

January Event with John Addison Product Design to Market Leadership

By Greg Cohen

John Addison presented at the January 7th meeting of the SVPMA on *Product Design to Market Leadership*. John presented a framework on assessing where a product falls in the technology adoption lifecycle and what actions should be taken in marketing and development of that product to accelerate time to market, adoption, and success. John developed his strategies as one of the early architects of Sun Microsystems successful channel program and later as president of OPTIMARK, a leading consulting firm focused on sales channel strategy and partner development. John is the author of the recently published book *Revenue Rocket* (reviewed in this issue of the newsletter).

John discussed the myriad of product development chal-

lenges, from achieving faster time to market to dealing with changing requirements and product drift. The most important step you can take to navigate through these obstacles in involving the "right" customer. John then introduced the Technology Adoption Lifecycle (TALC) model that Geoffrey Moore made famous in *Crossing the Chasm*. This model divides the market into innovators, early adopters, early majority, late majority, and laggards. John then built upon this by tying the product strategies to the stages of the lifecycle, because you have to know where you are in the TALC to know which customers with whom you should be working.

Four market strategies and product goals can be mapped
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Product Management Roles and Salary Industry Compensation Benchmark for 2003

By Steve Johnson

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Each year Pragmatic Marketing conducts a survey of product managers, marketing managers, and other marketing professionals. Our objective is to provide Pragmatic Marketing clients with industry information about compensation as well as the most common responsibilities for product managers and other marketing professionals.

The survey was mailed to 5000 marketing professionals with 560 responses.

The survey was conducted during the period of November 25-30, 2003 using WebSurveyor.

Profile of a product manager

- The average Product Manager is 36 years old
- 84% claim to be "somewhat" or "very" technical

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PLM for the Rest of Us

By Devin McKinney

A Day in the Life

It's 8:30 AM and Jane Dougherty is starting her day as Product Manager at a medium-sized web-based e-commerce service firm. She's in charge of three web security products, two of them upgrades to existing systems and one completely new service which hadn't even been completely specified as to what it did.

Her tasks for the day include reviewing and incorporating Engineering comments on a proposed set of requirements for one of the upgrades. Some of the comments came out of a product team meeting from a week before, and some had come in as emails and attachments to emails since the meeting. She hates digging through her email inbox; she'd love a way to just have attachments

available in a central location, sorted by her products. She also has to reprioritize the requirements for the other upgrade because of some new kinds of viruses that have been found infecting her clients' systems. Finally, she has to sift through a pile of customer feedback forms she'd just received from Customer Support, and incorporate their feedback into new requirements for her upcoming new product.

She expects to get about 40 emails today and send 25, many with Excel, Word and PowerPoint attachments. She uses the Microsoft Office suite as her main product management tool, and collaborates with other team members using a combination of Word for her MRDs, Excel for lists of requirements and for budgeting projects, Project to manage long term plans and Outlook for communication. She has no centralized place where product information lives - at any given moment her "state-of-the-product" consists of all the emails on her computer, a selection of her stored edited documents, her memory of various hallway conversations, and the numerous printed documents she keeps in a four-drawer filing cabinet in her office.

She has two scheduled meetings a day and anticipates at least one other will come up because "they always do." She'd like to wear headphones and listen to music while she works, except that her cubicle is a sort of Grand Central Station for everyone from the president of the company looking for product status to a salesperson trying to find out when a new feature would be available to land a new key account.

She's responsible for writing requirements and specifications, preparing promotional copy for print and online advertising, fielding calls from the press and analysts, training new sales and support personnel, and even going on the occasional sales call. She wishes she could go on more because in the midst of answering email and attending meetings she worries about losing touch with what the customers really need.

Sounds crazy? She actually has it easy - according to the 2003 Product Management Roles survey (<http://www.productmarketing.com/survey.htm>), the average product manager receives 65 emails a day, sends about 33. Typically they attend fourteen meetings a week for a total of two working days, and a quarter of them attend over 19 meetings a week!

