

**Updating the Pragmatic
Marketing Framework**
Changing the "Grid"

Buyer and User Personas

**Think You Know How
To Meet Customer Needs?**
You May Need To Think Again.

**The Business Case for User
Oriented Product Development**

Keeping Close to Customers

Getting Ready for the Next Ten Years



As Pragmatic Marketing finishes its 10th year of

business, we reflect on how much we have learned by making over 24,000 new friends. The core of the Pragmatic Marketing framework, now an industry standard, hasn't changed since our first seminar in December, 1993. Exposing the framework to so many attendees has provided a wealth of feedback and years of user experience in how it can best be applied in a variety of high-tech environments. Interestingly, two of the attendees of that first seminar are Pragmatic instructors now.

In this issue, we introduce some updates to our framework chart we call "the grid." This graphic representation of the role of Product Marketing and Product Management has helped many companies define, focus, and organize their marketing efforts. I am continually surprised by the ubiquity of the grid. One attendee told me that on an airline flight, the person sitting next to him reached in the overhead compartment into his briefcase and his laminated grid fell

out. That started a stimulating conversation that lasted the entire flight.

Many attendees have shared their experiences in using the grid as a tool in the job interview process. They find that the grid helps convey their understanding of the job and areas of expertise. Occasionally, they are pleasantly surprised to find a fellow alumnus on the other side of the desk, thus converting the grid into some sort of secret handshake.

Although we have continuously made minor changes to the grid, we felt the 10th anniversary was the appropriate time to clarify some boxes on the grid, update some of the terminology, and reflect how the industry has evolved. Most importantly, we have included feedback from our 24,000 attendees who have extensive experience in using the grid and who have morphed the grid for their specific needs. The Pragmatic framework reflects how you market high-tech products today. It is all shined up and ready for another 10 years.

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About Pragmatic Marketing, Inc.

Based in Scottsdale, Arizona, Pragmatic Marketing, Inc. was formed in 1993 to provide product marketing training and consulting to high-tech firms by focusing on strategic, market-driven techniques. Pragmatic's training courses emphasize business-oriented definition of market problems, resulting in reduced risk and faster product delivery and adoption. Since its inception, Pragmatic Marketing has successfully graduated over 24,000 product managers and marketing professionals, and was named one of the Inc 500 fastest-growing companies of 2000. For more information about Pragmatic Marketing and its courses, please visit www.PragmaticMarketing.com or call 480-515-1411.

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Updating the Pragmatic Marketing® Framework

By Barbara Nelson and Adele Revella

If you have had any exposure to Pragmatic Marketing during the last ten years, you most likely have seen a graphic representation of our high-tech marketing framework affectionately known as the “grid.” This framework of activities necessary to deliver successful products has been embraced by thousands of product marketers. It serves as a blueprint of what it takes to build and promote technology products that actually solve problems in the market. A key strength...

Each of the instructors at Pragmatic Marketing has decades of experience managing and marketing technology products. Using our personal experiences, plus listening, observing, and working with thousands of product managers and marketers over the years, we periodically update the framework. This article highlights the most recent changes introduced this year. The most significant changes were made to the column called Program Strategy (formerly Promotional Communications). We also took the opportunity to introduce a few changes in Quantitative Analysis and Product Planning. Many of the grid changes were simply a repackaging of some of the boxes, changing terminology, and moving boxes to more appropriate columns.

Since the most extensive changes to the grid are around Program Strategy, let's start there.

Program Strategy

We eliminated the Promotional Communications column that included activities such as press, lead generation, and speaking engagements—a list of tactical programs that Marcom executes with content and other assistance from Product Management.

In its place is the new Program Strategy column, detailing the strategic “go-to-market” roles assigned to product management and/or product marketing. Technology companies rely on these activities to build revenue, awareness and customer loyalty in markets where competitors’ promises are so similar that buyers don’t know who to believe. As vendors in other industries learned decades ago, mature markets need more than a great product at a fair price. Highly successful, profitable technology companies also compete to capture and hold the market’s interest without overspending their marketing budgets.

The **Marketing Plan**, **Awareness Plan**, and **Customer Acquisition** boxes define the key program strategy areas. Product marketing managers own these boxes because they have first-hand insight into their markets and buyer personas, the detailed information that tells Marcom the compelling messages to deliver at the most

Changing the Grid

effective time and place. For example, knowledge of buying preferences will direct activities to the on-line forums that are frequented by the technical buyer for product X. It permits an integrated campaign to address the current problems of the buyer for product Y. Product managers should know whether a particular type of potential customer is more likely to use an on-line search engine, ask an industry analyst, or click a sponsored link in an e-newsletter. And they know how to get that person's attention with messages that speak to their problems.

Strategic marketing plans are often written as a long list of tactical activities that have no direct correlation to a measurable goal. Plans developed by product marketing can focus the outbound team on those activities that contribute to a specific revenue, awareness, or customer result. These plans tell company management what goals will be achieved, what resources will be needed, how success will be measured, and the return on the investment they should expect.

Customer Retention earned its own box in the framework as effective customer programs increasingly contribute to company profitability. These plans ensure that customer satisfaction is increasing,

maintenance renewal rates are steady or improving, cross-selling opportunities are optimized, and account references are fully developed.

Buyer Personas is a new box in the framework, bringing focus to an area of knowledge that defeats many marketing programs. This box asks product marketing to consider what they really know about their potential buyers and their problems. What keeps the buyer awake at night? Where does the company's solution fit into their priorities? Either this information isn't well understood, or it isn't being communicated through **Market Messages**, because most websites and collateral could be used by any company in the same segment. Product marketing contributes the detailed information about buyers needed to create compelling content for websites and collateral. If you were a buyer in search of a solution, how would you know who to put on your short list of potential suppliers?

The **Launch Plan** includes both internal and external product launches. This box includes strategic planning for the external launch, developing the strategy that guides press and analyst relations, customer migration, and revenue creation programs.

Lead Generation focuses on planning the programs that fill the sales pipeline with leads, plus the activities that move leads through the sales pipeline. Many lead generation programs measure success by the number of leads generated. This strategy ensures that all sales tools, lead management programs, and sales people are ready to convert new leads to revenue.

Quantitative Analysis

Two areas overlooked by many product managers are ongoing analysis of how the product is performing in the market and what impact the product has on company operations. These measurements are important to track and analyze to ensure the product is reaching its potential in the market and that it does not cause a drag on the rest of the company. Manage the product as a business, not a hobby. When product managers spend the majority of their time supporting sales and marketing, they don't have time to manage the product as a business. A product manager seeking credibility and respect in the company needs to carve out time to do this. And companies that want profitable, successful products need to encourage and support product managers to run the product as a business.

In previous versions of the grid, "Sales Analysis" emphasized revenue performance but was often misconstrued as "sales channel performance." **Product Performance** more accurately reflects the idea of monitoring and measuring the performance of the product in the market. **Product Performance** metrics include product profitability, trends in new and recurring revenue, customer acquisition and retention, and competitive market share.

Operational issues are often hidden "profit leaks" that are too often ignored by product management. We created a new box, **Operational Metrics**, where we teach which measurements product managers need to track and analyze to discover the impact of the product on company operations. For example, if a product is too hard to use or implement, if it has quality problems, if it takes an army of non-sales personnel to close a deal, product profitability will suffer. Even if the product solves an urgent, pervasive problem in a market segment willing to pay to solve it, if the product causes undue hardship on company operations, it won't be profitable. →

Product Planning

In Product Planning, Product Definition has been replaced by **Market Requirements**, the standard term that is now commonplace. Notice the term is “Market Requirements” and not “Marketing Requirements.” Remember, Marketing doesn’t buy our product, the market does. Effective product managers use market evidence to justify product definition decisions.

Another key activity that many product managers own is **Product Roadmap**. Unfortunately, in many software organizations, the roadmap is misused, misunderstood, and slapped together as a reaction to a sales deal. Based on market feedback, we have deemed this topic “boxworthy,” and have introduced new content in our Requirements That Work™ seminar to provide practical ways to address the issues.

We also added **User Personas** to the grid. We have been teaching about personas for several years in Requirements That Work. But the activity had not been called out on the Pragmatic Marketing

grid. In our research, we realized this activity was also boxworthy, so we added it to the grid. Creating user personas might be a new activity for some product managers, but this activity is important for product managers to do.

We moved **Positioning** and **Sales Process** up to the top of the Product Planning column. As we teach in our seminars, positioning should be done before the product is built, not the day the web content is due. (If you don’t know how it is going to solve problems for your buyers, how can you build the right product?) Knowing the sales process you will use to sell the product is important. We also grouped together the five boxes from **Market Requirements** through **Release Milestones**—these are all covered in our Requirements That Work seminar.

We have received tremendous positive feedback on these changes to the grid. If you have any questions or comments, we encourage you to contact us at info@PragmaticMarketing.com.

pm.c

Barbara Nelson is an instructor for Pragmatic Marketing. She has 21 years in the software industry, including vice president of product marketing for a leading provider of business and accounting applications for the middle market. Before her decade of product marketing experience, she worked closely with customers in several capacities, which taught her the importance of listening to the customer and solving critical business issues.

