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The Pragmatic Marketer™

Volume 5 Issue 3 2007

The ROI of Being Market-Driven

Five Slices of Segmentation

Easy to Use for Whom: Defining the Customer and User Experience for Enterprise Software

Product Management Axioms

Navigating Uncharted Territory: How we developed a strategic product marketing role

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8910 E. Raintree Drive
Scottsdale, AZ 85260

Pragmatic Marketing, Inc.

CEO
Craig Stull

President
Phil Myers

Managing Editor
Kristyn Benmoussa

Contributing Writers

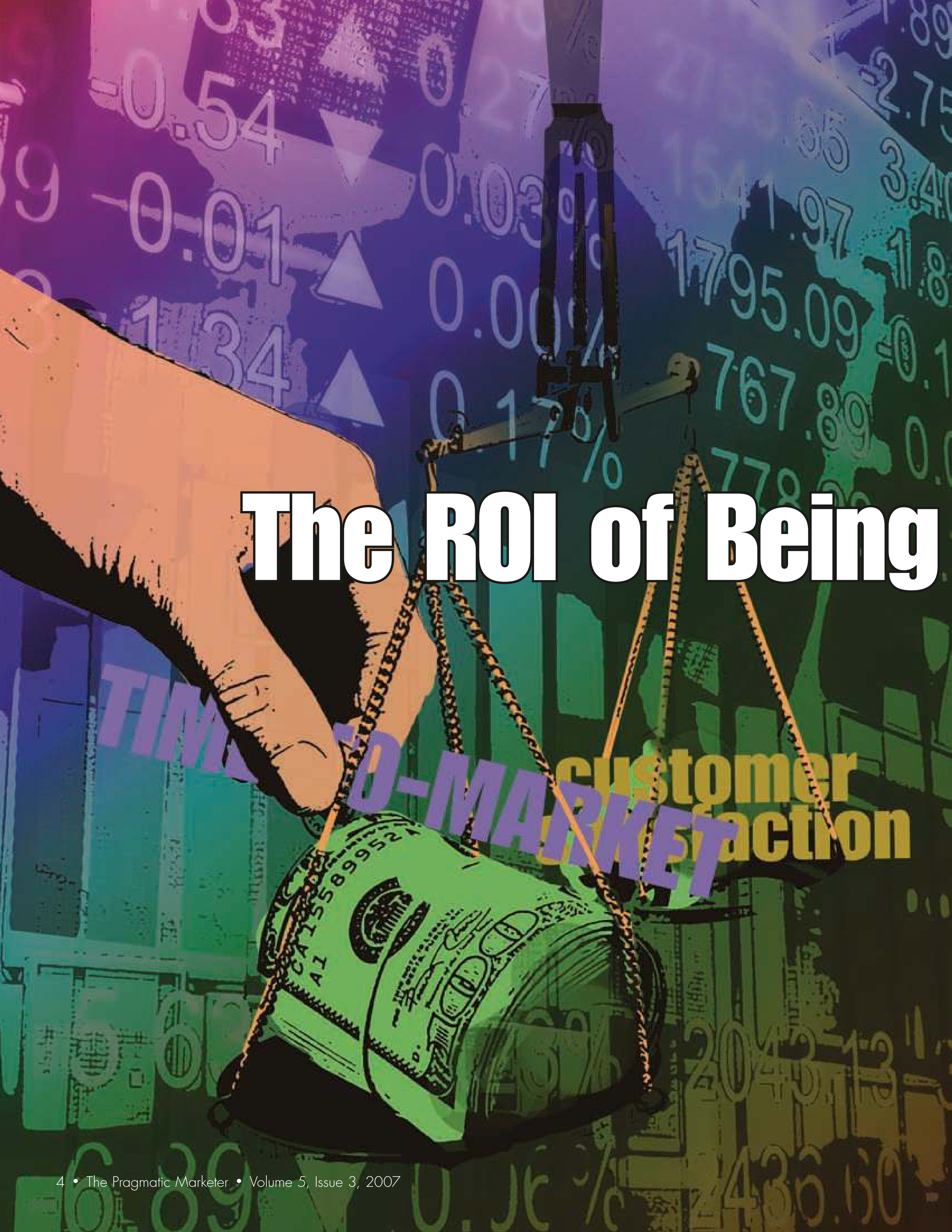
Saeed Khan
Nilofer Merchant
Dave Morse
Phil Myers
Sean Van Tyne

Interested in contributing an article? Email submissions to kbenmoussa@pragmaticmarketing.com

Inside this issue:

Volume 5 Issue 3 • 2007

The ROI of Being



CEOs love performance measurements. As someone who's sat on both ends of the table, I can recall the frustration of being asked to measure the un-measurable as a product manager, and, being incredulous as a CEO when folks asked me to approve large expenditures without any accountability for how they would help the business. So, it is with a sense of both humor and purpose that we began a study here at Pragmatic Marketing to answer a question our customers get asked all the time by their executives—what is the return on investment, or ROI of being market-driven?

Market-Driven

By Phil Myers

Part of the issue is perspective. What does it mean to say that a company is market-driven? Google it—*in quotes,* and it gets over 1.2 million results. Every week, customers give us their own personal views, and their responses vary significantly. We've centered on a very practical definition: *"every thought, word, and action within your company is based on the needs of the market."* Hard to argue with this right? But, is this definition enough to govern your corporate investment decisions?

At Pragmatic Marketing, our business is to study these things, analyze the patterns and develop best practice methodologies for leading a market-driven business. We've worked with thousands of companies over the past five years, including big, well-known, market leaders like IBM, SAP, Freescale, Microsoft, EMC, eBay, and Yahoo; with breakout products from Apple, BlackBerry, Salesforce.com and Google; and offerings from consistent product leaders like Intuit, WebSense, Macrovision, Metavante, and SAS. We've validated many of the high-level anecdotal studies that support the value of being market-driven—companies are more profitable (31% more[1] according to George Day), twice as fast in getting new products to market,[2] and own 10-20% higher customer satisfaction levels.[3] And, we've found compelling convergence around best practices for building and leading a market-driven culture.

But, internal to these companies and many others, we still find ROI skeptics. So, most recently, we sat down for one-on-one discussions with 30 CEOs to get to the bottom of the ROI question. By far the biggest eye-opener was the way in which these CEOs dug into the questions and delivered a pragmatic assessment of how their company measures the value of being market-driven. They ask four very simple ROI questions:

- How much faster can you bring a new product to market and how much money can be saved by eliminating development mistakes?
- How can we ramp sales faster and lower the overall costs of sales and marketing by spending our dollars and resources more wisely?
- What impact will this have on the fundamental measurement that we value the business by—improving customer satisfaction, retention and referrals?
- Will any of these practices create better margins by improving productivity or retention rates?

This article helps you gain strategic visibility for the ROI of being market-driven. And while we can't calculate exactly what that figure is for your company, product, or unique market scenario, we can document a simple strategy for justification. The Four Rules of ROI Leaders that speaks in the language of your buyer—the CEO—are *time-to-market, time-to-revenue, time-to-value,* and *time-to-profit.* ➔

[1] Derived from George S. Day and Prakash Nedungadi, "Managerial Representations of Competitive Advantage," Journal of Marketing 58 (April 1994): 40

[2] SoftwareMinds Best Practices report. © 2004. http://www.softwareminds.com/pm.asp

[3] Summarized from Pragmatic Marketing's interviews with 30 technology CEOs

Rule #1

Get products to market faster and eliminate "do-over" development cycles

Time-to-market is the first measurement of an ROI Leader. When a product manager develops and defends a business case for a new product investment, decision makers want to quickly understand and rate the risk/reward vs. other alternatives—including not investing in the project at all!

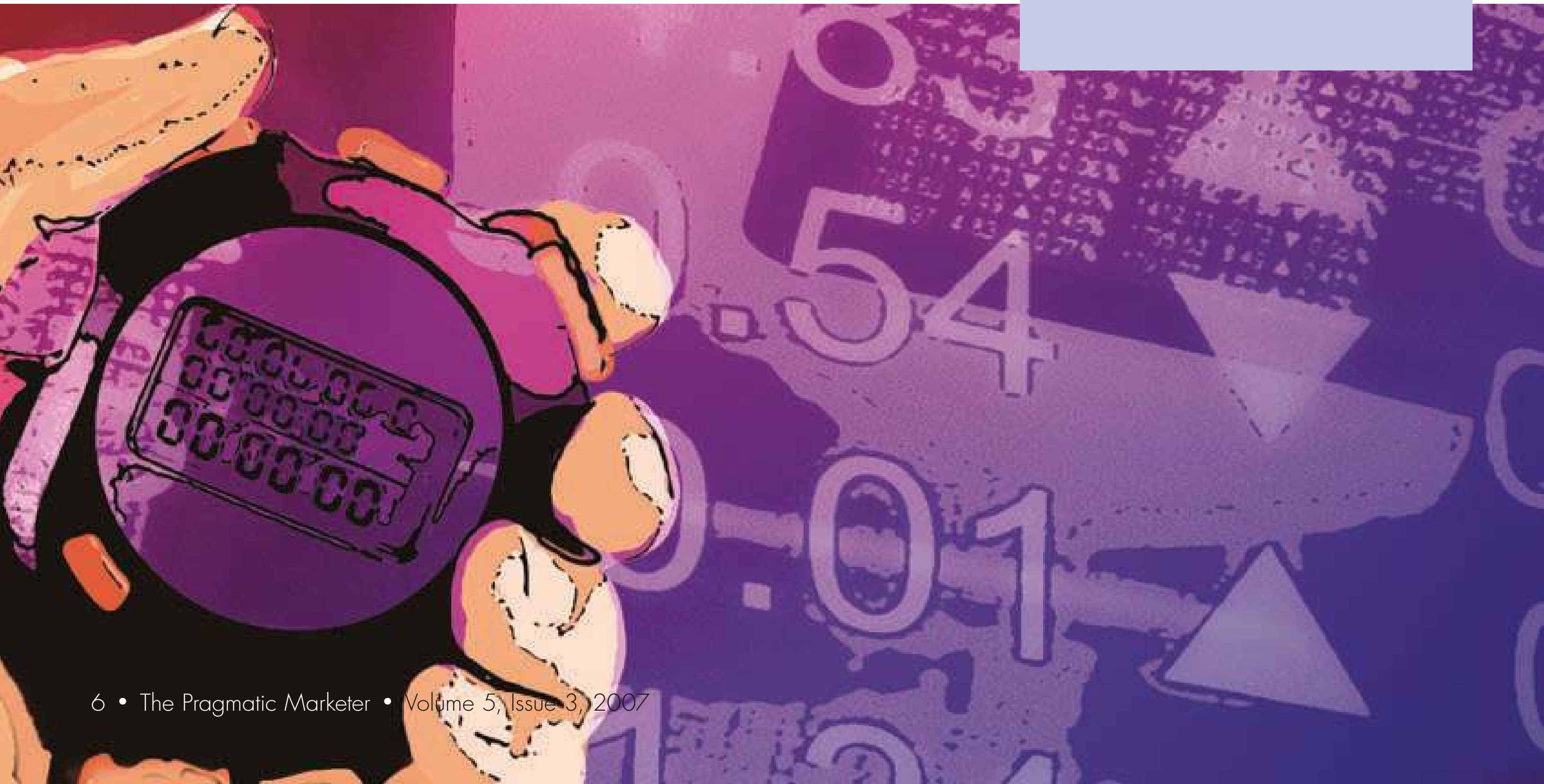
Development costs and schedules are the first point of inspection. Typically, no matter what is included in the plan, the smart executive doubles it. They know from experience that these projects are almost always impacted by "feature creep," inaccurate sizing, and changes in requirements. Yet, each month that a product is delayed beyond the planned ship date has a cumulative *negative* impact on the overall ROI over the life of the product. Schedule slips are rarely recovered, market windows are missed, and early customer adoption impacted. So, the ROI number in the plan is suspect right from the beginning.

