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# PRACTICAL APPROACH TO *products*

HOW TO BUILD AND  
MARKET PRODUCTS THAT SELL >



PRAGMATIC  
—INSTITUTE—

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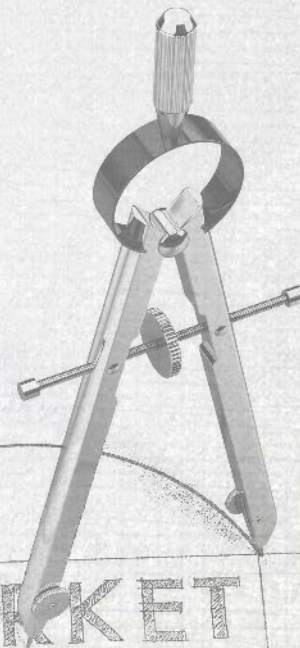


**PRAGMATIC**  
—INSTITUTE—

**WHAT IF YOU HAD A PROVEN METHOD** for building and marketing products that resonate with your customers? Something that could help you become more market driven, efficient and effective immediately.

Well, since 1993, Pragmatic Institute has been providing that blueprint and other tools as part of its practical, actionable training, so that product management and marketing professionals can build and market the products people want to buy.

*A Practical Approach to Products*—like our Pragmatic Framework™, magazine, blogs, webinars, podcasts and eBooks—is intended as another such tool for product success and for helping product professionals implement a pragmatic, outside-in approach. —>



**MARKET  
DRIVEN**





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**S MANY AS 95 PERCENT OF NEW PRODUCTS FAIL,** according to research firm AcuPoll—a frightening statistic for companies going to market. So where exactly do the problems fall? Are you not building the right products? Adding features without adding value? Or not getting your products in front of the right people?

No matter where the problems stem from, the outcome is the same: People aren't buying your products. And no matter how much time, effort or money you invest in building and marketing those products, the reason is also often the same: You've listened to the wrong people.

Everybody in the organization wants the product to succeed, but most internal stakeholders only have access to one piece of the puzzle—and their input reflects that. Your CEO works off what the market looked like when he started the company. Sales talks to prospects who are already interested in your product. Customer support gets its information from those currently doing business with you. When you only listen internally, you're only getting those puzzle pieces. But when you listen to the market, you provide products that solve market problems, resonate with customers and fly off the shelf. —>

*When you listen to the market, you provide products that solve market problems.*



In 2010, Microsoft launched its Kin feature phone—but it was too little, too late. The product, which took 2 years and \$1 billion to complete, had been delayed by internal decisions about which platform to use and resource constraints as it competed internally with the Windows Phone 7. Once launched, it also faced problems competing in the market. While aimed at teenagers and young adults, the pricing for both the device and call plans were “nuts.”<sup>1</sup>

Had Microsoft kept in touch with the market over that time, it would have realized the landscape was changing, and that Kin would ultimately be competing with much more capable smartphones at a completely different price point.

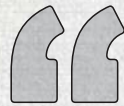
The idea of the Kin may have been a good one, but its story shows how even the best ideas suffer when products are driven internally, without market knowledge.

<sup>1</sup> Peter Bright, “Post Mortem: Kin’s Tragic Demise (and the Fading Danger),” *Ars Technica*, July 2, 2010.





## PUT THE MARKET IN MARKETING



**MARKET-DRIVEN** organizations  
are **31% MORE PROFITABLE**  
than those driven by other  
factors.”

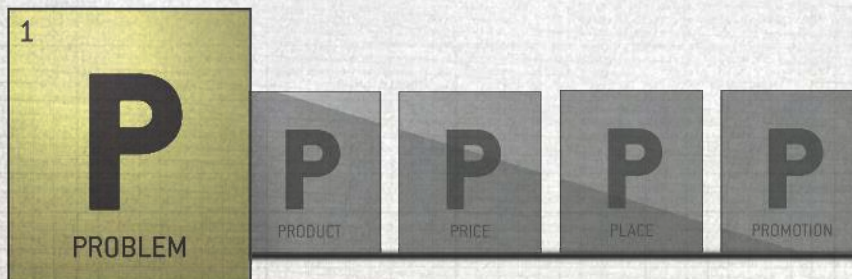
- George S. Day, professor of marketing,  
Wharton School of Business

Companies that are not market driven believe the role of marketing is to create the need for their products. But marketing is more than the t-shirts, coffee mugs and trinkets that people have come to define it as. It's more than the “marketing reps” who service client accounts. Marketing is not a role; it is an approach.