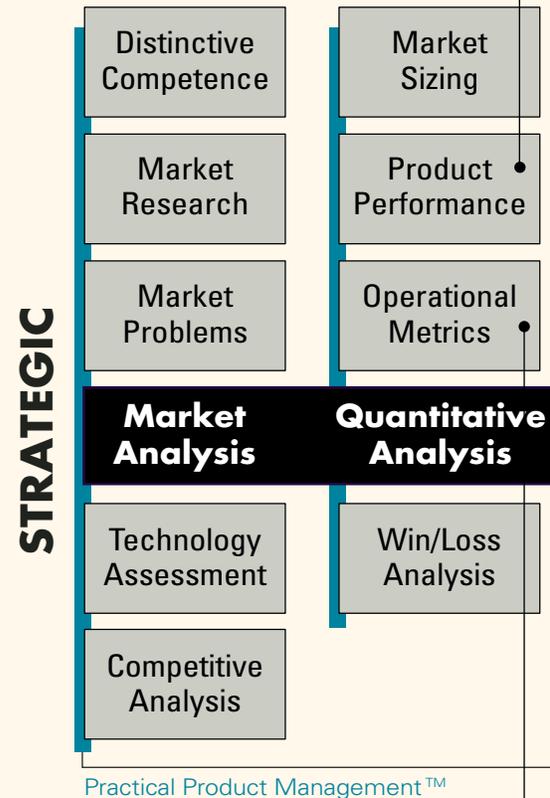
Adele Revella brings more than 20 years of high-tech marketing experience to the development and delivery of Effective Marketing Programs. Over the past decade, Adele led Product Management and Marcom teams in her role as vice president of marketing. Adele launched her own successful company that provides high-tech companies with positioning consulting and public relations services.

Product Performance

How well is the product performing in the market?

After a product is launched to the market, product management should track and analyze how the product is received by the market. The initial business case should have measurable objectives for revenue and profitability. If targets are missed, the product manager should research the shortfall.

Customers also provide insight into the health of the product. Measure not only customer satisfaction with the product, but maintenance and subscription renewal rates and how many new customers are being acquired each month.



Operational Metrics

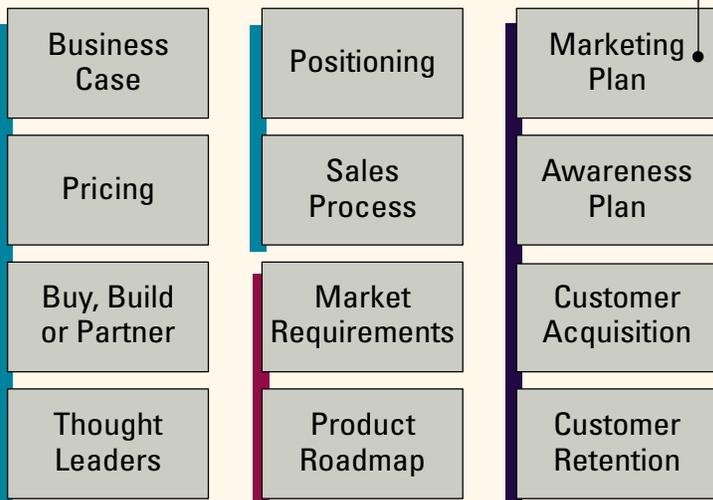
What impact does the product have on company operations?

Look at internal measurements to determine how the product impacts the company operations. This includes product life cycle, quality, technical support, marketing programs, and sales support. If any of these areas are negatively impacted by the product, it could signal an impending profit “leak.”

Marketing Plan

What are your marketing goals and how will you achieve them?

Marketing plans are not a list of tactical activities, but a business plan for outbound marketing—converting senior management’s measurable goals for sales growth, customer retention, and positioning awareness into a strategic plan of action. Every program should be selected for its ability to contribute to one of these goals, and should include metrics and processes to measure results.



User Personas

Who will benefit from using the product?

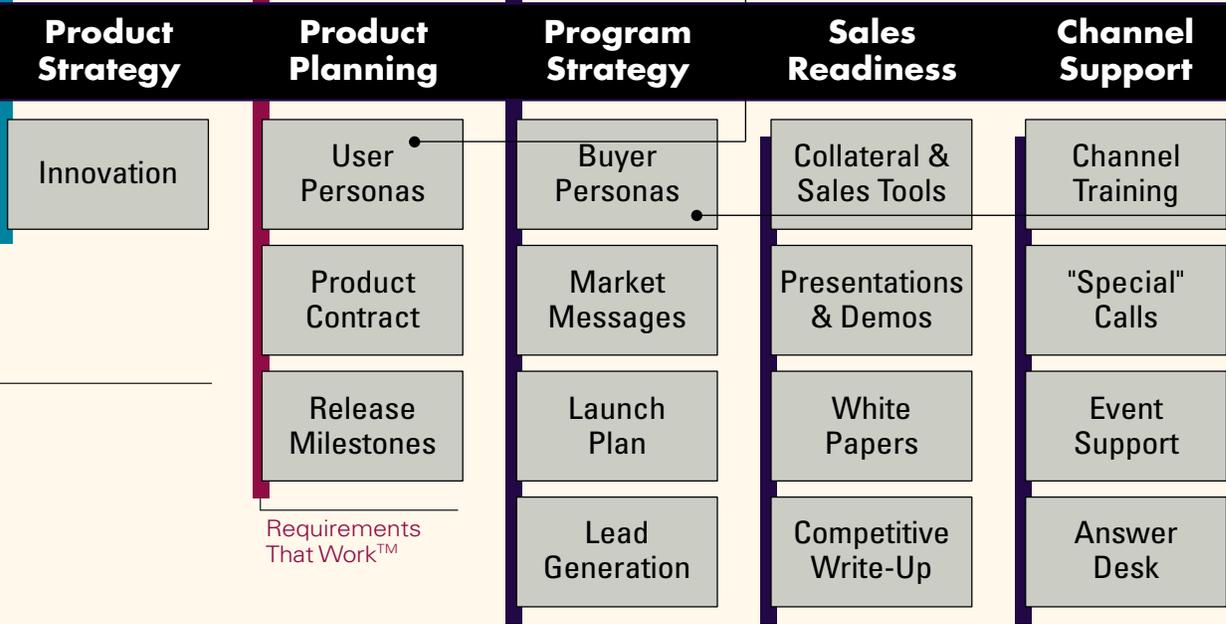
By describing the typical user in terms of technical proficiency, education, age, background, and expectations, we have a better chance of designing products that will delight users. User personas help developers, executives, and sales people realize that customers are different than vendor employees.

Buyer Personas

Who is buying the product?

Do you really know the people who need your solutions? How do they spend their day? What words do they use to describe their problems? Where does your solution fit into their current priorities? And when they want to find a solution like yours, where will they look for information? If you don't know the person you're talking to, you're not communicating.

TACTICAL



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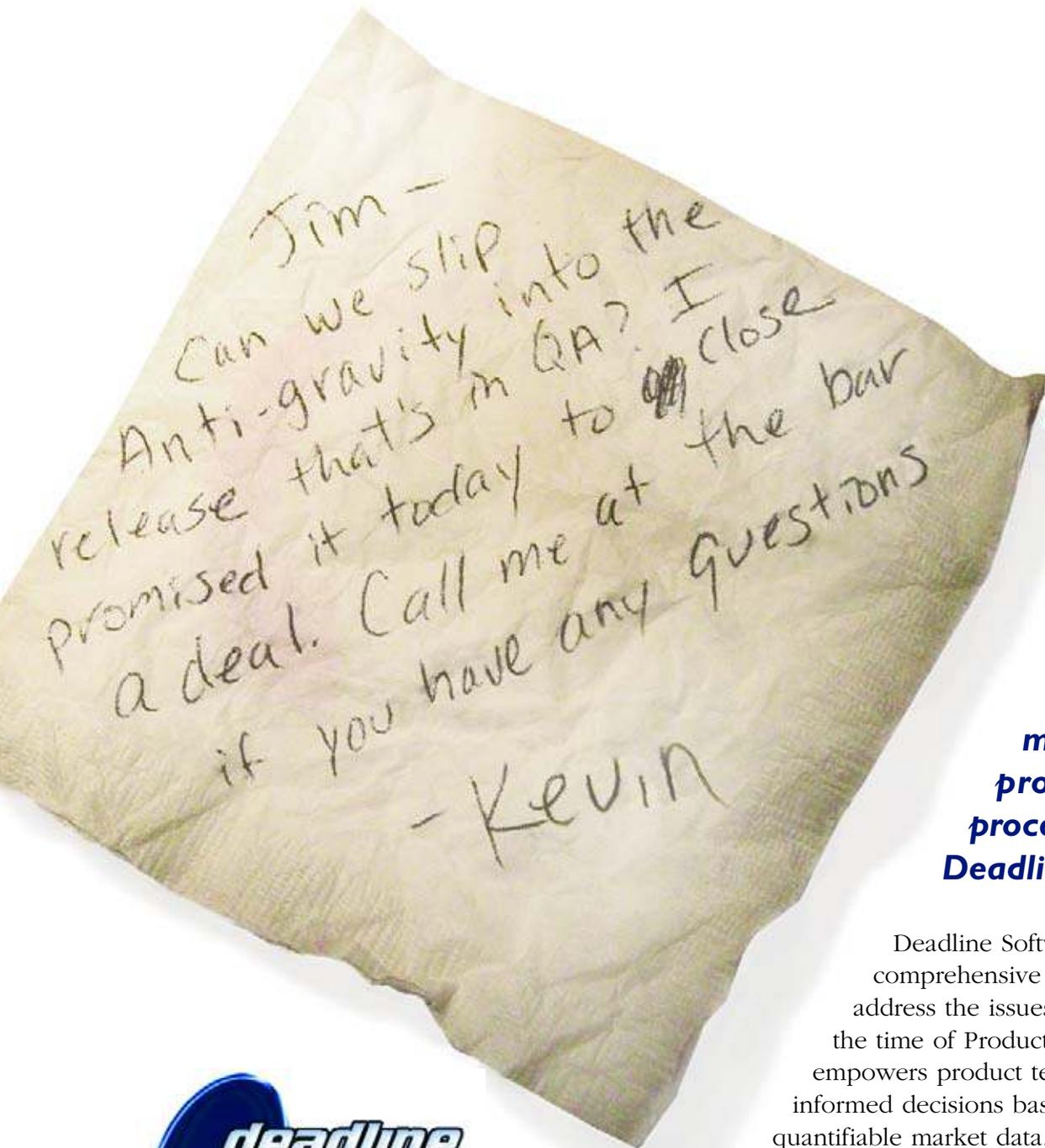
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promised it today to ~~the~~ close
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Buyer and User Personas