The interesting thing about Jane is that she thinks this is

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SVPMA is a non-profit association for Product Managers in Silicon Valley and around the San Francisco Bay area.

Our mission is

- To provide a forum to share day-to-day experiences and insights in Product Management
- To create a safe network of peers
- To promote research and education in Product Management

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normal. She's working as hard as she can, the company is shipping product, they usually make their schedules (after resetting them once or twice of course), and revenues are, if not up, at least stable – and in this market what more do you want? The only fly in her ointment is the vague sense of unease that comes over her when she reads in the trade magazines about the “science” of product management, in long articles filled with terms like UML, PACE, Six Sigma and StageGate.

Does Jane's company have a problem? Marketing 101 suggests that improved efficiency and lower costs provides more time for innovation and making better products. Jane's situation, typical to product managers across many industries, sounds pretty inefficient. Her desk piled high with paper is firmly planted on the critical path for much of the company's internal communication and product decision-making, and she can only do so much. It seems very likely that she could improve her efficiency, reduce costs, and make better products, if she only knew how.

Traditional Solutions

Later that week Jane has a much-needed mood-adjustment lunch with her friend Steve who works as VP of Marketing for a large semiconductor firm. He listens to her rant about how inefficient things are at her company, and then tells her he has the solution to her problem...Product Lifecycle Management. His company just finished a three month cutover to a large PLM requirements management system, and he was completely satisfied at the way it gives him great visibility directly into the product development process. It's improved company efficiency and justified every dollar they've invested. Would it replace her having to use Microsoft Office to track requirements? Well, not really, it doesn't support attachments. Could she easily reprioritize requirements for a product? Well, not really, the interface for that is kind of complex, and once a product had been entered in; it was hard to make changes. Would it help her incorporate customer feedback automatically from the Support group? Well, not really, but the PLM company did have a Professional Services group that could write a custom application to do that – for \$10,000. When asked whether it made the job of product managers easier, Steve had to be honest that he didn't know, the decision to buy was made at the executive level as part of an initiative to keep their IT systems up to industry standard. So he actually didn't have anything to do with the installation, he just signed the check. How big was the check? First year cost for 50 users of \$120,000. Plus training, of course.

Jane left this lunch even more disheartened than before – there was no way her company was going to pay over \$2,000 per user for a product that they didn't even perceive they needed! On top of that, Jane foresaw significant resistance from team members to a system that imposed a new product development process and would force them to change the way they did business. And it wasn't even certain it would help her do her job better!

Jane looked into other larger PLM products, but found the answers were similar across the board. Big installation costs, expensive training, significant residuals, and they all required that the company adapt their product development process to the methodology required by the system, whether it was Pragmatic, PACE, UML or StageGate. Some focused more on the supply chain side of things, which had no use at Jane's company which shipped software. Jane learned about different methodologies, but didn't find a solution which adapted to her company's process rather than the other way around. And most seemed to provide more top-down control of the big picture in product portfolio management, rather than putting better tools in the hands of the product managers down in the trenches.

The bottom line that Jane faces is that there is no magic bullet in the traditional PLM solutions to make her more productive and reduce the inefficiencies in her product development process. The only product management alternative she'd found to Microsoft Office is far too expensive, and doesn't even address her real problems.

PLM for the rest of us

Jane is now on a mission. She's determined to find a way she can improve her efficiency, but do it within her admittedly small marketing budget. She starts attending monthly meetings of a local product managers association, where she finds out there are many other people in the same situation she was. She isn't looking for a magic bullet anymore, but some way she can work together better with the rest of the product development team, coordinate their product information, and just manage the lists of requirements for her products more efficiently.

Management tells her that she's free to explore new ways to manage the product development process, but it has to be affordable, easy to implement, and not a drain on their internal IT group.