Market-driven organizations improve development ROI by delivering more quickly, cheaply, and by meeting and often beating their schedules. The formula for success is simple:

1. Focus the development organization on a specific problem.
2. Reduce the scope through tight requirements definitions that are targeted to specific market segments and specific persona(s)
3. Create a launch plan that justifies the release date target with quantifiable, measurable improvements that the company will realize in sales.

There are no short-cuts if you want to be an ROI leader. When do you realize that you've shipped the *wrong* product to the *wrong* market? We hear from companies every week that say they don't have a process to effectively deal with change during the development cycle—in other words, when market conditions or product content changes, and the agreed-to business case is no longer valid, many companies "ship it anyway," and wonder why revenue goals aren't met. We sometimes hear this referred to as shipping an "anyway product," and by doing so, companies typically hurt their market perception and rarely meet their revenue goals. This problem can be addressed by implementing a more agile product management and development process.

SIMPLE MEASURE: The typical technology product requires two to three versions to get it right. Take your product development cost and multiply it by two and add it as an avoided cost if you are market-driven.



Rule #2

Ramp sales faster and eliminate thrashing in marketing

Time-to-revenue is the second measurement of an ROI leader. You spend tons of money on marketing programs. And maybe even more in the training, support and staffing of your channel. The front-end of the launch of a new product is filled with expensive investments—new web pages and online campaigns, direct mail, advertising, brochures, e-books, press conferences and tours—a seemingly endless list. These investments, along with the series of activities that introduce your new products to the channel and the resources set aside to support it are real and tangible. But how fast do you typically get product adoption? Is it a six month ramp? A one year ramp? Longer?

ROI leaders get there faster by optimizing the full launch process:

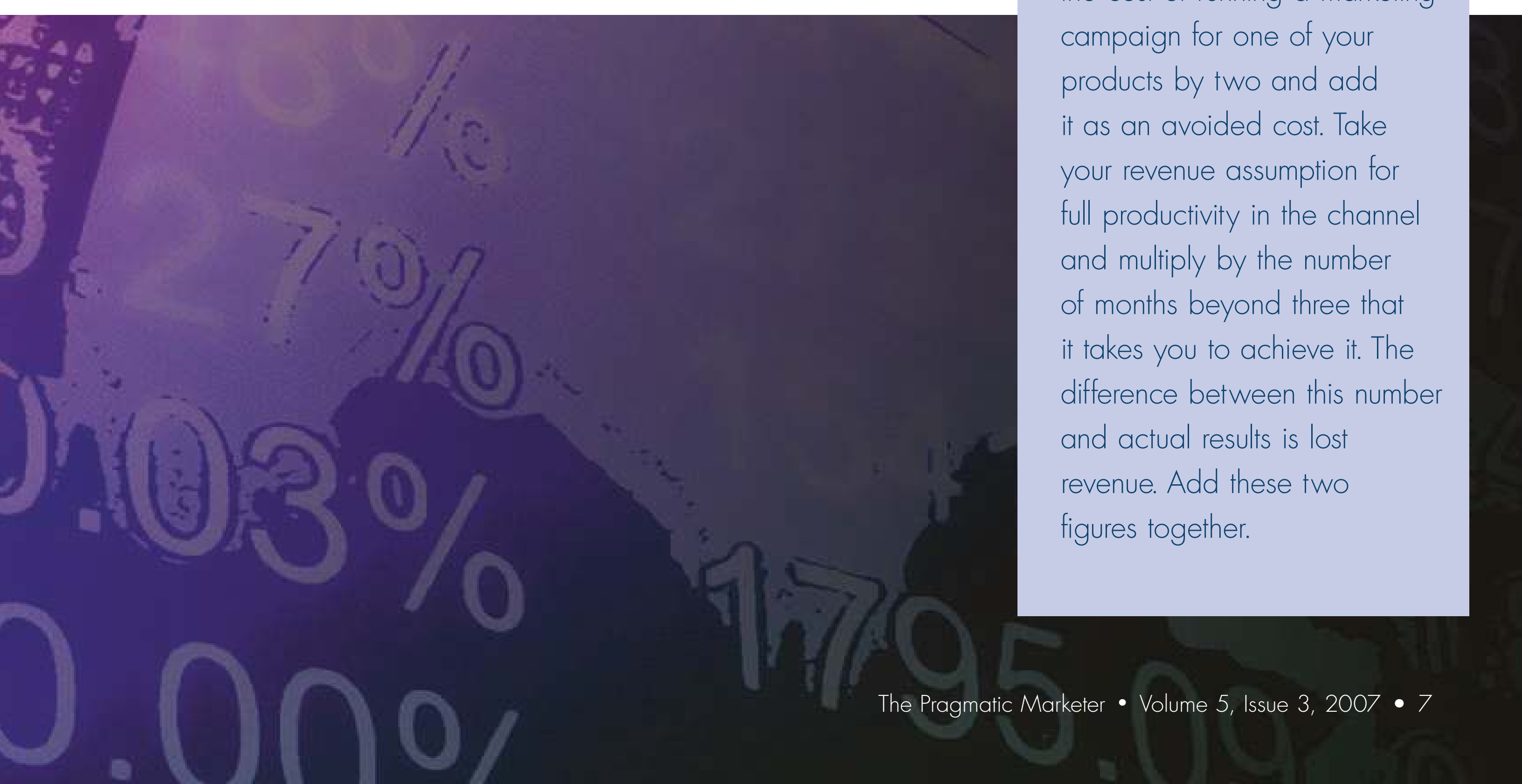
- In our industry, most vendors assume it takes 5 to 8 marketing impressions with a prospective customer to establish product awareness. 5 to 8? Doesn't that sound rather high for an educated, fairly technical audience? We found that market-driven collateral and tools that focus on solving market problems for prospective customers generate leads in no more than 2 to 3 "touches," improving the ROI by over 100%.
- Market-driven organizations take an entirely different approach to channel training. The focus of the training is on *how to sell* the product, not on making the salespeople *experts on the product*. Salespeople are not detailed oriented. Never were, never will be. Market-driven sales training programs should teach the tools, processes, and the important information about the buyers and how they buy—not specifics about the products.

To build market-driven sales and marketing programs, your goal should be that for every buyer message and every marketing deliverable, the targeted customer exclaims, "Wow, these guys really understand my problems!"

A related, but neglected, item is the additional support staff allocated to most new products to assist the launch. If your company does not have clarity about what problems you solve for your market and how the product solves those problems, your prospects will be confused. This contributes to longer sales cycles and potential lost deals which are easily measurable. It also contributes to more folks being applied to assisting the selling process to avoid these losses. Developing a repeatable sales process that scales without extra support comes much faster from a market-driven product.

How do we measure and translate that value into an ROI? First of all, clearly define your target audience for each deliverable—what is the market segment(s), who is the buyer persona(s), and what are their problems? What do they care about? How are they measured? What are the *alternatives* to buying your product? Second, audit each of your primary marketing deliverables and eliminate any extraneous information that is not 100% focused on the market and persona and their problems. If you can't entirely eliminate information about you or your technology, put it in backup or in the lower-level details. By implementing only these two simple steps, companies can improve the ROI by up to 50%, eliminating entire campaigns and significantly increasing sales productivity. ➔

SIMPLE MEASURE: Multiply the cost of running a marketing campaign for one of your products by two and add it as an avoided cost. Take your revenue assumption for full productivity in the channel and multiply by the number of months beyond three that it takes you to achieve it. The difference between this number and actual results is lost revenue. Add these two figures together.



Rule #3

Raise your customer satisfaction levels to best-in-class

Time-to-value is the third measurement of an ROI leader. According to a 1993 *Harvard Business Review* article, *"A 'very satisfied' customer is almost 6 times more likely to be loyal to repurchase and/or to recommend your product than a customer that is 'just satisfied.'"* And from *Leading on the Edge of Chaos* by Emmett C. Murphy and Mark A. Murphy:

1. *Acquiring new customers can cost five times more than satisfying and retaining current customers*
2. *A 2% increase in customer retention has the same effect on profits as cutting costs by 10%*
3. *The average company loses 10% of its customers each year*
4. *A 5% reduction in customer defection rate can increase profits by 25-125%, depending on the industry*
5. *The customer profitability rate tends to increase over the life of a retained customer*

Best-in-class companies garner customer satisfaction rates, renewal rates and achieve Net Promoter Scores in the 50-80% range. Those that are not, generate scores in the 5-20% range.[4] What are the impacts of creating these levels of customer satisfaction? What CEOs have come to realize is that this is their number one measurement for success. For some very virtuous and pragmatic reasons—costs decrease and revenues increase in direct proportion.

How can being market-driven impact customer satisfaction, thereby creating very satisfied customers? A formal customer relations program is the first step. The best programs include both electronic and personal contact management, early access to products, "loyalty" programs such as preferred licensing terms, "named" support staff, escalation paths for resolving conflicts, and customer advisory councils/conferences. The second step is a professional and responsive support organization, with an incentive to sell to and retain current customers as well as acquire new ones.

But, no program is as valuable as this one—providing solutions to real market problems. At the end of the day, satisfaction isn't about how nice you are, how well you provide support, or how much the customer believes in your mission—it's about whether the solution you provide impacts your customer's ability to improve their own execution today. You don't pay attention to anything else, so why should your customer?

