considered a process guy, emphasizing the human factor and potential. Please elaborate.

Shea: First of all, I love technology. It is very powerful to Zoom with grandma, see people with disabilities extending their capabilities, or help nurses in Vietnam collaborate with nurses in New York. It's an awesome and beautiful thing. But I've often seen technology throw our priorities out of tune during my 28-year career.

In my experience coaching all kinds of companies all over the place, when things really break down, it's on the people side—we're not valuing people and interactions over processes and tools, or customer collaboration over negotiating a statement of work. We all waste time and talent for lack of safe, courageous, respectful communication. To adopt better ways of working, we need more Mr. Rogers and less Twitter.

Technology can help or hinder but we all need to step up and take ownership. The cart too often pulls the horse. I get some strange looks when I tell my clients that their tools are using them and we need to flip the script. As an Agile coach, I'm always brought in when things need to change. 99.8% of the time, it's the people, it's the communication, it's the leadership, not a process or technical matter.

Where do you see the product managing/marketing professions headed in the next five years?

Shea: I see a couple of things. First, organizations continue to stub at least nine of their toes in engaging and understanding customers. There is a great need for product managers and marketers. Organizations should use expert people to establish a set of priorities based on the right personas. It's easy to drown in all the data. If you understand the customer and how to prioritize in a challenging market, you will always have a job, even when the robots take over.

Secondly, I see an evolution of the understanding of the product manager/owner role. Often the product owner is not in the room. Pragmatic teaches you that without a product manager, everyone else will fill the void. Half of our clients, very fancy companies, have way too many conversations without product managers and owners in the room. They say, "They're too busy." Come on now!

Rob visits the rolling hills of Ellett Valley in southwest Virginia, where he grew up, with his wife, Anne and daughters Lucy (front left) and Margo.

What do you like to do when you are away from the job?

Shea: I've been managing my woefully underperforming fantasy baseball team since the mid-90s. A dozen old friends get together every March for a 10-hour auction—at the moment, that's on hold. Plus, I take my daughters (ages 15 and 12) to ballet and theater. They are awesome. I love to run. I've run for years. It used to be every day. But now my knees and age are catching up and it's every other day. I also try to turn off all devices and talk to someone who sees the world differently.

You're right, it's great to interact with people who have different perspectives. But I get the sense that you like to talk shop with fellow Pragmatic-minded folks.

Shea: That's because the Pragmatic community challenges you to think, to look at things differently. If I go into a business and the people know what the Pragmatic Institute is about, I'm going to be about four years ahead of my Agile compadres. ▐P

About the Author

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People Leader,
PRODUCT
LEADER

A **PASSION FOR HELPING** product professionals develop their expertise combined with the drive to build great products is what makes Anna Turner an MVP in the Pragmatic Alumni Community (PAC). And a commitment to solving customer pain points through technology is what makes her an exceptional product professional.

Currently the director of product and development operations at Ultimate Software, Turner has spent 16 years in B2B high-growth tech companies, including Snagajob, PeopleMatter, Benefitfocus and Blackbaud. In that time, she's committed herself to developing products, and especially people.

"The single thing I am most proud of in my time as a product leader across multiple companies is mentoring the next generation of great product people," she said.

But colleagues aren't her only focus—Turner also has her customers top of mind as she goes about her work. She's developed mobile apps at two different human-capital management (HCM) companies to help her clients optimize their efficiency. Thousands of HR professionals sleep well at night knowing they can effectively meet compliance requirements because of the projects Turner has tackled. And not to be overlooked is the payment processing platform she developed—it's already processed more than $1 billion in donations for nonprofit organizations.

This experience and expertise in the product space have led to rich contributions to the PAC. Turner willingly shares her knowledge as it relates to leading people, operational best practices and market problem discovery. She's always willing to answer great questions from other PAC members as well as posed thought-provoking questions that cause fellow community members to think differently.

> **"**
> I'm always amazed to find out how my product peers may have found innovative ways to solve challenges."

"It's great to understand what other community members are trying, what's working and what's not," she said of her experience in the PAC. "It helps me maintain an outside-in perspective on market product practices."

But Turner isn't only dispensing knowledge to PAC members, she's also learning.

"I'm always amazed to find out how my product peers may have found innovative ways to solve challenges similar to the ones I run into," she said. "It's a thriving community that's ready to help each other and offer perspectives and advice. It's an alternate sounding board and a place to gather ideas from product people across a variety of industries." **P**

Each issue of *The Pragmatic* features a member of the Pragmatic Alumni Community (PAC) who goes above and beyond to share their knowledge, connect with their peers and find innovative ways to apply Pragmatic Institute's best practices in their work. Learn more at PragmaticInstitute.com/Community

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