



*Uncovering
Business
Breakthroughs*

*Are You
Tuned In or
Tuned Out?*

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The most common mistake that causes products and services to fail is the logical (but incorrect) assumption that, because you're an expert in a market or industry, you therefore know more than your buyers about how your product can solve their problems. It's natural, for instance, for 20-year auto industry veterans to assume they know more than 100 mothers do about how to drive preschool-age children around town each day. Or a cell phone manufacturer might think they are able to guess which capabilities are most important to users because "they use their own products daily." Similarly, a software business leader might assume, because of the complexities and/or flexibility of their leading-edge technologies, the company is best equipped to decide how to present solutions that package a comprehensive set of capabilities.

Too often, this type of assumption results in poor products, such as those created when Detroit product development experts design the radio (or keyless entry system or cup holder) that they themselves would want to buy. How many tech devices and software products have overwhelmed even the power users? We're missing a fundamental ingredient to the puzzle here:

When was the last time you bought your company's product?

At Pragmatic Marketing, based on decades of experience working with thousands of companies, we've learned that creating a successful product or service requires a new way of thinking ... a way that 'tunes in' to what your buyers really need and want. Too many companies do the opposite and tune out.

Some of the most common mistakes that cause products and services to fail include:

Guessing

Assuming company insiders know more than buyers about what they want to buy.

Assuming

Basing products and services on what current customers request rather than on an understanding of unsolved problems that potential customers will pay money to fix.

Telling

Trying to create a need in the market by relying on expensive advertising or an army of salespeople.

The good news is companies can overcome these common mistakes if they know how to identify them. We've developed the Tuned In Process to allow organizations to create success again and again. We see these same principles at work in a wide range of successful product experiences, such as business-to-business technology products, fast food chains, and professional services firms.

Anyone can use Tuned In to replicate the model for success. It works for well-known companies like Ford, Apple, and GE and those not-so-famous like GoPro and Zipcar. It works for realtors, doctors, ministers and even rock stars. With a Tuned In approach, everyday activities can be transformed into those which create a culture that builds market leaders.

It starts with undoing many of the six myths you've been taught about business.

1. CUSTOMER KNOWS BEST!

Many companies create new products and services based on what their existing customers request. In fact, “customer-focused” is a strategy that many business schools teach. However, this strategy narrows a market needlessly. Existing customers represent a small percentage of the market opportunity for most businesses, so basing a product development strategy solely on what your existing customers want is flawed. Worse, existing customers have different market problems than non-customers (buyers who don’t yet do business with you), and only frame their view of your future based on incremental improvements to their past experiences.

For example, if a company in the late 1990s that made and sold portable music devices asked their current customers what they wanted, they might say ‘more storage’ or a ‘smaller unit. But the companies that listened to their customers all missed the biggest market problems, later identified by Apple when they developed the iPod. The existing portable devices were too difficult to use and impractical for downloading and managing more than a few songs.

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2. THIS IS A COMMODITY BUSINESS!

Buyers choose to purchase a product or service based on the belief that it solves their problems better than any other. Successful companies understand their organization's unique ability to deliver value to customers. We call this "distinctive competence." This competence can take many forms and may include unique business models, product attributes, distribution and sales methods, training, customer service, innovation, quality, or other aspects.

For example, the one thing FedEx focuses on as their distinctive competence is reliability. Every decision the leaders at FedEx make supports the company's ability to provide and sustain a reliable package delivery service. Your distinctive competence should dictate how you build products and services.

Distinctive competence also helps describe your organization to buyers, so they are more likely to choose you instead of your competitor. An organization's distinctive competence also drives marketing communications initiatives because it is used to create connections with buyers based on the products and services your organization uniquely provides.

Your product development department must build your distinctive competence into the product design. For example, if Volvo were to build a new sports car, the design team and R&D people would need to go about their work with the stated understanding they were building "the safe sports car."

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3. INNOVATION IS EVERYTHING!

These days, “innovation” as a business driver is hot. This has led many organizations (start-ups in particular) to focus exclusively on their ability to innovate and to create a disruptive breakthrough that will make them famous. But directionless innovation is a common road to the business scrap heap.

Focusing on “changing the game” is not inherently a bad thing. Some organizations are really good at creating and marketing innovative products—Bose, Nike, and Brookstone are three that come to mind. Unfortunately, what we tend to see more often are companies that innovate for innovation’s sake, using inside-out thinking. In other words, they create products that are new, hip, and cool or have new, never-before-seen features.

But these feature-laden products and services aren’t developed in response to buyer-defined needs. As a result, these innovation-led companies invest big resources in hopes of a big win (much like a baseball player swinging for a home run on every pitch) and their risk of failure is huge.

Innovation-driven leaders fixate on “one-upping” alternative products in the marketplace. But, in the end, a corporate personality built around innovation by itself has a low probability of success.

We’ve noticed many innovation-driven companies obsess over competitors’ moves and try to make incremental improvements to what the other guys are doing. The problem with this approach is you tend to create products and services that are “better” than the other guys because they are bigger, smaller, faster, or cheaper.

But your customers don’t care. Focusing on your competitors is a tit-for-tat game that rarely produces a market leader.

4. WE'RE SMARTER!

Starbucks, American Idol, and Google are resonators. Were these products and services created by people smarter, luckier, or born with more talent than the rest of us? No.