What is the best car? What is the best movie? The answer: it depends. “Best” depends completely on the type of person involved. Personas define the ideal profile of a potential buyer or user. A soccer mom or dad, a high-school student, and a construction worker all have different needs and would choose a different car as “best.”

In developing products and creating market messages, product management must have clarity on the ideal user and buyer. The industry has adopted the term “persona” to refer to the ideal profiles of our customers.

Personas are short descriptions or biographies of fictitious, stereotypical customers. A persona definition provides clarity on who you’re programming for and who you’re communicating to.

Using an example from Pragmatic Marketing’s Requirements That Work™ seminar, Michelle is a high-school senior. She has her own computer, uses AOL® for dialup, and is a power user of AOL® Instant Messenger™. She occasionally uses Microsoft® Works for school projects. Is Michelle very much like your developers? Not likely. One key area where Michelle differs is that she uses a

dialup connection to AOL®; the typical developer has broadband, always connected and fast. When Michelle enters college, she too will have broadband but until then, we have to program to a user with a slow connection who is not always connected.

This brief description implies many constraint and performance requirements. The persona profile gives guidance about how to make the best decision when a developer must make a judgment call (which occurs frequently).

Many programmers mistake themselves as ideal programming targets. For that matter, so do many executives, sales people, and marketing people. Employees of your company are rarely good representatives of your customers. On embracing personas, one company realized that their developers of Java™ tools were not representative of their users of Java tools. While both sets of developers were using Java, the vendor programmers were vastly more advanced than the customer programmers.

A typical product usually has three to five types of users, people who regularly use or maintain the product. You must create a persona definition for each type, including a name, age, sex,

technology environment, education, and job scenario. We often add personal information such as, “It was a good day because...” to provide additional context.

Robin, the product manager

What is the profile of a product manager? Based on thousands of customer experiences and armed with web stats from *productmarketing.com*™, we’ve created “Robin, the product manager.”

Robin is a product manager for an enterprise B2B vendor with a direct sales force. She manages all aspects of product management for three products. She is 35 years old with a college degree and some MBA classes. She earns \$85,000 a year and is eligible for an \$8,000 bonus based on company profit, product revenue, and personal quarterly goals. Robin is a power user of Microsoft® Office XP. She runs Internet Explorer 6 on Windows® XP. She has a reasonably new laptop running 1024 x 768 resolution. Using Microsoft® Outlook®, Robin sends and receives about 100 emails each day; she attends a dozen internal meetings each week. A good day is when no one from Sales wants her to drop everything she’s doing to help them with a deal.



With this profile, a vendor targeting product management has some very clear requirements. They can program to a high screen resolution; they must accommodate a computer not always connected to the Internet; they can see that

Robin is technically savvy and is likely to prefer a product based on the “tree” metaphor (in contrast to Michelle, who does not understand hierarchical filing). The power of the profile is that it also gives permission to ignore buyers that do not fit the profile. The vendor can safely ignore Netscape® and the other browsers; they can ignore Windows® NT®, Macintosh OS X and Linux®. This is not a judgment of technology; these environments are simply statistically irrelevant among product managers. Every product does NOT have to accommodate every possible environment. Instead, products should support and leverage the most likely environment to delight our persona.

Persona documents are not a new idea for many development teams but personas are a new concept for marketing and product management professionals. In recent years, the success of using personas in focusing development effort has resulted in the use of personas in marketing communications.

Buyer personas extend the idea to profiling the various buying influences in a sale. A typical sale includes a decision maker or economic buyer plus multiple technology reviewers. Some purchases might also include user buyers on the evaluation team.

Personas Jon and Cheryl

Consider a Sales Force Automation (SFA) sale: the users are Jon, the account rep (someone who sells) and Cheryl, the director of a sales region (someone who manages sales people). These two personas will use the product on a daily basis. But Jon and Cheryl have different product requirements and different listening needs. Both want to simplify status reporting. Cheryl is interested in consolidating all territory data; Jon is opposed to it. Neither Jon nor Cheryl will make the final buying decision but are likely to influence the decision maker. The decision maker (or economic buyer) is the VP of Sales. In addition, the product must pass the technical evaluation for compliance, security, and technical fit, requiring yet another persona definition for the IT buyer.

You can see that market segments quickly become critical here. A persona’s technology profile is likely to be completely different by market segment. The standard computing platform in a telco is different than



that in a bank. If we wish to succeed in becoming a successful vendor, we must build a product that creates loyal users by satisfying the needs of account reps and their management. But we must also meet the buying requirements of the decision maker and technology reviewers, or we’ll never get to the user personas.

The titles and profiles of these personas are also likely to vary between market segments. In this example, the sales rep may be the same for each segment but the technical reviewer profile changes greatly depending on the size of the implementation. Define the personas for your primary market segment and then create variations based on additional segments if the persona differs greatly.

One vendor identified four typical personas for a generic market segment but ultimately found 26 buyer personas once market segments were taken in

to account. The IT buyer in a large car dealership is incredibly different than that of a small body shop. The large dealership has two or three fulltime employees who manage the servers and the desktop computers; in the small body shop, the IT staff is likely to be the owner or the owner’s nephew.

Likewise, products designed in the U.S. assume a certain technology infrastructure that cannot be assumed in other countries. Rather than sell what we have to anyone we can, we should design products to fit perfectly into each persona’s environment.

Personas provide clarity about who we are trying to reach through our communications and whom to satisfy with our product development. Successful products focus on the needs of Michelle, Robin, Jon, and Cheryl instead of “somebody somewhere” or “everybody everywhere.”



Steve Johnson is an expert on product management and marketing in technology companies. He works for Pragmatic Marketing as an instructor for the courses “Practical Product Management” and “Requirements That Work.” Steve has trained thousands of marketing professionals at hundreds of technology companies in the US and around the world. He is a top-rated speaker at many marketing and technology conferences, and author of numerous articles on technology product management.



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Think You Know How To Meet Customer Needs? You May Need To Think Again.

By Jim Haselmaier

Today's economic climate requires laser-focused execution. Profit margins have slimmed. A few missteps (or even one) can mean the difference between success and failure, and between profit and loss.

One of the most unforgiving errors is not understanding your customers' needs. This most basic, but surprisingly elusive, information is essential to the success of any product or service offering. Many companies mistakenly believe they have an adequate understanding of the needs of their customers. But these same organizations often experience products or solution offerings that don't reach their potential.

Unfortunately, determining the real needs of a potential customer is not as simple as asking them what they want. Many people are unable to clearly articulate their most pressing and compelling product or service requirements because determining how products could or should be improved is not forefront in their mind.

To learn what your customer really needs, you must watch them and talk with them. You must be sure you understand their concerns and overall business issues. Only by thoroughly understanding the broad environment your customer lives in on a day-to-day basis, as well as their specific and detailed issues and concerns, can you apply the creative efforts necessary to design a compelling solution that will be successful.

The Common Trap

Most companies think of themselves as customer-focused. Or at least they want to. But what does it really mean to be customer-focused? To many, it means asking customers what they want in a product or service. They've heard reports of organizations developing products "in a vacuum" and they strive to be sure their firm doesn't make the same mistake. These organizations seek out current and prospective customers and ask them what they need. "What features would you like in a new FAX machine?" "What would you like the

next version of our software to do?" "What features would you like your cell phone to include?"