Rule #4

Improve retention and productivity of the workforce

Time-to-profit is the fourth measurement of an ROI leader. Ask any technology industry CFO and they will tell you that the number one contributing variable to the bottom line is people costs. Making your workforce more productive and retaining key employees is an often overlooked part of the ROI equation for product managers.

A Human Resource methodology called "TopGrading" estimates the cost of non-performance (as defined by a new hire that didn't work out or an employee in place not doing their job) is estimated at 24 times an employee's annual compensation.[5] That is, a $100,000 employee that doesn't work out costs the company $2.4 million when you factor in hiring, training, expenses associated with poor performance, rehire costs, opportunity cost and delays.

ROI leaders avoid these costs by focusing on the critical success factors within their business that improve productivity and morale.

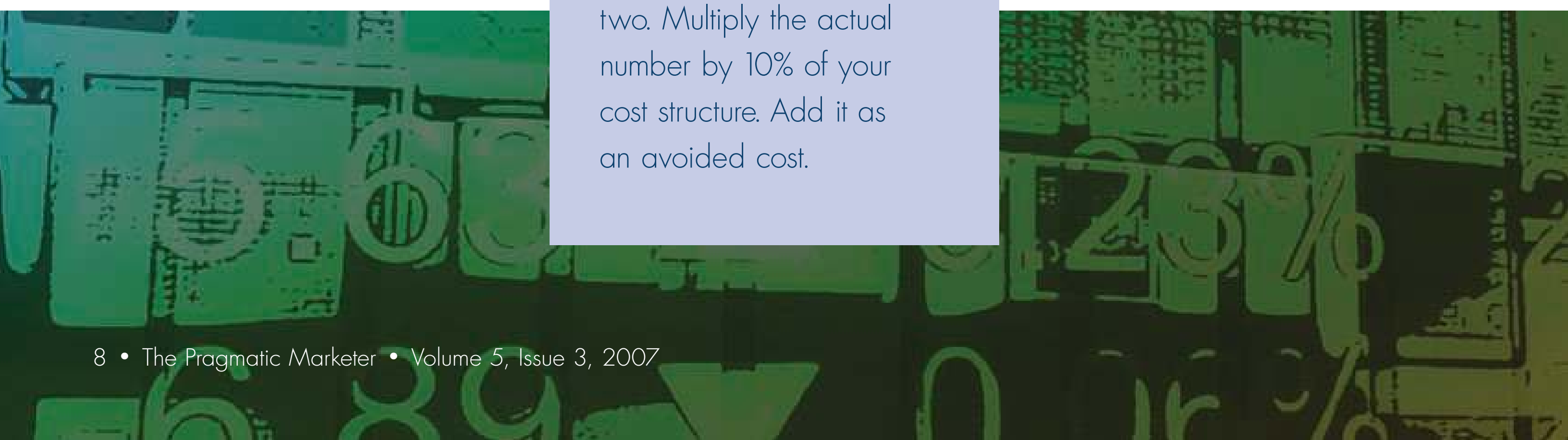
In a recent SoftwareMinds survey, 66% of technology company executives identified product management as a business-critical role in the organization[6]. A recent Pragmatic Marketing survey reports

[4] www.netpromoter.com/calculate/nps.php

[5] *TopGrading by Bradford Smart* (first published in 1997 & reprinted in 2005). Chapter 3, The Astronomical Cost of Mis-hires.

[6] SoftwareMinds Best Practices report. © 2004. http://www.softwareminds.com/pm.asp

SIMPLE MEASURE:
Take the difference between your current customer satisfaction rating and 90% and divide it by two. Multiply the actual number by 10% of your cost structure. Add it as an avoided cost.



that 55% of technology companies have product managers, product management organizations or business unit leaders reporting directly to the CEO[7]. These companies report longer-tenured employees, a vastly shorter time-to-market and time-to-profit than companies who do not value the product management contribution.

Outside of our industry, the culture and performance of Southwest Airlines is legendary. Does it surprise you their turnover rate is not only the lowest in its sector but best-in-class across all industries? This despite asking their employees to do such things as check baggage and perform maintenance duties during tough times (immediately after 9/11). Love 'em or hate 'em, has anyone met a happier, more cheerful workforce to deal with face-to-face, online or on the phone?

Gallup published a survey based on interviews with over 80,000 employees and found two key factors to employee success and satisfaction[8]. 1.) "I know what is expected of me at work;" and 2.) "I have the materials and equipment I need to do my work right." While being market-driven isn't necessarily a "simple" process, one of the benefits we see is the companies who adopt the philosophy seem to achieve more with less people.

[7] *Where Does Product Management Belong in the Organization?,* by Steve Johnson, © 2005.

[8] *"First, Break All The Rules: What The World's Greatest Managers Do Differently"* by Marcus Buckingham and Curt Coffman

SIMPLE MEASURE: Identify the key development, sales and marketing personnel in (or closely attached to) your product line that left the company in the last year. Multiply that number by their average salary and multiply that result by 24. Add this to your avoided cost line.

The numbers started getting big, didn't they?

If you were keeping a running total for your company as you read through these four rules, you probably have a pretty large number staring you in the face on your ROI calculator. Now the really bad news. The ROI calculator is only showing you a small percentage of the bigger story. The bigger part is this. *Market-driven companies win.*

There really is no ROI on success vs. failure. And, that's what we're talking about here. Market-driven companies naturally become ROI leaders through winning in the marketplace. The impact of doing this right is not only in the millions to billions of dollars, it is about the very essence of leading, surviving and thriving in your market. A simple way to look at this is to answer this question—would you rather be Toyota or General Motors right now? And, which one would you guess is more skeptical of the ROI issue?

There are some real measurements you can use to assess how market-driven your organization is and how well you are maximizing your ROI in product management and marketing, or more simply stated—pragmatic marketing. We challenge you to objectively answer the following questions:

- Do you meet your product delivery schedules?
- Are your product requirements defined by needs of the market?
- Is the focus of your research and innovation on addressing an understood and well-defined market need?
- Do you look outside for new technologies before building them yourself?
- Is your product positioning and associated messages based on the needs of a well-defined market and buyer?
- Can a customer or prospect understand the *"value to them"* of a product or feature by reading the first few lines of any of your marketing deliverables (data sheets, brochures, fact sheets, etc.) ?
- Does your web page focus more on market problems, market segments, buyer personas, and solutions than on your products, technology, and your company?
- Do you have a *marketing programs strategy?*
- When you have a meeting with a customer, do you spend the largest percentage of the time *listening* versus *talking?*
- Can an average salesperson quickly locate the right tools to present your product strategy or to close a deal?
- Are your channels selling all of your products?
- Is part of your marketing programs budget and sales goals allocated to customer satisfaction and customer retention?

If you answer "yes" to these, then congratulations, you're market-driven! If you answered "no" to more than you'd care to admit, it's time to analyze the brutal facts. Take some solace in the fact that you're not alone. More than two-thirds of the companies we interviewed struggle with implementing these basic principles.

Those that do are ROI leaders. They work better, achieve results faster and have happier customers. The real question product managers and executives should be asking themselves is "can we afford not to be investing in systems that are as fundamental to our success as being market-driven right now?"

TPM

Phil Myers has been a CEO or senior management leader at three start-ups that went public; launched seven products to market that became category leaders; and served as a line of business leader for two of the world's top 10 technology companies. As President of Pragmatic Marketing, Mr. Myers is responsible for a global operation serving 40,000 customers at 3,000 technology organizations. Contact Phil at pmyers@pragmaticmarketing.com

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TACTICAL

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The recognized expert in technology product management and marketing, Pragmatic Marketing's common sense approach is built on years of experience and best practices. The Pragmatic Marketing seminars introduce a framework that gives technology marketers the tools necessary to deliver market-driven products that people want to buy. Our framework is the foundation for all our courses, from identifying markets and their problems to writing market requirements to creating a go-to-market strategy that meets your corporate and revenue goals. Since 1993, over 40,000 attendees have been trained to "think with the grid."

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I. Strategic Role of Product Management
- What is marketing?
- Definition of the role of product management
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- Market research
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- Market sizing
- Product performance
- Operational metrics
- Win/loss analysis

IV. Product Strategy
- Business case
- Pricing
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VIII. Building the Market Requirements Document (MRD)
- Writing requirements
- Implementing use-case scenarios
- Programming for the "persona"
- 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

Effective Product Marketing

Effective Product Marketing is a two-day seminar that delivers practical tools and processes for product managers and product marketers who want to improve their strategic contribution and align with the sales organization. Learn how to build a repeatable process to develop, execute and measure go-to-market strategies that ensure product success.

I. Roles and Responsibilities
- Differentiate roles of product management and product marketing
- Distinguish sales support from product marketing
- Ensure effective hand-off between Product Management, Marketing, and Sales

II. Segmenting and Targeting Audiences
- Segmented marketing strategies
- Buying criteria and program influences
- Building market messages

III. Building a Strategic Product Marketing Program
- Communicating the business case for product marketing programs
- Supporting sales goals
- Metrics that build management support
- Creating the right marketing budget
- A strategic approach to the marketing program mix

IV. Align with Sales
- Responding to endless tactical requests
- Measuring and improving sales processes/productivity
- Optimizing web content and sales tools
- Working with Sales to sell new products and enter new markets

V. Goal-Oriented Program Execution
- Managing and measuring lead quality and throughput
- Integrating programs by market segment and target audience
- Measuring results with or without CRM
- Influencing customer retention and migration
- Building and measuring positioning awareness

VI. Start Where You Are
- Prioritizing next steps
- Implementing new ideas for current programs
- Continuously measure and improve