Marketing is about knowing your market and creating a product that people want to buy. This is the essence of being driven by the needs of the market, rather than the capabilities of the company.

What we learned about marketing in college has evolved. The marketing four P's (product, price, place and promotion) still exist, but what's missing is the most important P of all: problem.

The product itself should address a well-understood problem. And it's the problem that should drive the product decisions, the pricing, the messaging and the placement strategy. That means market problems should be the first and most important consideration for any business. Everyone should be listening to the market to find market problems. And you should start all your meetings going forward with a simple question: What customer or prospect problem are we here to solve today? →





## STOP LISTENING TO EACH OTHER; LISTEN TO THE MARKET



There will always, one can assume, be need for some selling. But the aim of marketing is to make selling superfluous. **THE AIM OF MARKETING IS TO KNOW AND UNDERSTAND THE CUSTOMER SO WELL THAT THE PRODUCT OR SERVICE FITS HIM AND SELLS ITSELF.**

*-Peter Drucker, business management expert*

So how do you get that understanding? Well, we have a saying here at Pragmatic Institute: Nothing Important Happens in the Office (**NIHITO**®). Get out of your office and in front of your customers and prospects. Don't just ask them what they want; discover what problems they are having. How painful is the problem? How often do they have it? Understanding the answers to these questions will help you decide whether it's a problem worth solving.

There is a quote attributed to Henry Ford: "If I had asked people what they wanted, they would have said faster horses." That doesn't discount the asking, but it underscores the need to also observe. By observing these same people, you would get to the root problem: the need to get places faster.

Good ideas can still come from the smart people in the office. But you need to test them in the market to ensure they're the right ideas. Acid test both internal and external ideas early and often to react quickly to market changes.

This approach gives your projects the credibility of the market. It won't be about "he said" or "she said." It will be about what "the market said" and about the problems the market faces. And that should be the cornerstone of how you focus, build, market and launch products. —>





## FOCUS

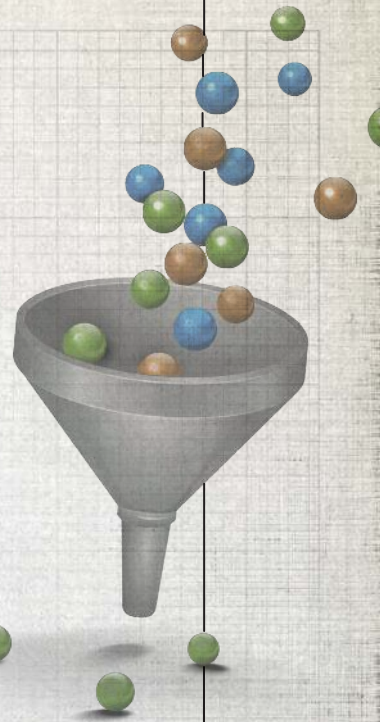
**A PRAGMATIC** product professional identifies a market problem and ensures the opportunity is right for the company to solve.

Have you ever heard of *Cosmopolitan* magazine-branded yogurt? Or how about Smith & Wesson mountain bikes? If so, then you're part of a very small club. Those products show that it's not just about finding problems, but on focusing on the right ones for your company.

Plan your products strategically by listening to the market and its problems. Then identify if it is worthwhile for your company to solve those problems by answering these questions:

- Does it fit with your corporate strategy?
- Is it an area you excel at?
- Will it have an impact on your customers?
- Will they be willing to pay for it?

Prioritize and measure that information to establish the best features to focus on. The ultimate goal is to provide products in that sweet spot where what people want intersects with what your company is good at.



## BUILD

**A PRAGMATIC** product professional creates remarkable products that solve specific problems.

Car rental companies tend to focus on incremental improvements to their offering, expanding to different locations or providing new lines of cars.

But the creators of Zipcar knew who they were targeting: urban drivers. And they knew the problem these drivers face: Parking made owning a car costly and inconvenient—but they still sometimes needed a vehicle for short errands or trips. Zipcar used that information to build a breakthrough product experience that allowed members to reserve cars throughout the city, by the hour or by the day, via the web.

But it's not easy to get it right. Companies in the United States spend \$194.4 billion annually on software development; they spend \$46 billion fixing software requirements errors.<sup>2</sup> That means that one-fourth of what was built is going to waste.