With the best of intentions, most product managers and developers ask these questions and open-mindedly listen to the responses. Then they go off and define requirements the new product must address. It's all downhill from there: translate the requirements into features and capabilities, implement the new product or service, bring it to market, then watch the sales roll in.

This approach is fundamentally flawed for two reasons. First, customers don't always know what they want. They don't spend much time thinking about what they want or need. There may be some things they wish a product could do. Some of these things may be easy for users to articulate, while others may take more thought and reflection before they can clearly formulate and articulate them. Just because I use my cell phone a great deal doesn't mean I spend much or any time thinking about how it could better

meet my needs. When was the last time you thought about how any frequently used product (microwave, washing machine, lawn mower, etc.) could be improved?

Second, customers rarely know our products as well as we do. Most don't know what is possible given the fast pace at which technologies evolve. This limits their thinking, and therefore their ideas. More broadly and most importantly, the customer makes a number of assumptions when they articulate what their needs are. They might want a cell phone that is half the size of their hand, but the technology of the day may make that an impossibility. On the other hand, a customer might assume it's impossible to have such a small cell phone, and as a result, they don't even mention the appeal when asked, even though it would result in a clearly compelling product.

The ramifications of this limited but common methodology can be quite dramatic. Businesses can eagerly and enthusiastically



enable new offerings based on stated requirements but experience product failure. Offering what the customer asks for is no guarantee that the resulting product will succeed, especially if a competitor more completely meets the customer needs or the customer realizes there are requirements they “forgot to mention.”

Escaping The Trap— “Objects Are Closer Than They Appear”

Learning to glean real customer needs and requirements is critical to the success of any business. But how do you do this? How do you objectively and without bias (by either you or your customer) determine real needs that, when addressed, result in a compelling product or service?

The simple answer is: Get to know your customers and their businesses extremely well. You must move beyond simple conversations. You must do more than just asking them what they want in a new product or service. The simplest and most efficient method is to simply watch them as they do their day-

to-day tasks. Try to find customers that will let you “shadow” them. Notice where and how they spend their time. What do they do? How do they work? What things prevent them from making huge contribution increases to their businesses? Based on these observations, you are likely to see (literally) some interesting things, which will lead to thought-provoking questions such as:

- Why don't you take your cell phone to your meetings?
- Do you normally spend so much of your time reconfiguring the network router? Why?
- Why do you use graphics software to create text documents?
- Why do you spend so much time talking to that department?
- What one thing, if changed, would enable you to significantly improve your results?

While physically watching a customer may be ideal, it's not always essential. These

techniques can be applied in an “interview” or “meeting” format as well. The key is to recognize the customer requirement “blind spots” that are often overlooked.

Your Customer Makes Your Product

A furniture manufacturer's wood supplier made a visit to the plant. During a facility tour the supplier noticed part of the manufacturing process included the lamination of two pieces of particle board. When asked about this step, the manufacturer stated that the supplier didn't offer particle board in the required thickness.

The supplier didn't understand the need for this product line. Business discussions between the two firms had never resulted in the identification of this need. The manufacturer had assumed, since they couldn't get exactly what they needed, they had to fabricate it themselves. The supplier

assumed the manufacturer was completely satisfied with their offerings.

Interestingly, neither the manufacturer nor the supplier preferred to have the manufacturer laminating particle board.

As a result of this interaction, the supplier began offering the new thicker product and the furniture company was more satisfied. Lower costs resulted from the simplification of the manufacturing process, specifically in an area where the company was not adding value critical to their business. The wood supplier has a new profitable product to sell and a more loyal customer.

Marketing Programs— For The Right Reasons

Early in her career, Aimee Fitzgerald, principal of Fagan Business Communications, Englewood, Colorado, was eager to understand what her new clients wanted, and she worked hard to deliver on those requests. “New clients would come to me and say, ‘I want our

(Continued on page 15) →

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Course designed for:

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- Contrasting product management and product marketing
- Assigning ownership of responsibilities
- Identifying the “first steps” with gap analysis

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- Market research
- Market problems
- Technology assessment
- Competitive analysis

III. Quantitative Analysis

- Market sizing
- Product performance
- Operational metrics
- Win/loss analysis

IV. Product Strategy

- Business case
- Pricing
- Buy, build, or partner?
- Thought leaders
- Innovation

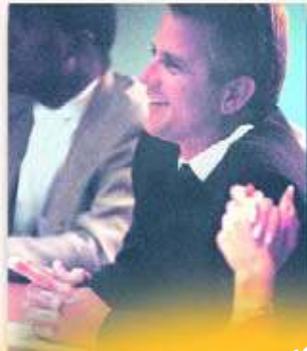
V. Product Planning

- Positioning
- Sales process

VI. Case Study

VII. Delineating Responsibilities

- Communicating market facts to Development, Marcom, and Sales
- Drawing the line between Product Management and the other departments



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(for those who write requirements)

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- Implementing use-case scenarios
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- Determining product feature sets
- Creating the MRD

IX. Analyzing Business and Technology Drivers

- Reviewing specifications
- Prioritizing the product feature set

X. Getting (and Keeping) Commitments

- Product contract
- Getting the product team in sync
- Getting executive support
- Communicating the plan in the company and in the market

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Think You Know How To Meet Customer Needs? You May Need To Think Again.

company to be mentioned in the newspaper!” says Fitzgerald. When the resulting visibility didn't produce the desired business result, the client was unsatisfied and frustrated with the media relations process and environment.

Because Fitzgerald was a savvy professional, she quickly changed her approach. Rather than saluting smartly and blindly fulfilling a client's request, her first response now is to understand the broader business objective the client hopes to achieve. “Often what the client thinks they

want isn't the best solution to meet their business objectives. By understanding what the company hopes to accomplish, we can develop a targeted communications plan—which may or may not include news media communications—with a much higher probability of success in meeting the true company objectives.” Fitzgerald now has clients that contract for very different services than they originally

specify, and they more often meet or exceed their business goals.

Dump The Bathwater, Keep The Baby

Should companies continue to ask their customers what they want in new products and services? Absolutely! Just as only asking customers what they want is inadequate, not asking customers what

they want is inadequate as well. The key is to truly think of yourself and your company as a partner with your customer; a partner who is there to help them achieve their business goals. This will enable you to add the most value to their business, build compelling solutions that outpace the competition, and result in long-lasting, profitable business for you and your firm.



Jim Haselmaier is the owner of Accelerated Insight Consulting (www.acceleratedinsight.com). Accelerated Insight Consulting delivers consulting services to businesses of all sizes in the areas of business planning, strategic planning, value proposition development, and customer research. Jim can be contacted at jim@acceleratedinsight.com.

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This half-day session is a subset of the Practical Product Management™ seminar and introduces the industry standard for high-tech marketing, the Pragmatic Marketing framework. Refined over ten years and implemented by hundreds of technology companies, this framework shows how Product Management and Marketing personnel can move from tactical activities to quantifiable, strategic actions that deliver tremendous value to the company. This session includes immediate actionable ideas about how to best establish the role of Product Marketing/Management and define market-driven products that make customers want to buy.



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Seats are limited, so early registration is recommended. See available dates on back cover.

The Business Case for User Oriented Product Development

This two-part series will explore the impact of incorporating users into the product design/development process. Part I makes the business case that user oriented design/development not only creates better products, but also increases revenue and cuts costs. Part II will explore the process of integrating users into each phase of the design/development process, and will offer advice and resources helpful to implementing user oriented design/development, including information about cost and budgeting.

In developing any given technology product, great care is taken to make sure the technology works correctly. Software is constantly debugged, hardware is systematically checked and everything possible is done to ensure that the product functions as designed.

Yet, in the end, an organization's bottom line success is measured not by the sophistication of its technology, but by how well it serves its customers. To be successful for any length of time, a company's offering must give its intended users enough value that they will pay for it.

It is ironic, then, that for all the elaborate systems and processes that ensure the technology works as intended, testing technology products with their intended

users is often a slap dash affair. Beyond gathering an initial requirements list, understanding the user experience—in terms of both usefulness and usability—is often an afterthought, done too late in the product cycle to be of use. In the rush to get a product out the door, there is often no time or money to spend on understanding the user's perspective.

However, statistical and anecdotal evidence is mounting that paints this strategy as penny wise and pound-foolish. Study after study shows that integrating the user experience into product development not only creates better products and more satisfied customers, but reduces the cost of development, support and maintenance. The net result is increased revenue, reduced costs and increased bottom line ROI.



Guiding the development process

"There is no direction without customer data—data about how work is structured, what matters to people, and real characterizations of market."

*Hugh Beyer & Karen Holtzblatt,
Contextual Design*

According to usability gurus Norman Nielsen Group, "The user experience encompasses all aspects of the end-user's interaction with the company, its services, and its products." Understanding the user experience—the customer data that Beyer and Holtzblatt refer to in the above quote—provides a powerful tool not only for creating more satisfying and profitable products, but also provides an essential framework for organizing a more efficient development process.