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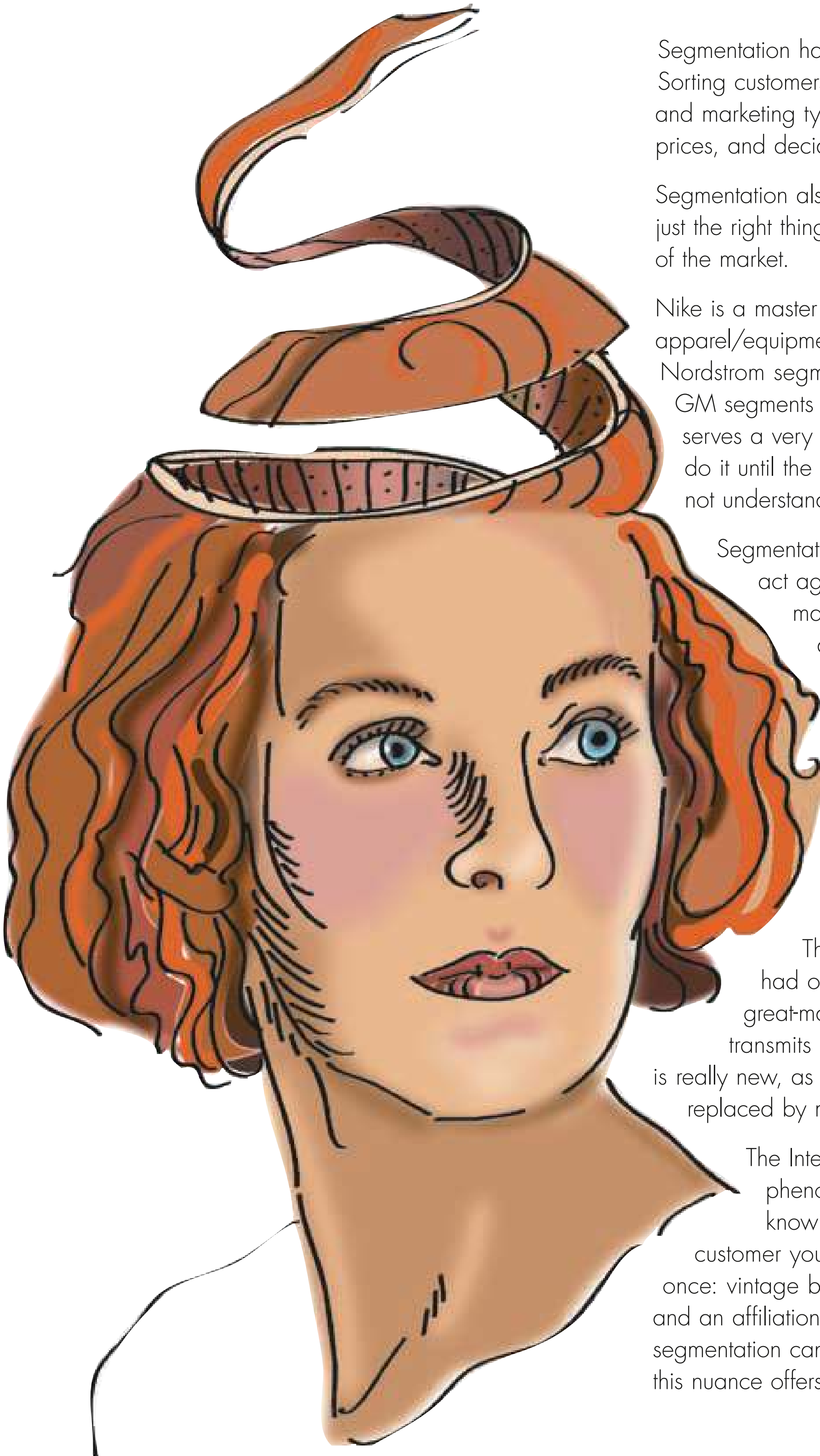
5 FIVE SLICES OF



Segmentation has always been a key part of marketing. Sorting customers into appropriate segments allows business and marketing types to filter ideas, glean intelligence, set prices, and decide what to offer and what to toss.

Segmentation also allows successful companies to produce just the right thing to address the needs of different slices of the market.

Nike is a master of segmentation, producing just the footwear/apparel/equipment/accessory for a host of consumer segments. Nordstrom segments with Nordstrom and Nordstrom Rack stores, GM segments the market with their various nameplates: Cadillac serves a very different market from Chevrolet. Chrysler used to do it until the Plymouth Prowler offered definitive proof they did not understand segmentation.

Segmentation is often limited by what the company can act against. This is less a shortcoming of the company's marketing than it is a reflection of reality. Customers are highly diverse and yet we've not had the capability to fully understand or act on that diversity. The result is market segmentation that crudely divides the market into four or five rough buckets based on broad similarities such as: age, occupation, family status, or a defined interest.

As technology advanced, some companies gained the ability to "micro-segment" their markets. The best example is radio and TV. Where we once had only a few choices that were broadcast one-to-a-great-many, today we have "narrow-casting" which transmits programming one-to-not-nearly-so-many. Nothing is really new, as all that has happened is a few big buckets are replaced by many smaller buckets.

The Internet, however, is giving rise to a new phenomenon: the ability to truly atomize the market, knowing and serving an infinite range of interests. A customer you sell to can be interested in many things all at once: vintage bear collections, security/blog spam concerns, and an affiliation with the Boy Scouts of America. No "simple" segmentation can capture that nuance, but the ability to understand this nuance offers marketers tremendous power.

By Nilofer Merchant

SEGMENTATION

Traditional segmentation does broad well

In 1964, Daniel Yankelovich introduced the concept of "non-demographic" segmentation in the *Harvard Business Review.* Before that, the common classification of consumers was by rough cuts of attributes like age, home ownership, income levels, and others that could generally be found in census-type information. By moving past demographics, Yankelovich's goal was to look at things that mattered more—usage, interests, and priorities.

Segmentation evolved from a demographic profile to a profile that often looks like this:

- **Usage**—users who select and use devices for particular purposes, for example: information gathering vs. entertainment.
- **Interests**—women 20-40 years old interested in recording family events and creating movies to share online.
- **Priorities**—which non-profit (Social Justice non-profit vs. Clean Water non-profit) receives the greatest amount of funds?
- **Purchase Drivers**—ease of purchase (read: online shopping, simple return policy, purchase guarantee) may trump many other product attributes (price, quality, brand) for time-starved consumers.

After doing good research and finding some natural groupings of interests, usages, priorities and/or purchase drivers, you typically end up with 3 to 5 segments for any particular product, service or solution area. If you had the money and the time, you might even be able to do some "psychographic" profiling and in-home research that allows you to add a few more details, but in the end, most firms catering to consumers end up with 3 to 5 segments. For most consumer computer or electronics, the segments typically look like this:

- **Technology Enthusiasts**. Typically male, 30-45 years old.
- **Families**. Price sensitive, focused on protection, children's issues, and safety.
- **Boomer Group**. They may tend to be price insensitive but need guidance on what to purchase and how to use/service it. They are also into things related to creating meaning.
- **Entertainment Addicts**. Age 15-25, these folks have a low threshold for boredom, they're on the go, want the latest technology, for free, and are willing to consume ads to "pay for that experience."

With this kind of model, you can do a reasonable job of targeting about 60-80% of the market—it is both broad and deep enough to warrant mass-market programs.

Web 2.0 enables atomization

It's good, but not great to have 4 to 5 buckets. I've worked with a lot, and I do mean a lot, of technology firms and I see that most segmentation, while extremely focused compared to demographics, still results in big buckets reflecting highly aggregated customers. The interests are refined enough to get to a "wants entertainment and ease of purchase" type profile, but not refined enough to identify entertainment favorites as both heavy metal and female country rock, and that most of the customer's purchasing is done online.

Web 2.0 brings a set of technologies and expectations that totally change the way customers are served. Previously, customers were seen as flat and one-dimensional. Companies were selling to a soccer mom, a surgeon or a bicyclist.

Customers, however, are more complicated than that. A surgeon? Let's call him Brad. He's a dad, a Boy Scout leader, a neophyte novelist and a fly fisherman. Oh, he also barbecues and is taking a class in making fine chocolate because he appreciates the exacting processes it requires.

The upshot is that the old style of top-down segmentation is no longer adequate for Web 2.0. The old four-part segmentation that might have been focused on usage, profiles, buying behavior, and adoption rate isn't going to get you very close to Brad.

Companies that understand the many dimensions of Brad are going to run circles around those that try to communicate by dumping him into one of four broad buckets. The effect of these over-broad segments in a world increasingly tuned to Web 2.0 is that the messages and the content produced to raise awareness, provide consideration tools, or create preference, end up sounding very similar. They are a little bland and too predictable. Once we understand natural segments, we can use our marketing vehicles and language to create extremely relevant communication. Not only that, but we now have the ability to create a new kind of consumer communication —the two way kind.

→

We're not all alike

The evolving idea of segmentation is that there are as many markets as there are people. Let's suppose that our broader world is changing so that users can be a market of one. Not a part of some bigger bucket of users, but a singular person unique and appealing to market to, in and of herself. Rather than knowing she is interested in photography, you might also know that this person cares about many things at once, for example:

- Non-chemical cleaning products
- Furless dogs to avoid allergic reactions
- Fonts that are sans-serif
- High-quality paper and ink
- Fountain pens that don't dry out while you're waiting for inspiration
- Shoes in patent, peep toe styles
- 24x7 email access from anywhere

Do you see where I'm going? This list may seem unrelated to a marketer of any one product, but this is what people are really like. Understanding this is vitally important to marketing effectiveness.

Think about that. Think about the amount of insights that could form. And instead of me pushing out a lot of "mass" market advertising, PR, and trial software, I might instead sponsor passionate advocate-driven websites, or encourage user debate on topics relevant to them on my web site, or "pull" the kinds of content and ideas they seek from me via tags of data rather than a highly structured web site.

Later, we'll get to custom identification

If we are able to understand the customer in this kind of detail and depth, the marketer can focus more effort on highly efficient customer segmentation rather than depending mainly on product differentiation. This is a radical shift in how we create viable business and market strategies. Amazon gets it. The more products they offer, the more they learn about me and my interests that cut across a variety of products.

Right now, many of us reveal a lot online. But no one vendor knows it. For example: when I "Digg" an article, I tell you my ideas of interest; on eBay, I discuss things I'm keen on; on Amazon I share with you my product purchases and what I thought of them via my reviews; while on wikis, I share my expertise; on MySpace I share with you my social relationships; and on LinkedIn, my professional ones. What would you know about me if you could benefit from that combined set of knowledge? What would you know after I gave you permission to know more about my total world, not just the part that relates to your product? You would likely be able to serve me offers containing more innate value—and do it at lower total cost—because it is more targeted and highly personalized. I believe that customer value will increasingly be about deeply understanding someone's needs and desires.

This will become a key source of power in the market, but you will only get it by listening to your customers: who they are, what features they want, what products they need, and how we can best be of service. It doesn't mean they get everything they want, but it does mean you can serve them better.

The Five Phases of Segmentation

	Phase 1	Phase 2	Phase 3	Phase 4	Phase 5
Description	Demographics	Psychographics	Behavioral	Natural Segments	Customization
How Developed	Observation of groups	Reported Behavior (Surveys & Interviews)	Actual behavior	Consumers self-identify	Co-development
Examples	"Nuclear Family" "Baby Boomers"	"Soccer Moms" "NASCAR Dads"	Supermarket Clubs Amazon	CaféPress Second Life	Customized (books, food, fonts) tailored to interests
Offer	"Ladies Night"	Pre-set bundles	Flexible bundles	Customized	Context-based & predictive
Key Risks	Over generalizations	Missing the true diversity of people	Complexity may not match benefits	Consumers must actively participate	Privacy concerns

Reactive → Predictive

What are we to do?