Empower development with the context of who products are being built for and what problems they are solving—so they can build innovative solutions that have the greatest impact, without requiring costly rework. —>

*One-fourth of  
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to waste.*





## MARKET

**A PRAGMATIC** product professional aligns the goals of the company with the buying process of the market.

The introduction of the Ford Edsel in 1957 is still considered one of the biggest marketing blunders ever made. Ford presented “a confused fog” rather than a “sharply defined image,”<sup>3</sup> when it promoted 18 Edsel models in an attempt to appeal to everyone. You don’t want to appeal to everyone; you want to appeal to a clearly defined set of buyers.

In order to do that, you must thoroughly understand these buyers: who they are, where they are and how they buy. Use this data to build credibility so the market knows your products and services are the preferred answer to their problems. It will empower you to prioritize resources effectively and build long-term plans that are not only credible, but measurable and tied to corporate strategies.



## LAUNCH

**A PRAGMATIC** product professional aligns the organization around the right launch strategies.

What is an Ultrabook? If you do a search on that question, prepare to be overwhelmed with 7.4 million results. And therein lies part of the problem. Ultrabook is an Intel specification and brand for thin, light high-speed notebook computers that was first launched in 2011.

Unfortunately, it launched with requirements that were still in flux and constantly changing. That led to an unclear message to the market about what the computers are, what their value is and what people should pay for them. Just one year after the launch, market intelligence firm IHS iSuppli cut its sales forecast for the Ultrabook by half due to “high pricing and a lack of effective marketing.” The launch was a failure.

Launch readiness is about more than product readiness. The Ultrabook launch failed because the product’s messaging wasn’t fully defined and the price point was too high—not taking into account what the market was willing to pay. If your marketing communications, sales or any other part of your organization isn’t ready, your launch won’t be successful.

Turn products and plans into revenue by using your market understanding to create successful launch plans, sales training and collateral. —>

<sup>3</sup> Horowitz, Roger (2011). “Commemorating the Ford Edsel’s Historically Bad Launch: Echoes,” Bloomberg View, retrieved from: <http://www.bloomberg.com/news/2011-11-29/commemorating-the-ford-edsel-s-historically-bad-launch-echoes.html>.





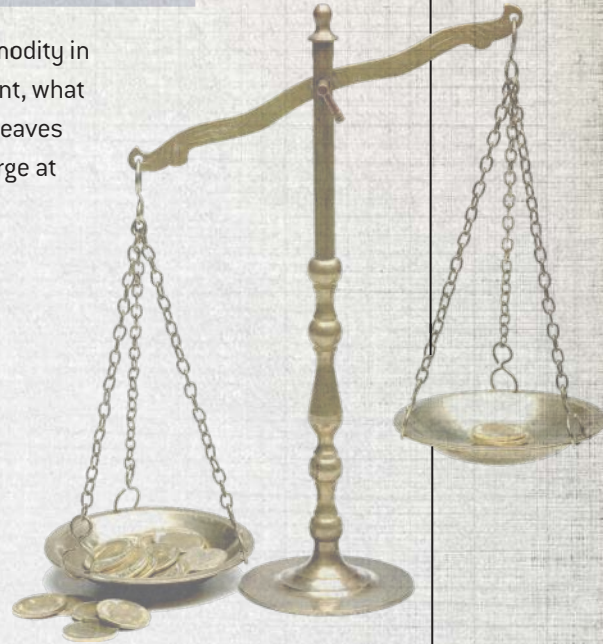
## PRICE

**A PRAGMATIC** product professional bases prices on what the market is willing to pay, not costs.

Home printers are so widespread that they've become a commodity in the market's eyes. Even as they get more powerful and efficient, what customers are willing to pay for them continues to drop. That leaves the manufacturers in the unenviable position of having to charge at or even below cost for these items.

Lest you feel bad for them, don't. They make up this revenue in printer cartridges, where their margins are often more than 60 percent.

For both products, the price is clearly not based on costs. But it is based on what the market is willing to pay. And that's the essence of any good corporate strategy for pricing: Understand what your audience values and use that as the starting point for your pricing model.



## PRAGMATIC INSTITUTE

**BEING TUNED IN TO THE MARKET** throughout the product life cycle—from strategic product planning through launch—is critical, and getting the entire organization centered on the market is paramount to achieving success.

But while it may be easy to get an organization to recognize the need to be market driven, it can be challenging to turn that belief into action. That's where Pragmatic Institute comes in. We have provided practical training and a common framework to more than 150,000 product professionals at over 8,000 companies on six continents. We've helped them build and market products that sell, and we can do it for you.

➔ For more information, please visit [PragmaticInstitute.com](http://PragmaticInstitute.com) or call (480) 515-1411.