First and foremost, by understanding customer

needs and desires, project teams can focus their development efforts on product features that will deliver the most value to their customers. Without this crucial information, all the efforts and resources of the team are predicated on what often proves to be an educated guess. Armed with an understanding of the user point of view, teams can make concrete determinations about how to focus their resources—how to mate the product with the customer's work flow, which features to develop, and which issues to tackle for subsequent releases.

The net effect for development teams is that they can more efficiently develop useful and usable products for their customers. The bottom line for companies is increased revenue and reduced costs.

While integrating the user experience into product development cannot overcome a bad product or an unworkable business plan, it can



measurably add to an organization's bottom line. Yet these benefits so often go unrealized, as the up front cost of user testing is often judged to be too expensive. More often than not, however, the savings realized by cutting user testing prove to be a false economy.

Thinking strategically about cost

"Over the last two years, we have really built in the user experience point of view. Unless you do that, you're not going to hit the target.

More early and frequent user interaction translates into less business risk."

*Stephen Whalley,
Manager of Technology Initiatives
at Intel Corporation*

Cost is the most common reason given for not doing user testing. Yet, studies show that an appropriate level of investment in user testing actually helps control

costs and limit unnecessary and expensive rework. In fact, evidence shows that the earlier user testing is incorporated into development, the greater the benefit.

In his book, *Software Engineering: A Practitioner's Approach*, Robert Pressman determined that the costs of correcting problems get progressively more expensive as a product moves from definition through development to release. In fact, it can be as much as 100 times more expensive to correct a problem after a product is released than in the early stages of its development.

Pressman also found that 80% of software maintenance costs are spent on unforeseen user requirements, and only 20% are due to failures. In other words, 80% of the cost of maintenance is spent on delivering the product that users wanted in the first place.

Stage in Development Cycle	Cost of Change (in units)
Definition	1
Development	1.5 – 6
After release	60 – 100

Yet, the impact of user oriented product development is not limited to just the development process. The ability of a product to satisfy customer needs has an impact on the whole organization. Customers also interact with marketing, sales, training and support. If the product is not intuitive to use, then the company will end up with the expense of support calls. If the product does not satisfy its function for customers, it will require more resources to sell. If the product is hard to learn, training costs will rise. If the product fails to meet customer expectations initially, it necessitates expensive rework.

Clare-Marie Karat examined the impact of user oriented development in her 1990 study entitled *Cost Benefit Analysis of Usability Engineering Techniques*. In the study, she found that the benefits grew depending on how many people were affected by the improvements. She cited one case where IBM spent \$20,700 on usability work to improve the sign-on procedure in a system used by several

thousand people. The resulting productivity improvement saved the company \$41,700 the first day the system was used. In another case, on a system used by over 100,000 people, for a usability outlay of \$68,000, the same company recognized a benefit of \$6,800,000 within the first year of the system's implementation. The study found that for every dollar invested in developing more usable software, organizations derive \$10-\$100 in benefits.

Reaping the benefits

"Improving user experience can increase both revenue and customer satisfaction while lowering costs."

*Forrester, Get ROI from Design,
June, 2001*

Forrester Research published a report in June of 2001 that examined the positive impact of developing e-commerce sites around the user experience. In the report Forrester modeled a hypothetical apparel retailer e-commerce site.

The site faced issues on how to improve sales and drive revenue. 500,000 users visited the site's home page, but of those users only 3.3% would end up purchasing generating \$1,348,397 in revenue. By conducting user testing, the retailer was able to understand why users were bailing out before purchasing. The reasons ranged from no intention to buy, to confusing wording, to an ineffective search feature, to getting asked for a credit card before being shown shipping charges. Once the retailer understood the obstacles that were derailing user purchases, it could calculate how much each problem would cost to fix and prioritize which issues to tackle first.

The cost of the user testing and the highest priority fixes totaled \$490,900 and resulted in an improved purchase rate from 3.3% to 5.0%, boosting revenue from \$1,348,397 to \$2,059,014. Forrester estimated that the user testing and fixes paid for themselves in 52 days.

Separating the winners from the losers

"Companies that succeed have a deep understanding of their customers. They use that understanding to consistently develop products that deliver ongoing value."

*Marty Cagan,
Good Product Management, Inc.*

Marty Cagan's twenty-two years of experience managing products for Hewlett Packard, Netscape, AOL and E-Bay has helped him identify patterns of successful companies, and common failings of unsuccessful companies. According to Cagan, "The single biggest mistake, especially in Silicon Valley high-tech companies, is to assume that if you like your product then your customers will too. We are absolutely not our customers, and we seriously miss the mark when we believe we are." Cagan goes on to say that companies need a

constant reality check to ensure that they consistently deliver value for their customers.

A quick survey of successful companies bears witness to the notion that customer oriented companies tend to thrive. Amazon.com has relentlessly focused on the user experience, developing features such as one click purchasing and recommendation lists, and has emerged from the dot.com era wreckage as the Internet's leading retailer. Google, with its accurate search engine, spell correction, and clean interface continues to succeed, attracting an ever increasing number of fanatical "Googlers."

Established technology heavyweights have also weighed in on the benefits of understanding the user experience. IBM has developed an entire section of their website dedicated to ease of use issues, and started an ease of use email newsletter (<http://www.ibm.com/easy>). Intel, realizing that success is measured more in customer satisfaction than in megahertz, has

started spending more time understanding users in each phase of development. Says Stephen Whalley, Manager of Technology Initiatives at Intel Corporation, "We used to just set high goals from a technology point of view, but now we're setting high goals from a usability, ease-of-use and reliability point of view also."

If Silicon Valley learned one painful lesson from the dot.com collapse, it was that no matter how advanced or sophisticated the technology, no matter how far reaching the vision, the bottom line will always be that companies that do not deliver significant value to their customers will not survive.

The "deep customer understanding" that Marty Cagan refers to in the above quote is not an accident or an exercise in ESP. It is a product of systematically keeping users in the loop—from concept development through each new release. Part II of this article will take a look at how orienting product development around the user experience can be implemented in each phase of product development, from concept to release.

pm.c



Steve August is the Director of Business Development for KDA Research (www.kdaresearch.com), a San Francisco based consulting company that specializes in integrating consumer and user experience into products and communications.

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High-Tech Product Marketing Training

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Course designed for:

Product managers who are responsible for defining and delivering high-tech products. Product managers get more from this course when trained simultaneously with their counterparts in Product Development.

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- Define clear roles and responsibilities
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II. Gathering Input

- Channels of input to product planning
- Organizing product ideas
- Quantifying market needs

III. Building the Market Requirements Document

- Writing requirements
- Implementing use-case scenarios
- Programming for the “persona”
- Determining product feature sets
- Creating the Market Requirements Document (MRD)

IV. Analyzing Business and Technology Drivers

- Reviewing specifications
- Prioritizing the product feature set

V. Getting (and Keeping) Commitments

- Product contract
- Getting the product team in sync
- Getting executive support
- Communicating the plan in the company and in the market

Requirements That Work is an intensive one-day course that introduces a straight forward method for creating product plans that product managers can write, developers readily embrace, and that produce solutions the market wants to buy.

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This training establishes clear roles for team members, and teaches a process that creates an executable plan that delivers solutions that sell.



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No One to Blame: The Perfect Crime

By Eran Livneh

“Almost every company is set up for the convenience of the people who work at it, and not for the convenience of the customers,” said John Brandt, publisher of Chief Executive magazine in an interview to *CRM Daily*. Sad, but true. While we all try to satisfy our customers (I’ll give us as much as that!), we tend to naturally gravitate towards what we know best, and we all know a whole lot more about what’s best for us than about what’s best for our customers.

One opportunity to turn this situation around and satisfy customer needs is during new product introduction. With the mindset of being customer-driven, you start with market research, and you actually ask your prospects and customers what they would like to see in the new product. You even have a product manager who writes detailed requirements. Looks like you’re going to get it right this time! But can you really defy the law of gravity?

Now close your eyes and fast forward 24 months. Your new product has just been released (six months later than expected; for some odd reason it seems like these numbers never change). The product gets

some decent press coverage and reviews, but customer reaction is lukewarm. The product is not bad, but it’s not great either.

The CEO invites the Product Manager and VP Engineering to discuss the product release. While avoiding eye contact, they each mutter their version of “the state of the product.” The VP Engineering has an easy answer: “This is just version 1.0, what do you expect?” The Product Manager has a different line: “The product is not what we asked for,” he says, “if it were, customers would be happier, but engineering did not deliver what we asked for.” “But you did write requirements?” asks the surprised CEO. “Yes, and we developed according to the requirements,” jumps in the VP Engineering. Two hours later, the meeting is still on... What happened, the CEO wonders? Where did we go wrong, after all the market research and the elaborate product requirement process?

The company had a perfect process to get market-driven requirements to development. But it was a process built for the convenience of the people who work at it, not for the convenience of the customers. With each function of the

organization being able to claim that it did its part of the process, there is no one to blame for the product failure. The perfect alibi. The perfect crime.

So what can you do to prevent the perfect crime?