As more and more of a consumer's interests, desires, past purchasing patterns and even unstated passions are identified, they can uniquely drive their own segmentation. The question is whether consumers themselves or any single company sets the rules of engagement.

I believe that in the next 10 years, getting users to tell you what matters to them will be the key source of marketing power.

We won't be doing surveys to develop broad-brushed segmentation. Instead, our marketing job will be to create a dialogue. Successful companies will engage users in a dialogue each time they visit their web site. The ultimate goal is to encourage consumers to share their needs, preferences and interests are so we can provide them with a context so we can anticipate their needs with targeted information, search, products and communities.

Is your company changing its interactions with your customers so the conversation gets richer and more engaged?

Some things to do differently

Change communications and your web platform to be **interactive**. From a business and innovation angle, I encourage companies to co-create with their customers. This is going to become a powerful way of both designing and creating offers that will form strong bonds of affinity and brand association. Tapping into the collective experiences, skills and ingenuity of hundreds of millions of consumers around the world is a complete departure from the producer-versus-consumer innovation model that dominates today.

Enable a **conversation** by moving away from one-to-many communications. The web has to become interactive. Customers have a lot on the ball, a lot of feedback to provide. And with the advent of really easy-to-use development and communications tools, talking with customers is both relevant and interesting.

Allow context to drive experience

A web page that doesn't recognize who the person is, limits the conversation. Users should be treated differently than non-users who should be treated differently than competitors. Post comments, share tips, share information, add data. Companies that figure how to do this before their competitors do will win, and win big.

Develop/sponsor/create/incubate user influencers as market advocates. In this new paradigm, vendors don't matter as much as users. It has always been much more powerful when your real users say how great you are rather than your company saying it. But now individual customers have a web-enabled voice that can reach millions. Endorsements, peer groups, affiliations will all matter much more in the future because the Internet allows these groups to act globally. Smart companies will forego trying to outspend one another on broadly targeted marketing campaigns that cost a lot but don't provide focus and instead deploy an influencer marketing strategy to shape customer perceptions.

TPM

Nilofer Merchant founded Rubicon Consulting, Inc. in 1999 after gaining 15 years of operational experience in key leadership positions at Apple, Autodesk, and GoLive (later acquired by Adobe). She uses her sharp expertise to design industry-leading go-to-market programs, winning notable awards from CRN, VAR Business and Marketing Association in the fields of marketing and channel development. Nilofer has honed her multidisciplinary approach for assessing a business situation clearly, applying critical wisdom, and defining a strategic direction. You can reach Nilofer at nilofer@rubiconconsulting.com

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Easy to Use for Whom:

By Sean Van Tyne

Defining the Customer and User Experience for Enterprise Software

For enterprise software, the customer is the person or group within the organization who decides whether or not to purchase the solution while the user is the individual or group who operates and/or uses the system. The customer is interested in finding the best way to bring efficiency to their operation such as reducing cycle time, improving information, and reducing resource costs. The users, on the other hand, are more likely interested in completing their daily tasks and assignments as easily and effectively as possible. The customer is looking at the overall workflow of their organization and how specific software solutions might improve it while the users tend to emphasize the software's ease-of-use.

Enterprise software is only easy to use if the customers and users think it is easy to use. To determine "ease of use," first understand the customer and user needs. To understand their needs, conduct research, iterate designs for validation, and evaluate the design for ease-of-use.

Researching the customer and user needs

The first step in understanding the needs of customers and users is to understand their marketplace. Put the customers and users needs in context of the market, competition, and other customers and users. How does this solution serve its market? What are the strengths and weaknesses of the competitions' solution compared to your solution? How are the various customers' workflows similar and how do they differ? How are the various users' tasks similar and different?

Then determine the vision of the solution. Understanding the short- and long-term vision of the solution answers the following questions: Is this first-to-market? Is it a major release for a mature product? Is this solution a foot in the market that will be replaced by the next version or become a component of another application? Your answers will determine the direction of the design.

Once you understand your customer and user in context of the market, competition, other customers and users, and understand the solution's vision, you can formulate a high-level plan of how much research, design, and evaluation you'll need in order to design a solution that is easy to use. Document your understanding and share it with subject matter experts to ensure that you are heading in the right direction.

Define the customers' workflow and users' tasks

To design user experiences that are easy to use for your customers and users, become familiar with the customers' workflows and the users' tasks. When conducting your research, establish a list of users by companies, departments, and roles. The company contact is usually the "customer" and the department contact is usually a manager. In enterprise software, there are customers that purchase the solution, users who use the system and, usually, managers who work for the customer and manage the users.

Tip: Include the managers in your research. Often the managers are also a user—usually using the application for operational reports. The managers have insight into their employees' tasks, like which positions are changing roles/tasks or being eliminated. Your solution is most likely going to change or eliminate their roles—this is not something you want to discuss with the user but should discuss with the managers. Sometimes it is the manager's role that changes. In this case, you need to work with the appropriate level of management at the customers' company to ensure this understanding.

Survey, interview, and observe the customers and users using their current solution. Develop diagrams of the various customers' workflows and note where they are similar and different. Group your customer and user types by similar roles, and create personas—archetypes that synthesize their skills, patterns, and goals to better understand their needs.

Designing the customer and user experience

Designing a user experience may be easy to you, but remember that customers and users don't know what they specifically want in a solution. They know that they want efficient, effective solutions and they have ideas about how to improve the workflow, but it is up to the software solution provider to bridge the gap between the customer and user needs and the technology solution that meets those needs.

The solution usually ends up being something that the customer and user never envisioned. The real value that the software solution provider brings is the ability to interpret their needs and deliver a solution that is better then they could imagine because of the expertise that you bring in understanding their needs and the solutions that enterprise software can provide.

Customers have ideas about incremental improvements to their workflow, but if you develop something that is truly innovative, your ideas probably won't make sense to existing customers. The type of early research you'll need to conduct will change. Looking at previous solutions or workflows that satisfied the market may no longer apply. In many cases, innovation means looking at a solution in another market and adapting it to yours. Your research may include investigating the market, competition, customers, and users of the market the solution comes from and extrapolating from there.

Validate the design

When validating your new idea to the market, educate your customers so they can put your solution in a new context. This paradigm shift for the customer may not come easy and they may not immediately understand the value of your solution—especially if you can't put it in context for them. Being able to put your solution in context for your customer and users is the key for validating the solution meets their needs and is easy to use.

Develop a low-fidelity prototype like a paper prototype or wireframes. Review these prototypes to ensure that the customers' and users' needs are met. Validate that the general workflow navigation, information grouping, information hierarchy, terminology, labels, and general interactions are correct. Don't be concerned with visual design at this point—in fact, the prototype should be void of all color, fonts, icons, graphics, etc. to keep the focus on the workflow and information design.

Validate where various customers' workflow and content overlap and differ, and start thinking about the right design solution to support the differences in their workflow and content. For web-based solutions, it is as simple as leveraging login ID to drive customization. For example, IF company A THEN this screen, label, etc. IF company B THEN this. If it's a desktop experience, then you may want to create an Admin area where each key customer can select the difference that fits their own needs.

Validate the UI prototypes and customer and user needs with Engineering. Involve Engineering as early as possible in the product lifecycle. Share early research and design direction with the technology architects and engineers. The early prototypes are an excellent tool to provide to Engineering as the best technical solution. Many times, the engineers know of future components or pieces of technology that can reduce or eliminate the need of a component or screen—enhancing the ease of use of the workflow.

Once you're confident that you understand your various customers' workflow and content, it's time to develop the visual design—color scheme, fonts, iconography, branding, and all graphic elements. Work closely with the visual designer or visual design team to ensure that the visual design elements support the company's brand and enhance the ease of use of the application.

Develop a medium-fidelity prototype that reflects the information and visual design. This prototype should also encompass the screen flow and interaction. Depending on how the design team is structured, this is a good time to bring in the interaction designers. Sometimes the interaction designer is also the information architect or a user interface developer. Interaction Design defines the behavior of how your customers and users interact with your solution. Interaction Design is focused on making products more useful, usable, and desirable.

Work with customers and users and conduct reviews of the prototypes for feedback. Wash, rinse, and repeat, as needed. This is an iterative process that should include all the solution stakeholders.

Conduct usability evaluations

Once you have validated the workflow meets the customer and user needs, evaluate the tasks to ensure that they are easy to complete. Usability evaluation assesses the degree to which the system can be operated by its users, the efficiency of the solution and satisfaction. These evaluations validate that the tasks are easy to complete—a test of the ease-of-use of the application, not the intelligence of the users. If the tasks are hard or impossible to complete then the system is not easy to use.

In today's enterprise software market, applications need to be easy to use. Good technology is ubiquitous or invisible. Customers and users have come to expect easy-to-use solutions. In today's mature software market where the technological solutions are similar, usability is an important differentiator when considering a purchase as important as an enterprise solution.

Pre-development usability evaluation

There is a $1 to $100 return-on-investment (ROI) for correcting usability issues prior to development. Eighty percent of the issues can be identified by evaluating it with as few as three iterations with five users. Conduct the evaluation on workflows and tasks that the customers and users determined to be most critical. Measure the efficiency, effectiveness and satisfaction by time on task; completion of task; and expected and actual perceived easiness of the task. Seventy percent completion of tasks for first-time users with little or no instruction is a pass rate by software industry standards.[1]

Correct any issues in the design releases from iteration to iteration. Document the evaluation in a report that explains who participated in the evaluation, what was evaluated, how it was measured, the findings, and recommendations based on the findings. Use these findings and recommendations to determine the final design, and develop design specifications for Development.

Post-release usability evaluation

After the solution has been in production for six to eight weeks, conduct a follow-up usability evaluation to ensure that all the issues have been properly addressed and measure your usability ROI. For example, if you knew the number of service calls associated with a particular task in the previous release, measure it now with the new release. Multiply the number of call reductions by the cost of a call to calculate the actual dollars saved by this design.

Document your ROI and any other issues that may have been discovered that you can incorporate in your next design solution.

Support corporate strategy

Only with a thorough understanding of your customers' and users' needs can you design easy-to-use enterprise software solutions. Early research and validation of those needs reduces cycle time in defining requirements. More thorough user interface designs—prototypes and specifications—reduces cycle time in development and testing. Easy-to-use enterprise software solutions reduce training and support costs, and increase customer effectiveness, efficiency, and satisfaction. Ultimately, easy-to-use enterprise software reduces cost and increases retention, adoption, and revenue.