These companies found unsolved problems in their marketplace and created a breakthrough experiences people are eager to consume.

We've studied the introduction of thousands of products, including those from large, well-known companies like Ford Motor Company, Microsoft, and GE; breakout bestsellers from Apple, Red Bull, and Google; and niche offerings from players you may have never heard of like National Community Church, GoPro, and Zipcar.

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The process for replicating success starts with getting tuned in to potential customers. Understanding your market and your buyers through in-depth interviewing is by far the most effective way to discover unresolved market problems that people will pay money to solve. Meeting with potential buyers on their own turf (in their homes or workplaces, or even on the street) is the starting point for identifying a resonator: a breakthrough product or service that buyers immediately understand has value to them, even if they have never heard of your company or its products before. The iPod is a resonator. When it launched, FedEx was a huge resonator, and it still is.

5. FIELD OF DREAMS DEVELOPMENT

The most effective business leaders understand the complete picture of market problems before developing any products. They create solutions in the context of unsolved problems that people would be willing to pay money to solve.

At the most successful companies, product managers, executives, and marketers regularly meet with people in the marketplace and observe how they do business or go about their lives. These observations provide insight into the full scope of the problem and the usage requirements and significant obstacles to adoption of any proposed solution. The most important thing they do is to live in and observe the prospect's world.

The concept of unresolved market problems may be foreign to people familiar with more traditional ways of developing products and services. The only way to accomplish this is to get out of your office. Unfortunately, most organizations probably think up ideas in the shower, the conference room, or the R&D lab. These insular and egotistical approaches are not as effective as being tuned in. All companies should get out into the market on a continuous basis and meet regularly with non-customers.

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6. REVENUE CURES ALL

The revenue-driven organization worries about individual sales opportunities one at a time, rather than what resonates with the larger marketplace. These sales- and revenue-focused companies rarely create a breakthrough product the market is eager to buy.

A culture and strategy founded on the belief that revenue and sales are always the most important goals rarely produce hit products. A sales and revenue culture often emerges soon after an initial round of fund-raising or some other infusion of capital, and this is a critical time in a company's growth.

When companies enter a perceived growth phase (dictated by the strength of a market opportunity or some early wins), it is common for outsiders (such as investors, the board of directors, or your spouse) to insist on a strong sales focus. In larger organizations, a highly charged sales executive is often hired; some companies even make the new sales person the president and/or COO.

Because the revenue-driven company will often resort to signing any contract to make the numbers, lowering the price to bring in the business, or telling any story to close the sale, it's not long before the organization becomes tuned out to the real market problems of buyers. Then the salespeople start making promises that the company can't afford to keep. Nonrevenue-generating departments (such as marketing, customer service, and product development) often suffer from reduced influence and resources, and can even face elimination. In response, the company ends up acquiring more and more resources to support the dynamic requests of sales, often resulting in a death spiral that requires the sale of the company, a merger, or even bankruptcy.

THE SIX STEPS TO SUCCESS ... GETTING TUNED IN

We've analyzed hundreds of companies to understand the process of becoming (and staying) tuned in, and we've determined that most have a single, dominant focus that drives their approach to business. Think of it as a “company personality” that determines how an organization structures itself and behaves in the market.

The most successful organizations are tuned in to their markets. Whenever leaders create products or services—for potential new customers or even entirely new markets—they seek to solve buyer problems first.

How do you Tune In? It's as simple as taking six easy steps:

STEP 1 Find Unresolved Problems to know what market and which product or service to focus on.

STEP 2 Understand Buyer Personas to understand who will buy your offering.

STEP 3 Quantify the Impact to know if you have a potential winner.

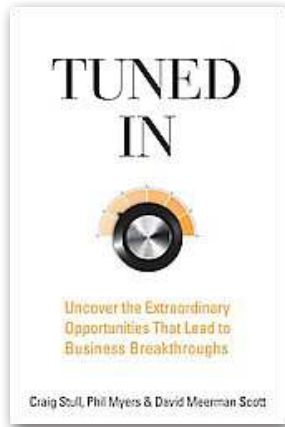
STEP 4 Create Breakthrough Experiences to build a competitive advantage.

STEP 5 Articulate Powerful Ideas to establish the memorable concepts that match up with the problems people have.

STEP 6 Establish Authentic Connections to tell your buyers that you've solved their problems so they buy from you.

The six-step Tuned In Process is simple to learn. Based on extensive experience working with many organizations, we're certain that if you apply these six steps to your own business, you will have a much better chance at success. In fact, any organization—companies large and small, nonprofits, government agencies, entrepreneurs and independent professionals, even churches, authors, and rock bands—benefit by getting tuned in, because they'll create the products and services that people want to buy. 📌

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Craig Stull, Founder and CEO of Pragmatic Marketing, started the company in 1993 to provide product marketing training and consulting services to technology companies. His methodologies have been taught to over 45,000 people at 3,000 companies. **Phil Myers**, who has launched several market leading startups, brings over 25 years of software industry experience to his role as President of Pragmatic Marketing. **David Meerman Scott** is the author of the Web Ink Now blog and *The New Rules of Marketing and PR*, which won the 800-CEO-READ Author's Choice Award in 2007. He is also an online thought-leadership strategist who teaches the New Rules of Marketing seminar for Pragmatic Marketing. They are the authors of *Tuned In: Uncover the Extraordinary Opportunities That Lead to Business Breakthroughs*.

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