- **Clearly define product goals. What will it do for the company?** What value will it deliver to the customer? It is important to get these in writing and get everybody signed on them early in the process. When I say everybody, I mean everybody, from the engineers to the CEO. Once agreed upon, these goals serve as the measuring stick for every product decision and evaluation. To make sure they do, get them down to no more than ten bullet points, and make them visible everywhere: they should be hanging in each cubical, they should be the first page of every product document, and they should be on the first slide of every product presentation from here on.
 - **Put ONE person in charge.** Presented in the most brutal language, someone should be fired if the product fails to meet the set goals. Since you
- cannot fire too many people, you need one person to bear the consequences... Macabre humor aside, you do need someone who cannot have an alibi. This Chief Product Officer must have the ultimate responsibility for delivering on the product goals and the ultimate authority over every product decision. Sounds extreme? Maybe, but a new product is extremely important, and extreme situations call for extreme measures.
 - **Conduct frequent product reviews.** Engineers tend to build products from the inside out. The inside is important, since you want a product with solid foundations. For your customers, though, this is something they take for granted. What is important to them is how they work with the product, how the product works for them. That’s why you want to see mockups, prototypes, anything that will give you an idea of what the final product will look like early on in the process. These will require some extra work from your engineers, so make sure to build them into the product release schedule.



- **Get customers involved early and often.** Get potential users to serve as your Product Review Board. You want to have 20-30 users on board, since not all of them will be available at all times. You can easily recruit them as you conduct your market research—customers like to be heard! Don't be afraid to show them early prototypes; this is when their feedback can make the biggest difference. To make the most out of this precious resource, use it frequently and make it formal. Establishing regular meetings

(in person or over the web) will force you to keep showing them new stuff—nothing better to keep you honest and get a step closer to a process that actually serves the customer!

Taking some of these measures will not be enough to stop the crime. Doing them all will get you closer. If nothing else, you'll know who committed it...



Eran Livneh is the founder of MarketCapture (<http://www.MarketCapture.com>), helping software companies enter new markets,



introduce new products, and increase market share. Eran is also the publisher of the MarketCapture Newsletter (see past issues and subscribe at

<http://newsletter.MarketCapture.com>)

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Ask the Expert

Our sales people are always insisting that they need another sales tool—one day it's a competitive analysis, the next day it's a demo, and they always want another whitepaper. They're driving us crazy. Is there a standard set of sales tools that we can give them? I'd like to know what other companies are doing to stop the endless requests.

As I'm sure you've observed, it doesn't work to "just say no" to sales people. They truly believe in a "magic document," a tool that exists only in their minds, of course. But it is very real for them, and if you would just deliver this whatever, they could email it to their customers and close the deal. When a good sales person experiences resistance to something they deem important, they find another way to win. This is why your best sales people can be the most annoying. They may pester you, complain to management that Marketing is unresponsive, or, in the worst case, write the materials themselves.

So don't get defensive. Here's your best offense. Start by documenting the sales process—the steps your sales

people follow to develop a lead from the time it enters the sales pipeline through to contract signing and implementation. Depending on the length and complexity of your sales process, there may be three, eight, or even more stages. You should be able to work with first-line sales management to gather this information. Ask them to identify the types of buyers (i.e. economic, technical, user, etc.) involved in each step and the information those buyers need. Make a list of the tools that you currently have or want to build to answer that buyer's needs when they reach that phase of the decision process. This will help you to create powerful tools that solve a real problem—not just a bunch of data sheets that no one ever reads.

Whenever a sales person asks for another "magic document," pull out your sales process diagram. Ask them to show you which part of the process they're in, what type of buyer is in that stage, and what information needs to be conveyed. Then you can have a good discussion about the tools you have built for that phase and buyer, what works and what doesn't. You'll keep improving your knowledge of the sales process, allowing you to create tools that are really helpful. Plus it will be increasingly difficult for the sales people to justify endless requests.

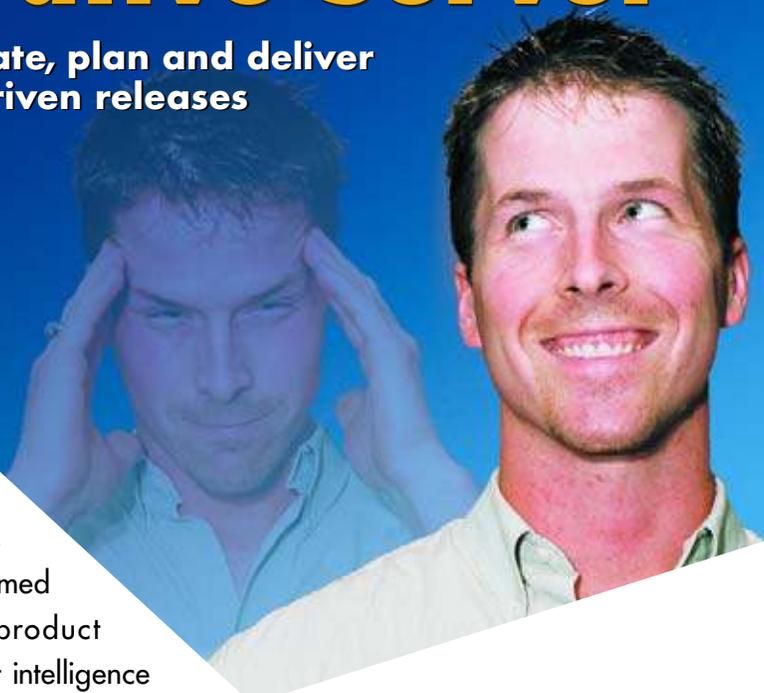


Adele Revella brings more than 20 years of high-tech marketing experience to the development and delivery of Effective Marketing programs. Over the past decade, Adele led Product Management and Marcom teams in her role as vice president of marketing. Adele launched her own successful company that provides high-tech companies with positioning consulting and public relations services.

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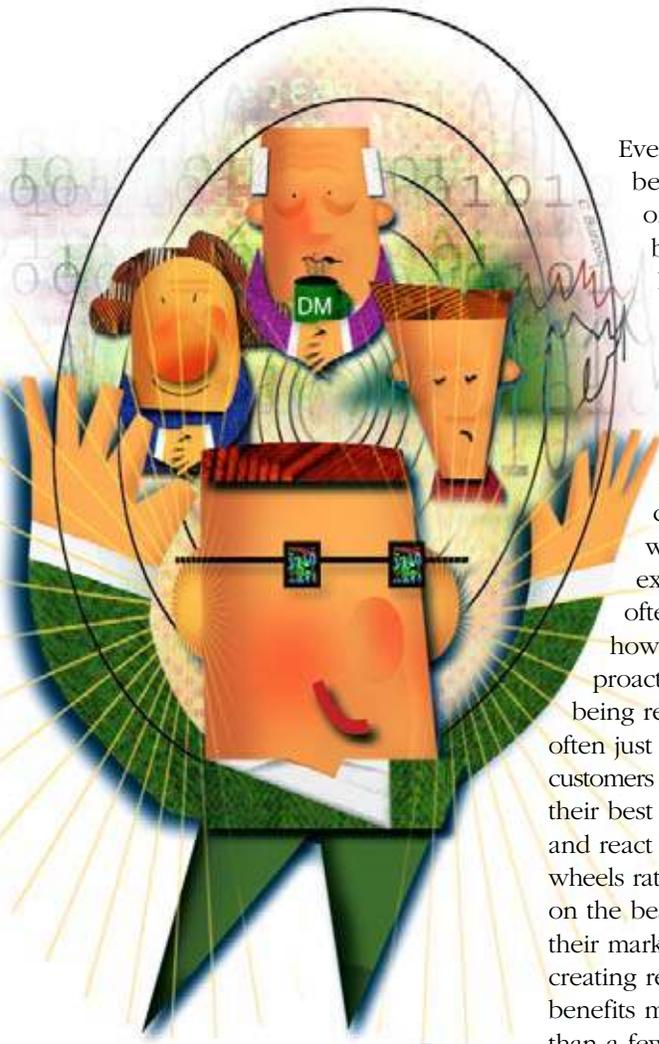
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Everyone seems to be on the “Voice of the Customer” bandwagon.

But I seriously doubt that most companies really understand what this means. They pay lip service to listening to the customer (that’s what customers expect), but they often don’t know how to do it proactively. And, being reactive, they often just listen to the noisy customers (not necessarily their best customers) and react to the squeaky wheels rather than focusing on the best interest of their market at large, creating real value that benefits many rather than a few.

Keeping Close to Customers

By Barbara Nelson

This is the final part of a three-part series exploring how we listen to the market to become experts in what they need. Part I showed how product managers should listen to potential customers, the inactive members of our market who have not bought our products or our competitors’ products (and are not looking). Part II discussed finding and listening to evaluators. This article covers on-going communication with our existing customers. By listening to all three types, product managers become “experts on the market.”