As with any process, the amount of customer and user research, validation, and evaluation you conduct varies with the company's objective and the need of each release. New releases to the market require more research and validation while major releases of a mature product require little or no research or validation, but should evaluate usability of new features and measure ROI post-release. Ultimately, it is up to your company to decide how much of this process makes sense to support the company's overall strategy. But remember that your ROI is directly proportional to your investment.

TPM

Sean Van Tyne is CEO and Principal Consultant of Van Tyne Consulting, Inc. Van Tyne Consulting helps corporations realize their user experience strategy—bridging Marketing and Technology—marrying Product Management frameworks to Development best practices. From strategy, goal, and direction through process, tools, and resources, Van Tyne Consulting helps your company deliver innovative solutions with best-in-class user experience. To learn more, please visit www.vantyneconsulting.com

[1] http://www.useit.com/alertbox/20000319.html

Product Management Axioms

By Saeed Khan

Over the years, I've worked in a number of software companies, small and large. While there were certainly many dissimilar things in these companies, I did notice some specific patterns related to product management that existed in all of them.

Based on these patterns, I developed a small set of Product Management Axioms to guide me in my job, bring focus to tasks at hand, and convey fundamental ideas and principles in discussions. These axioms are based on personal experience and empirical evidence. They do not cover all things I do as a product manager, but like all axioms, they are general precepts that have broad applicability in a variety of situations.

As product managers, we usually work alone or in small teams. We typically don't have direct control over development, marketing or sales resources. And we certainly don't have direct control over senior management. But a strong product manager must have the skill to influence what these groups think, decide and do. This leads to the first axiom.

1. Every activity is part of a sale

More than simply influence, the ability to actually sell people on ideas is a critical factor in the success of any product manager. In my experience, sales is about truly understanding what others value as important, and using that knowledge to show how your ideas and proposals will help them acquire or achieve those things. This is true for both internal parties and external ones such as customers and partners.

To influence people, you must:

- Gain credibility with people and earn their trust
- Understand their needs and objectives
- Know why they would disagree with or block you
- Know their influencers and allies
- Know who or what else is competing for their time
- Determine how to convince them that what you are proposing is in their best interest.

While this reads like a checklist from a sales training course, it is also exactly what a product manager must do to influence others.

Understand how you can help them and they will likely help you. The sale is in getting their agreement to do what you want, and to get that, you have to understand their motivations, drivers, goals and objectives.

Case in point: In the 1990s, I worked in a software company that had three product lines that were sold by a single sales force. The majority of sales were via the phone and web. The product lines consisted of one older, but very profitable set of Unix products, which for years had been the mainstay of the company, and two newer lines of Java products that were growing rapidly, but not yet profitable. Given that senior management was focused on growing the Java based products, the sales force focused disproportionately on those, to the detriment of the Unix product line. I was the product manager for the Unix product line.

Seeing the problem, I asked the sales reps why they weren't selling more Unix product. Given the corporate focus on Java, none of them felt they'd benefit from time spent selling what they considered a legacy product line. I certainly didn't see it that way.

I felt that creating a separate Unix-focused sales team would solve the problem. Several reps agreed with this logic as they viewed the Unix and Java customer bases and sales cycles as very different. We also had supporting empirical evidence from one of our VARs who had successfully done something similar. I proposed the solution to senior management and explained my reasons for wanting to split the sales team.

I was told in no uncertain terms that the company was fundamentally against creating separate sales teams and that I'd have to find other ways to convince the sales reps to sell more Unix product. I tried unsuccessfully for two quarters, with spiffs, promotions and other incentives. Sadly over those two quarters, Unix sales declined significantly.

Soon thereafter, I decided to move to another role in the company. The next Unix product manager, Kenji, facing the same problem, similarly concluded that splitting the sales teams was necessary. But instead of using my approach, he ran some numbers and convinced a couple of salespeople that they could make more money if they focused solely on selling Unix products. Given that the other sales reps wanted to spend all their time selling Java, the two reps went to the VP of Sales and convinced him to support the idea. The VP saw it as a way to increase overall revenue and also keep his salespeople happy. The VP of Sales then got the President to approve the change.

Lesson learned. People, regardless of who they are, are fundamentally driven out of self interest. This is not meant in any derogatory way, but simply to indicate that they will make decisions weighted significantly towards themselves or what they hold dear. In this case, while both Kenji and I had the same objective, the approaches were radically different. Kenji ensured that not only were his objectives met, but also those of the individuals whose agreement was needed to make the change.

When working in a startup or on a new product, there is a tendency to focus on time-to-market as a key measure of progress. Getting to market ahead of competitors is important, but is it more important than getting the *right* product to market, even if it demands extra time?

And what is meant by the *right* product? It means understanding what to build, who to build it for and why they would actually pay for and use it. It means knowing how much functionality is necessary to get you to market successfully without over investing on efforts that don't provide a return on investment. It means understanding what your potential customers' alternatives are and why they would choose your solution over others. Learning these things takes time, effort and money, but never as much time, effort or money as it takes to build the wrong product for your market and then try to sell that product into that market. This leads to the next axiom:

2. Nail it, then scale it!

The fundamental principle here is to get your product right for one problem space, one market or one set of users, get the rest of the company including Marketing and Sales executing well against the product, and *then* expand into other problem spaces, other markets or user communities.

One of the most notable examples of a company that failed to understand this principle was Webvan. Webvan was a San Francisco Bay Area based pioneer of online grocery retailing. It was a pretty good service. Orders placed one day before noon would be delivered the next day. They had an easy-to-use website, a broad range of products, fresh produce and reasonable prices. They even had a fleet of slick, modern delivery trucks.

So what was the problem? The grocery business has razor thin margins, and setting up warehouses and acquiring trucks is quite expensive. The Bay Area location wasn't yet profitable but Webvan expanded to seven additional cities with plans to expand out to about 26 in total. If it wasn't working out in the Bay Area—one of the most web-savvy and wired regions at the time—why would the other 25 locations be any better? Needless to say, Webvan failed miserably. Total cost of this mistake? $375 million dollars and over 2,000 jobs.

On a more positive note, one of the best examples of a business that does understand this principle is Craigslist.com. Craigslist was founded by Craig Newmark in 1995 as an email newsletter to keep friends aware of San Francisco area arts and technology events. Craigslist evolved into an online community and classified ad site serving the San Francisco Bay Area. Craigslist gathered a loyal following (my wife and I included) of people who would post items for sale, search want ads for jobs, view housing notices, lookup local events and more. Craigslist avoided becoming more than what its users expected and needed. While other web properties were offering their users free email, web search, games, chat, downloadable tool bars and more, Craigslist eschewed such clutter and kept its focus. Today, Craigslist has scaled its service to over 50 countries and hundreds of cities, and is one of the top sites on the web.

This principle applies to software products in general and not simply web properties. Common reasons for not "nailing" it, include:

- Incorrect and unclear understanding of customer needs
- Missing key functionality in the product
- Flawed understanding of the competitive landscape
- Improper pricing model relative to market expectations
- Unaccounted changes in the market landscape

There may be other reasons, but if you look at all of those listed, two things are clear:

1. Additional work would need to be done to the product or company processes after the product was released to address the issues.
2. All of the issues could be addressed with basic research and analysis, and likely a little extra time added to the development and/or launch cycle.

But telling senior management, or your investors that additional research is needed to ensure the target audiences are properly served, or a product needs to be delayed a couple of quarters (or more) to ensure it is functionally complete is akin to committing professional suicide.

At one startup, an investor asked me, out of three choices for products we were investigating, what was my "gut feeling" of the one that we'd eventually build. I indicated my choice, but added that we needed to finish the research to have a much higher level of certainty. The investor later asked why we weren't building out the "gut choice" versus completing the research. Mind you, this was one month into a three month research project to identify new products. I was stunned. You'd think the investor would have applauded us for doing our homework before spending the investment dollars.

Sadly, given these types of pressures, rushing to market and subsequent retrenchment to address problems are quite common in software companies. Yet for whatever reasons, few companies actually measure the cost of this type of behavior. And the cost can be quite high. Aside from the extra effort needed by engineering, there is the cost and effort of marketing and selling the incomplete product, and of course, the lost revenue potential from launching a product that was not ready for market. Don't fall into this trap. Do the homework up front, get the product right and then scale the business to grow revenues.

Some people view change as an opportunity to make things better. Others view it as a threat to the status quo. Some people adapt to change well, others don't. People's experiences, backgrounds, biases and comfort zones all play a part in how they view change. People adapt to change better when they feel they have control over the change occurring. If they feel they don't have control, or feel it is being forced onto them, then it is less likely they'll adapt. This leads to the next axiom:

3. Change is a process, not an event

It is critical for product managers, who often act as agents of change, to understand the full impact of their actions on fellow employees, customers, prospects, partners and others, and create plans to manage that change and minimize negative impact.

➔

Think of it this way—what's another word for a sudden change event? Revolution. Now, that might be a great word to use in a marketing campaign, but in the real world revolutions tend to be chaotic, and often times, bloody. Rapid change creates uncertainty for people and organizations, and for most of them, that's not something they want.

Any type of change, whether it is a price change, a positioning change, or a product change, needs to be clearly defined, its implications understood, executed and then managed over time. If that is not done, the impact of the change will be reduced, and additional time, effort and money will have to be spent implementing the change correctly later on.

When interviewing Product Management candidates, I like to ask the following question:

If you were to describe product management using only one word, what word would that be?

This sometimes catches the candidates off guard, and it's interesting to watch them think about their answer. Some of the responses are: "requirements," "customer," "listen," "product" and "repeatable." While some of these answers are better than others, there actually is no right answer to the question. The answer I would give were I asked the same question is: "optimize."

I view Product Management as a job of optimization. Get the most valuable product to market with a limited set of development resources and generate more revenue than any of your competitors. The question for the product manager is how best to do this? This leads to the final axiom:

4. Think horizontally, optimize vertically

This axiom looks very similar to the well-known phrase "Think globally, act locally," but needs some explanation.

Companies naturally tend towards silos of activity and knowledge, usually aligned along departmental lines. Product managers need to look across the departments to see how the activities of those departments can be improved to achieve product or product line goals.

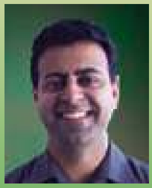
Product managers are theoretically the CEO of the product. If that is the case, then their job is to ensure that all related product teams are working as efficiently as possible, and all product-related decisions drive towards the product or product line goals. I'm not advocating that product managers tell others how to do their jobs, but lead disparate functional groups in alignment through the product development and release cycles.