Listening to customers is usually within the comfort zone of most product managers. But often, we do this as a reactive exercise rather than a proactive process. Tech support calls us up and says, “Go visit Customer X. They are not happy with us right now.” Or a sales rep calls and says, “Go visit Customer Y. If you put in Feature A for them, they will be a good reference account.” In this discussion we will explore not only how to listen to the noisy 20% of your

customers (the ones most companies react to), but how to listen proactively to the quiet 80% of your customers as well.

Who are our customers and how do we find them?

If you sell enterprise-level software, hardware, or services, you should have a database of all of your customers. Even if you don’t have a company-wide database such as a Customer Relationship Management (CRM) system, do some digging. Check with Accounting and Technical Support—they are likely to have some contact information. If this database has been neglected, it is possible you’ll need to do a little sleuthing to find current contact information. If you sell desktop or personal high-tech products, hopefully you have registration information for a percentage of your customer base. If not, it’s time to begin collecting it.

If you have a lot of products and/or services, obviously you should coordinate customer contacts. You would look silly if four or five product managers call on the same customer within a short period of time (“don’t you guys talk to one another?”). Every contact and every visit should be logged. Write up the details in a call report that can be

referenced and shared with others later. This is the only way you can effectively remember what you learned and transfer the knowledge to others who need to know.

Don’t forget to look for regular users of your products. The actual product usage should be based on what they need, not what buyers think the users will need.

What are we trying to learn?

What are the quiet 80% of your customers up to?

- What is the satisfaction level with your products, services, and your company?
- What is the implementation progress? If the product has become shelfware, why? Is it too hard to implement? Did the need go away (or didn’t really exist in the first place)? Did the product advocate leave the company? If you don’t proactively find out how they are doing, they might have quietly gone away to the competition.
- How are they using your products and services? Is there a shift from buying criteria (things they had to have in the buying cycle) to how they really use the product (using criteria)?

- How do the customers who don't routinely contact us differ from the noisy 20% who do? Which customers are the most profitable?

Other things you are trying to learn:

- Favorite features of your product (you may be surprised—it is often not what you think is the coolest thing); what delights them?
- Would they recommend you to friends & family? If not, why not? What would it take?
- Good reference sites; good beta candidates
- What value are they receiving? Specifics—find references and case studies; ongoing win analysis (further validation on what you're doing right)
- Impact of your product quality on their business
- How can your company improve products and services to retain customers (remember the lifetime value of customers)? If you sell new releases annually, what are customers looking for that they would be willing to pay to upgrade?
- Additional opportunities (what new products and services might you offer—are there unfilled needs?)
- How you can improve segmentation—if you haven't segmented, analyze where your customers are. Is there a concentration in a certain segment? Are you successfully meeting their needs? Are they identifiable?

Here are some tips on how to find customers and how to engage them to learn about their needs.

Source: Contract

If your customers sign a contract with you, ask for key user information.

After the products have been installed, call the key user(s) and ask to visit. Most customers are delighted to have a product manager visit.

Source: Registration

If your product or service requires registration (with an unlocking key), collect contact information during registration (at least email address).

If your product or service does not require unlocking, find ways to motivate customers to register when they buy your products. Offer them something that doesn't cost you a lot—free support for 30 days, free download of a utility, free tips about using your product.

Source: Customer Relations

If you have an outbound (not selling) function to proactively interact with your customers, this is a great resource for customer research.

Ask the customer relations rep to give you names of interesting customers for you to visit. Periodically, ask the reps to do quick phone or email surveys to quantify what is going on with your customers so you can make sure you are not simply reacting to the noisy 20%.

Source: Online Forums

Visit the forum periodically. This is the noisy 20% but can be useful.

Respond to an issue the customer has raised. Contact the user directly for more information. Drill down on what the core problem is, not just the requested solution.

Source: User Groups

Ask the user group to vote on enhancement requests. Here are two approaches to rating enhancements:

- Each company votes with a virtual \$1,000. You can place all \$1,000 on one idea; \$100 on ten ideas; or \$1 on a thousand ideas.

-or-

- Rate each request on this scale (better for online):
 - +2 I require this for the success of an upcoming project (no workaround exists)
 - +1 This would help but is not required (workaround exists)
 - +0 No opinion
 - 1 This would cause me to revise something already in production (workaround exists)
 - 2 This would completely mess up something in production (no workaround exists)

It is important to set expectations that this is input to the product planning, not a final decision. User groups do not often come up with breakthrough ideas; they usually focus on the trees, not the forest.



Source: Customer Advisory Board (CAB)

Any vendor can benefit from a Customer Advisory Board. Bring a group of six to ten customers together into a room to discuss their strategic plans and how your product can support their efforts.

Product management should pick the participants of the CAB. Sales people will pick their best customers, not necessarily the ideal customer. We should include economic buyers, technical reviewers, and key users. We need to understand the needs of each in a complex buying cycle.

The agenda should include presentations by the customers of their strategic initiatives. If you have chosen representative customers, this should give you good input to your future product direction. Then review your product initiatives (present prototypes or a demo) and solicit feedback on how your product plans integrate with their initiatives. Finally, ask members to prioritize outstanding enhancement requests (see methods under User Groups).

It is critical to set expectations that this is input to the product, not final authority.

Source: Technical Support

Tech Support interacts with the customer base frequently but remember that only the noisy 20% contact you. However, periodically follow-up on calls. (Your tech support people can point you to some interesting sites.)

Ask if you can visit them to see how they are using your products. Usually they will be more than happy to accommodate you.

Source: Customer Satisfaction Surveys

Follow-up with some of the surveys (both satisfied and not satisfied).

Start with a phone call. Ask if you can further understand their responses to the survey. If the customer is receptive, ask if you can visit them.

Source: Web Surveys

Get people to your website periodically (tips, info, education, discussion group)—use this opportunity to ask them to complete a short survey; periodically do longer ones.

If you have good customer relations and proactively contact customers (not just to sell stuff), you will have a higher response rate to surveys. Keep the ad hoc surveys short and only do the longer ones annually. Publish the results on your website and offer the full report early to anyone who participates in the longer surveys.

Source: Electronic Newsletter

Another way to find customers and stay in front of them. Provide articles with useful, relevant information.

You can put a link to your surveys here, too.

- What is the profile of the ideal customer (what is a good target—demographics, technical profile, problems they have). This becomes helpful when training the sales force on who to focus their efforts on, on building products to satisfy needs for the target market, and for crafting the messages to attract the ideal customer.

When do we listen?

Listening to customers should be an ongoing activity, not just a once-a-year event. Product managers should plan to go onsite to visit customers at least once a month. On a quarterly basis, we should be contacting customers (through customer relations) to maintain the quality of our contact information.

We should be doing short surveys (phone and/or web) throughout the year and satisfaction surveys at least once a year.

Where do we listen?

Listen to customers everywhere—online, onsite, at user group meetings, customer advisory boards, technical support, usability labs, point of sale, focus groups (in person and online), and through email. Anywhere they might be. Their natural habitat is by far the most fertile, but take advantage of other places they might congregate.



Yesterday
listen to customer
online forums

How do we listen?

Listening is the key to this activity! Too often when we have an audience with our customer, our first instinct is to talk. (Talking is selling. This is not selling. This is research!)

Here are ten tips on listening to customers:

1. Visit actual users (people who use the product daily) as well as buyers. Visit customers that represent your target segments.
2. Spend a “Day in the life....” Go onsite. Follow your customer around through the tasks of the day. See how they use your products and what other challenges they face every day. Observe how they work around limitations of your products. Ask, “Why did you do that?” to get more insight into their work habits.
3. Photograph and/or video tape actual usage of your products either onsite or in a usability lab. Share with designers and developers if they are not able to go into the field.
4. Track implementation progress. What happens early on? What is going on in the middle? What is the transition from installation to daily usage? Do they need ongoing training? How much shelfware is there?
5. If the customer says, “You ought to build this,” drill down to the problem. Always try to understand the problem they are trying to solve rather than focusing on the solution they are suggesting.
6. Share early prototypes and models with your customers and solicit feedback. Ask how they would use it, what problem it would solve for them. Try to understand the value it would bring (actual cost savings, time savings, increase in revenue or market share). Is it intuitive to use? Do they understand how to navigate through the product? Beta is much too late in the process to get this feedback.
7. Drill down on satisfaction (surveys take the temperature, you need to find the cause).
8. Are they early adopters? Where are they in the technology life cycle? Balance who you listen to across the lifecycle (early adopters, early and late majority, laggards).
9. Sift through the noise. Rather than reacting to a single customer request, look for patterns and understand how the request will impact multiple customers rather than a single customer. Look for critical problems to solve, not just cosmetic. Look to solve problems for the market at large, rather than a market of one—urgent, pervasive problems that people are willing to pay to solve.
10. Go with a friend. Four ears are better than two. Remember, it’s the voice of the customer (not yours!). Make this proactive by tapping into the quiet 80%, not just reacting to the noisy 20%.

And don’t forget to balance the voice of the customer with listening to potential customers (that part of your market not yet buying) and recent evaluators (to learn why you’re winning and why you’re losing). Product managers should plan to visit one potential customer, one recent evaluator, and one existing customer per month—onsite in their natural habitat. By listening to and observing all three groups, you will become an expert in your market: the foundation to defining products and services people want to buy.