Thus, product managers have to look horizontally across the different silos to identify where things could be more efficient, but any process improvements or other necessary optimizations made must be done vertically—that is within one or more particular silos. Why? Because the silos are the departments such as marketing, engineering, and sales where work gets done and optimizations are possible.

But, product managers cannot simply point out areas of inefficiency to managers in those departments. The product manager needs to make sure that those managers are sold on the change and commit the necessary resources to make that change happen. Recall the example in the first axiom: while Kenji and I had the same goal, Kenji's approach worked because the sales team was sold on making the change, not for overall company benefit, but primarily because it helped them achieve their goals.

Good product managers need to be part engineer, part marketer, part sales person and part psychologist. And while frameworks and methodologies definitely help product managers in their roles, there are foundational rules that exist independent of those frameworks. I'm sure over time, a few more axioms will become evident to me, but until then, I will continue to use these to guide me in the work that I do.

TPM



Saeed Khan is a 20-year veteran of the software industry with deep experience in product management, product marketing, and education. Saeed has managed market-leading products in a number of segments including data integration, data visualization and enterprise application development. Saeed is based in Toronto Canada, and can be reached at saeed_w_khan@yahoo.com

Navigating Uncharted Territory

Part Two

By Dave Morse

How we developed a strategic product marketing role

In part one of this article, featured in Volume 5, Issue 1, I made the assertion that we, as product marketers, have an identity crisis on our hands—we're misunderstood, misguided, and misaligned. As a result, our companies develop great products and services that are either missing their potential or failing altogether. Technology company executives have begun to establish product marketing functions that are separate from product management, but their wide-ranging expectations are rarely focused on strategy or the bottom line. Thus, we are usually confined to a tactical role supporting Sales and others, expending enormous resources on too many urgent tactics that are poorly measured and rarely appreciated. Uncertain about where our "turf" is located, we work in a state of reaction and firefighting, unable to contribute in a way that is truly meaningful to our companies or our careers.

In this article, the second of a two-part series, I'll tell you how we were able to create a strategic role for product marketing and give you some insight into how we went through the change process and dealt with the inevitable challenges and resistance.

Change is neither quick nor painless, especially when the goal is to make a meaningful, lasting impact on a company's structure and culture. And change doesn't happen overnight. The first big hurdle is to admit that change needs to occur.

Here are the steps we took to influence our company and elevate the role of product marketing within our organization.

Step 1

Get grounded in a process

In part one of this article, I complained about the lack of decent books and schools that properly define and delineate the product marketing role. Research had provided many pieces of the puzzle, but the Pragmatic Marketing® Effective Product Marketing seminar put it all into focus with a clearly defined set of roles and responsibilities, plus the tools to collect and influence buying criteria, build a go-to-market strategy, align with the sales channels, and begin every program with the end in mind.

I also recommend reading *Manage for Profit, Not for Market Share* by Hermann Simon, Frank F. Bilstein, and Frank Luby (Harvard Business School Press). The premise is that corporations, in an attempt to increase profitability, must fundamentally shift their thinking to make people aware that market share does not equal profitability. Instead, they must now turn to tweaking their marketing mix—pricing in particular—instead of focusing on cost reduction or innovation.

An excerpt reads, "For decades, managers have been told that the answer [to increasing profitability] lies in pursuing high market share." But [the authors] argue that "this misguided advice has destroyed, rather than created, an additional profit potential." The book describes a practical, proven program for making significantly more money by reconfiguring the marketing mix to sell existing products and services in different ways. It also offers practical strategies to differentiate mature products, effectively raise prices, properly time promotional activities, better understand consumer preferences, and more.

Step 2

Enroll key stakeholders in your vision

I was fortunate because our management was responsive to my requests to re-evaluate the outbound product marketing role. I gathered together key stakeholders and delivered a PowerPoint presentation that summarized the Effective Product Marketing seminar. I saw it as a sales effort and recruited people from other teams to be part of the presentation, especially Product Management and Marketing Communications. This gave more weight to the new ideas and allowed us to set realistic expectations with management for project deliverables and timeframes.

If my management team hadn't been so willing to listen, I think I could have achieved the same result, albeit more gradually, by selecting an existing program or high-visibility product launch and using the new ideas to get Sales, Marketing Communications, and Product Management working together.

The importance of executive-level support is reinforced in an article published in the June 2005 issue of *CMO Magazine* entitled "The Ultimate Bug Fix" by Rob O'Regan. The article outlines Microsoft's plans to sustain its dominance in the digital era by working out the "kinks in its marketing machine." The company started (and is still undergoing) a 10-year initiative to reinvent their massive worldwide marketing team in order to "institute a consistent customer value proposition across the organization."

According to O'Regan, market conditions drove Microsoft to re-evaluate their success criteria. "As the PC software industry matured and they began branching out into new markets, the company woke up to a new reality: real competition emerged and garnered mind-share against them. The company's marketing function, in particular, was ill-equipped to deal with the shifting landscape." In July 2002, Steve Ballmer reorganized the company into seven business units focused on market segments, not products. Ballmer stated, "We were pretty product-centric in our marketing, which meant we weren't always delivering a higher-level perspective on the value of technology in key areas." However, they quickly realized there was a significant gap between the skills of existing marketing personnel and the expertise required to execute on the new, broader mandate. So in the spring of 2002, they formed a new training arm, called Microsoft Marketing Professional Development (MMPD), and challenged that group to develop their marketing competencies.

That Microsoft would undertake such a huge initiative speaks volumes about the importance of proper training and executive support for the marketing function. The results are evident. This year's "people-ready" campaign is squarely focused on problems their customers need to solve, not products the company wants to sell.

Microsoft's partners noted the change following their annual worldwide partner conference in October, 2006. In previous years, Microsoft had rolled out a stream of go-to-market campaigns touting Microsoft's products for enterprise servers, infrastructure, or applications, but this year's "customer campaigns" are reduced in number and targeted to business value. In fact, none of the 2007 campaigns includes a product name in the title.

Redmond Channel Partner magazine reported the partner's gratitude for campaign-messaging frameworks that address specific job roles and industries, allowing partners to "leverage one set of talking points when presenting to a manufacturer's COO and another when meeting with a retail firm's CFO." Pam Salzer, Microsoft's worldwide partner marketing director, was quoted as saying "We're trying to think about people, and give the channel the materials they need to support those people."

→

Step 3

Define the right structure

The next step was to identify responsibilities and timing for each phase in the go-to-market process. I sequestered key individuals involved in the delivery of our products and services in a series of sessions to evaluate and discuss the structure. I certainly needed their input but also knew that including them would encourage the ownership attitudes essential to a successful roll out.

We first conducted a "gap analysis" on the Pragmatic Marketing Framework (Figure 1), evaluating each of the activities (boxes) with respect to their current owner, proposed owner, importance, how well the activity is performed, and hours per week currently invested. By the end of these sessions we had adapted the Pragmatic framework to our own needs.

We didn't change the function of any of the boxes, but made a clear delineation of responsibilities, by color-coding *product management* functions in orange and red, and *product marketing* functions in turquoise and blue. We also adapted to the limitations of our staff with priority-level designations on all of the functions—we color-coded "High Priority" items in red for *product management* and blue for *product marketing,* and "Low-Medium Priority" items in orange for product management and turquoise for *product marketing.*

The gap analysis and customized framework served as the foundation for our "Solutions Delivery Framework." This document became a roadmap for individual assignments within the functional groups.

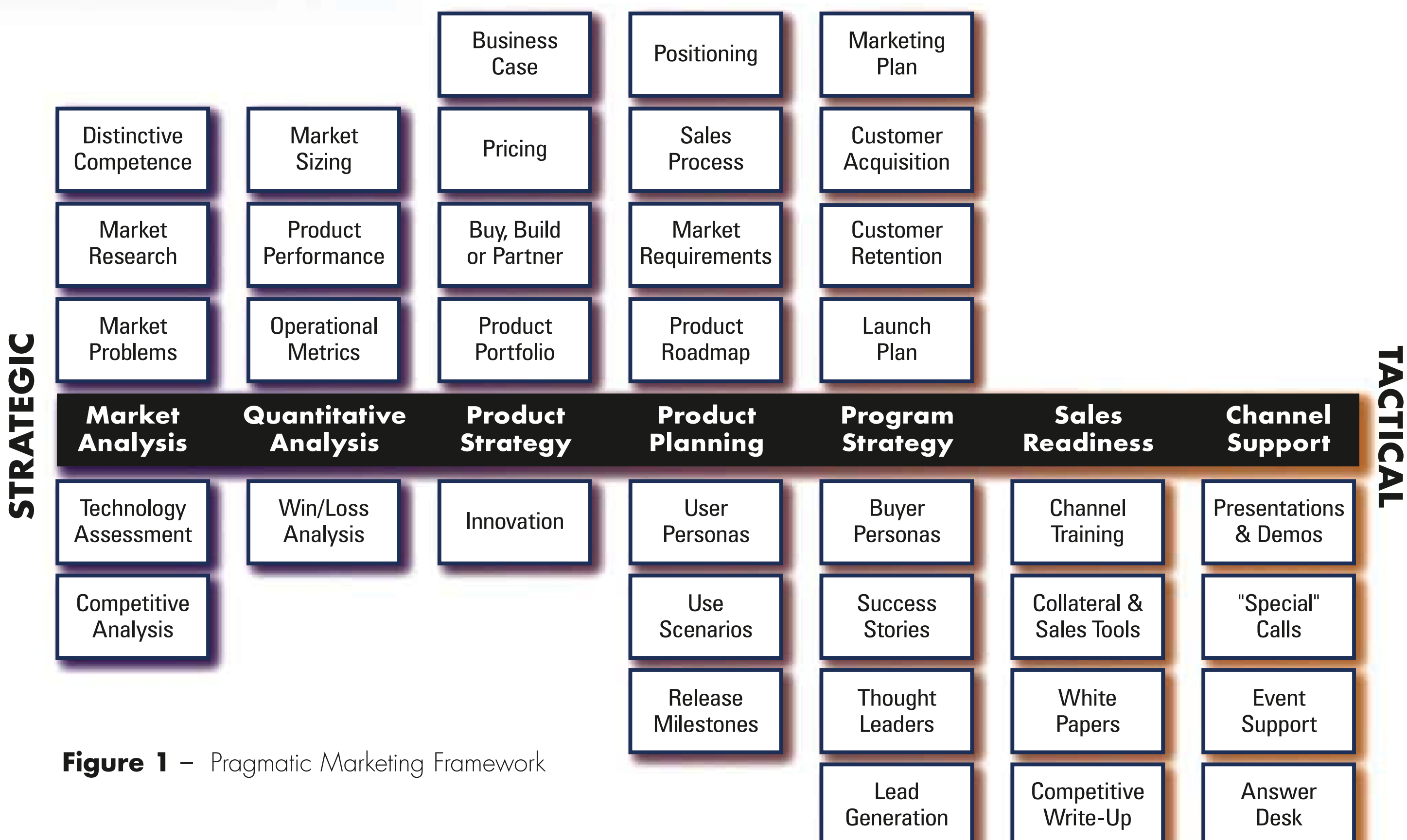


Figure 1 – Pragmatic Marketing Framework

Step 4

Impact the culture through education and awareness

While it's time-consuming and challenging to convince others that change is needed, it's even more difficult to implement those changes.

The awareness presentation was organized around the steps in the Effective Product Marketing Process (Figure 2). This allowed us to quickly and easily put everyone's role into perspective for each of the internal audiences who were impacted by the new organization.

Our implementation of the Effective Product Marketing process assigns responsibility for each of these steps:

1. Gather management/executive goals (executives)
2. Perform marketing analysis (Product Management)
3. Gather persona and other data (Product Marketing)
4. Focus efforts on go-to-market and channel training strategies (Product Marketing)
5. Build & execute strategies (Marketing Communications)
6. Measure & improve (everyone)

In figure 2 below:

- Executives—Provide direction (1)
- Product Management—Product and problem experts (2)
- Product Marketing—Audience persona experts (3-4)
- Marcom—Program experts (5)
- Everyone focused on measurement & improvement (6)

Step 5

Align with the sales channels

Aligning with the sales channels sounds easy but it certainly wasn't. Before we took anyone to lunch or began mandating anything to Sales (*gasp*), we identified these realities:

- Like most companies, our marketing and sales teams were disconnected. In the book, *Escaping the Black Hole,* author Bob Schmonsees says, "in far too many companies, the branding and positioning activities are in conflict with the lead generation activities, and both of these are inconsistent with what sales and sales support people are telling their prospects and customers. Marketing and sales rarely speak with a single voice, and this causes a lot of wasted motion that often confuses prospects, customers, and partners, not to mention the sales people."
- Most sales teams are out-of-touch with today's self-directed buyer. Emmett Holt, an independent consultant based in Boston, Massachusetts, recently wrote an excellent article entitled, "Web Enabled Sales Process: Competing for the Mindset of Today's Self-Directed Buyer," which asserts that in today's prospect, "the information available on the Web has eliminated both the need and the *desire* to engage directly with sales people until much later in the evaluation process."[1]

We decided to overcome these challenges by working with our sales channels to document each step in their process, identifying the types of buyers that influence decisions and the information buyers needed before advancing to the next step.

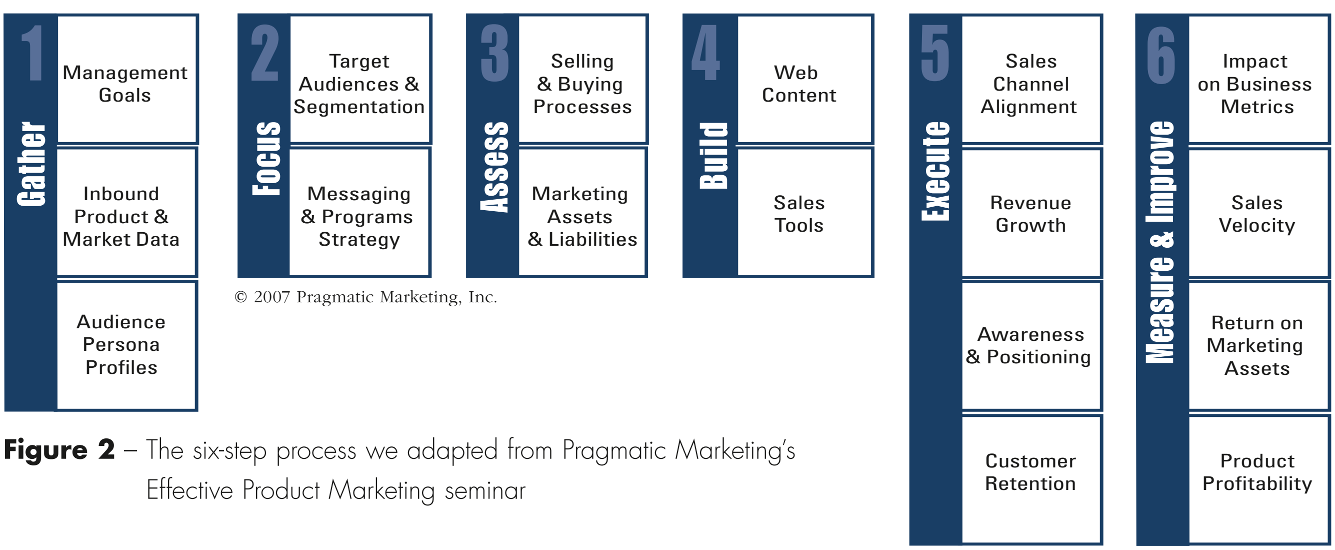


Figure 2 – The six-step process we adapted from Pragmatic Marketing's Effective Product Marketing seminar

[1] "Web-enabled Sales Tactics." TechnologyEvaluation.com

Step 6

Apply these activities to a current initiative

The final and most important step in the change process was to demonstrate our value with a measurable win. Based on the company's goals and what we learned about the buying and selling processes, we focused on the rate at which opportunities converted from website leads to closed business.

A lot of our lead generation activities already directed responses to website landing pages. In the past, we approached this project with a bit of creative brainstorming followed by a quick affirmation from Sales. Sure, we tracked the total number of leads and cost per lead by activity, but we never invested the effort to measure what visitors did on our landing page or what drove them there in the first place. Most important, we never evaluated what we could do on the website to assert more influence over the visitors' next steps or ultimate purchase decision. Sales management had appreciated (or merely tolerated) our reports on the total number of leads provided, but we knew that we could have a bigger impact on the ultimate goal to generate more revenue.

We presented our plan to management using the steps in our new process, focusing on detailed buyer persona data and the results we expected to achieve under the new program. This business-case convinced management to invest in a professional web analytics package and a custom in-house web editor, giving us new capabilities to develop control pages that test and continually improve our conversion rates.

Focus on metrics

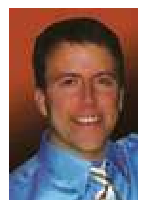
Product marketing is the focal point for the initiatives, but every member of the go-to-market team benefits from very specific data points that ensure a new level of proficiency and confidence. Marketing is now seen as a managed investment rather than a barely justified expense. We were able to achieve this outcome because every goal is associated with specific success metrics. Our focus on metrics continuously guides the marketing team to observe what is and is not working, while giving the executives tangible evidence of our success.

When confronted with any request for a marketing activity—data sheets, sales training, etc.—our new process requires us to focus on the goal. We know that any activity that can't be tied back to a management goal is not a priority.

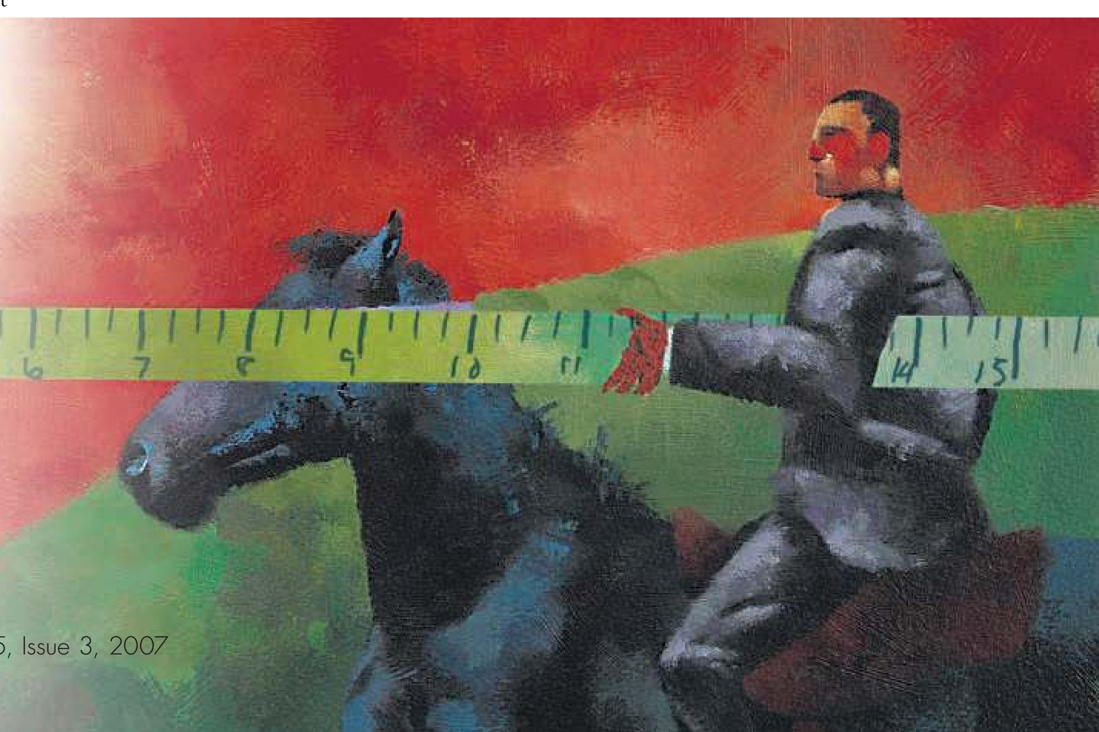
Having worked through this process to define the product marketing role, our entire marketing team is beginning to taste what winning is *really* like. The objectives we established in the beginning are being realized, including:

- Delivering the information that influences buyers and sales people as they move through each step in the buying and selling process
- Completely understanding the messages, tools and programs that will influence both buyer and sales channel personas
- Making a positive, measurable impact on cost of sales through a more effective marketing investment
- Clarifying roles and improving morale—people know how to prioritize their time and can see the results of their contributions
- Decreasing time-to-market for all of our products and services

I now know that the right role definition and processes can position product marketing at the center of the company's strategy to achieve its critical goals. TPM



Dave Morse is an expert in the areas of software development, product management, and marketing within high-tech companies. Having worked for successful organizations such as Aspect Communications, GetThere, CoolSign, Salesforce.com, and Made2Manage Systems, he has developed a detailed framework that can help companies reposition and revitalize the role of product marketing. To learn more, feel free to contact Dave at dave.morse@gmail.com



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September 12	Dallas, TX
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September 19	San Francisco, CA
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September 26	Toronto, ON, Canada
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October 11	San Francisco, CA
October 17	Bedford, MA
October 17	Philadelphia, PA
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