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Barbara Nelson is an instructor for Pragmatic Marketing. She has 21 years in the software industry, including vice president of product marketing for a leading provider of business and accounting applications for the middle market. Before her decade of product marketing experience, she worked closely with customers in several capacities, which taught her the importance of listening to the customer and solving critical business issues.



Customer Focus Puts CCC Product



If your car has ever been damaged in an accident, you understand that streamlining the insurance claim and collision repair process is of paramount concern. For over two decades, CCC Information Services Inc. has been doing just that. CCC supplies estimating software and communications systems that help put drivers back into their cars faster after an accident. As an innovator of automated tools, CCC has

grown into a \$200 million company and now boasts the largest network of repair facilities and insurance companies in the industry. To remain a leader, CCC recognizes it must keep a finger on the pulse of that network.

Toward that end, CCC recently embarked on a plan to retool its product management organization

to become more efficient and more closely aligned with the market. "Over the years, CCC has expanded from a single-product company to an array of technologies serving multiple markets across the entire claims management process," says Jim Dickens, senior vice president of product management and marketing. "We realized that to sustain our leadership position in the market, we needed a

Managers in the Driver's Seat

world-class product management organization. So we decided to research and implement best practices to strengthen our core methodology."

One of the team's immediate realizations was that their existing product management approach was based on ad hoc processes that were inconsistent from one product manager to the next. "In our old organization, each product manager was responsible for a single product," Dickens explains. "How each manager handled that product depended on the individual's experience and interests. One product manager would be writing use cases and technical specifications, and another would only be involved in the marketing end. That meant our development organization had to adapt to each scenario, making it difficult to really understand product management's role and key areas of responsibility."

"As we grow, we absolutely need a market-driven discipline that allows us to expand into new segments of existing markets as well as to enter new markets..."

*Jim Dickens
senior vice president
CCC Information Services Inc.*

Reorganizing to Meet the Market

From one CCC product manager's perspective, there was a lot to be gained by revamping both the organization and its processes. "When you are organized one manager per product, essentially you have to be an expert in many different things," says Bruce Carrick, strategic product manager. "Previously, I spent considerable time in meetings with the development team, working through detailed technical issues. Frankly, I didn't have time for that; nor was it where I contribute the most value to our business. As CCC expanded to more and more products, we realized something had to change."

After reviewing various best practices frameworks, that change came in the form of Pragmatic Marketing® and its strategic product management courses. "We chose Pragmatic because they are targeted at the technology community, and they had stellar references. Through the interviewing process, we discovered their instructors have a true understanding of what we were dealing

with. They have 'been there and done that,' so we felt they could help us see a path forward," Dickens explains.

Just two months after completing the Practical Product Management™ course, Dickens reorganized the company's product management organization around Pragmatic's proven triad: technical product managers, product marketing managers, and strategic product managers. Each team now supports multiple products, and each member's role is clearly defined.

According to Carrick, this approach enables maximum results, "Now, I can focus my efforts where they will be most effective. On the development side, our role is now understandable to them, and our collaboration process is well defined. We keep our hands off what we should, and they have a much better understanding of what the market really needs. As a result, they don't build anything that we don't ask for, and we spend less time changing things mid-course and wreaking havoc with expenses and delivery dates."

Right Product. Right Time. Right Price.

Once the new product management process was in place, the CCC team realized they needed to spend a lot more time out visiting the customers. "Where we do deep customer problem research, we are seeing definite success," says Carrick. "A prime example is our new CCC Connect™ product, which was recently released to market and hit the breakeven mark after less than six months."

Dickens shares his perspective about the value of basing decisions on market facts, "To capture a window of opportunity, we were pushing to bring this product to market quickly. My initial thought was to launch it based on an existing piece of technology and at a low price point in hopes of creating rapid customer adoption. Bruce, however, stuck to the Pragmatic approach and did the market research. As a result, he discovered two very important things: the right technology and the right price."



Case Study

Carrick adds, "In the Pragmatic course, we discovered the mantra: *Your opinion, while interesting, is irrelevant.* The only voice that matters is that of the market. After talking with customers, we realized that, while the existing technology would allow us to get to market faster, it would create considerable backend implementation and maintenance issues—driving our support costs up and our customer satisfaction down. We quickly realized customers would be willing to pay a fair price for a better technology that more easily solved their problems."

Dickens emphasizes a key point, "In the absence of market facts, it's usually the senior-most person in the organization who wins. But in this case, Bruce didn't bow down to executive pressure; he was a messenger for the market. He said, 'I've done the research. I've been out and seen the customers. They need better technology, and they are going to buy it at this price.' There's simply no argument for that. The market is your hammer for getting the right thing done. If we have that information, it empowers the product manager to be a product manager."

Carrick adds, "We held true to the Pragmatic protocol. And CCC Connect has turned out to be a product hit. Simply put, we released the right product, at the right time, and at the right price. We really did have a flawless launch."

Building the Product Slate

CCC is now applying the product management methodology to plan its attack on the market well into the future. "As we grow, we absolutely need a market-driven discipline that allows us to expand into new segments of existing markets as well as to enter new markets," says Dickens, "And because we have stiff competition in all the markets we serve, we *better* be market-driven."

He adds, "We're using the Pragmatic Marketing approach to develop a rolling Product Slate. We work with the entire organization to understand what launches we will be bringing to the marketplace a year out. So we can structure our development efforts, our organizational readiness efforts, and our investments by priority across product lines and product portfolios."

Because we have this Pragmatic approach, we also build a business case and a positioning document *before* each product goes on the slate."

"Pragmatic has helped us instill solid guidelines for product planning and management that are truly practical," Carrick emphasizes. "It's not an esoteric type of methodology. It's a straightforward process that's easy for people to understand, yet sophisticated. And it's based on real-world experience."

Improving the Batting Average

Overall, Dickens and his team have a key indicator of the success of their efforts: an improved batting average for new product introductions. "With the four products we've introduced to the marketplace since adopting Pragmatic, our batting average is 1,000. For each of them, we had a key customer or customers signed up prior to even writing the code. That's all because of our Pragmatic approach."

The product management team at CCC believes these results stem from creating a complete culture and organizational shift to adopt this market-driven methodology. Dickens' words of advice? "Don't take the seminar unless you are going to embrace it wholeheartedly. We implemented the approach 'as is.' We decided since we were ad hoc and inconsistent, we would execute it straight according to the book. We had an executive session with senior management to gain acceptance and adoption throughout the organization. And every new employee in my group goes to a Pragmatic Marketing class, because we want them to understand how we do our business here."

Dickens is so committed to this approach that he actually painted what's come to be known as the Pragmatic grid on his office wall. "I want the entire organization to understand that I am a believer. The grid clearly shows everything we need to do for effective product management. When I meet with people in my office, they understand we are serious about Pragmatic Marketing."

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 * Requirements That Work, Day 3

January

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January 9San Francisco, CA
 January 14Boston, MA
 January 28Reston, VA
 January 30Austin, TX
 February 5San Francisco, CA
 February 11Boston, MA
 March 3San Francisco, CA
 March 17Boston, MA
 March 24Toronto, Ontario, Canada
 March 31San Francisco, CA
 April 21Boston, MA
 April 28San Francisco, CA

March

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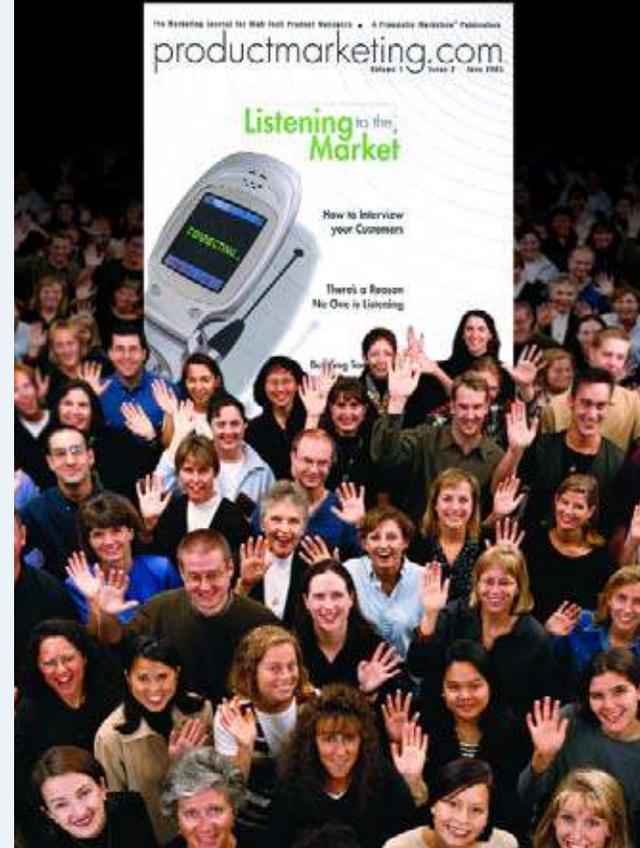
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