A month later Jane attends a software managers' lecture detailing the benefits of ASP (Application Service Provider) solutions. He calls it the new “Pay as You Go” model, and spends quite a bit of time talking about the

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company that had established this new category, Salesforce.com. They provide a web-based Customer Relationship Manager system, so that customers can get started easily with Salesforce.com for only a few hundred dollars, instead of paying thousands of dollars up front before they were sure it would fit with their existing systems. Zero support costs, training included in the monthly price, maintenance free – all the right things for CRM ... or product management.

A light bulb goes off for Jane when the presenter said that the success of Salesforce.com has led to the creation of a whole new category of productivity tool. He then goes on to list the types of tools that were being created in the ASP area, including CRM, ERP, and “many niche players in the PLM space.”

Bingo.

When Jane gets home she jumps on the web to see what she could find. She googles “Requirements Management ASP” and immediately sees four or five companies that offering the kind of service she needs. Some quick re-

search and she realizes it really is a field of niche offerings. Some of the companies offer supply-chain integration, others are focused on very vertical solutions, specific to one type of product. She finds a few interesting good candidates, with pricing in the range of \$40 or \$50 per month per user to start. She needs the ability to collaborate, some easy way to change requirement priorities on the fly, and needs to get customer information into her requirements process quicker and more efficiently. She finally sees the light at the end of the tunnel and realizes that an ASP-based requirements management system could solve her problems. For a small investment, she'd be able to identify and deploy a PLM tool that would allow her to collaborate with her team members, would store her product management data in a centralized location, and enable her to get back to the business of product management. ❀

Devin McKinney was recently promoted to Vice President of Operations for Trureq. He has been working in the software industry for over 14 years at various companies including GO, SoftBook Press, and his own web design company, VBlue International. He can be reached at devin@trureq.com.

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to the TALC. Disruptive technology requires a functional product that is first to market to gain a foothold with innovators and early adopters. A leapfrog strategy needs successful customer deployments to drive adoption of early majority customers. As the strategy shift to achieving market dominance of the early majority segment, the product goals shift to gaining market share, revenue, and quality. Finally, brand extensions target the late majority with a focus on product profitability.

When developing a disruptive technology, you should involve a visionary customer to provide prototype feedback. When producing a leapfrog product, you want to work with a segment leader to identify what is required to meet 100% of their needs. John adds that this is where start-ups often founder; they put off building the 100% solution in pursuit of short term revenue gains. If you are working to build the product that will allow you to dominate the market, you want to work with infrastructure buyers and conduct quantitative research to understand the space and the value your product returns. Lastly, if you are developing brand extensions, you must involve segment users to understand and meet the needs of each niche.

Lastly, as you move through the lifecycle, sales strategies will also progress. It might start direct and then include strategic partners, specialty VARS who can assemble the 100% solution, oem, distributors, etc. If you are a larger company, you will have a portfolio of products that cover all phases of the TALC. It is important to match the product, marketing, and sales strategies to the goals for the different lifecycle stages. ❀

To learn more about future workshops by John Addison, go to <http://www.optimarkworks.com/workshops>

ON THE MOVE

If you or a product manager you know has recently been promoted or started a new job, please email the SVPMA at newsletter@svpma.org

February Event with Susan Wheeler

Maintaining Market Leadership Through Customer Focus

By Greg Cohen

Susan Wheeler presented at the February 4th event of the SVPMA on *Maintaining Market Leadership through Customer Focus*. Susan presented her strategies to ensure you remain focused on your customers and markets. This is a particularly pertinent topic as product managers deal with a number of corporate directives, such as growing revenue, cutting costs, retiring products and launching new products.

Susan founded Pathfinder Consulting Solutions in 2000 to focus on process improvement in software, engineering, hardware, and non-profits. She has over 20 years experience of senior level marketing and product management positions at start-ups and established companies such as General Electric, AT&T, Interliant and Pandescic. Susan also teaches business classes at University of California, Davis.

Susan stepped the audience through four main topics: understanding what customers value, defining types of

market leadership, identifying customer-driven market anchors, and achieving market leadership by delivering value. Additionally Susan focused the critical role that product managers play in ensuring companies stay on track.

Companies lose focus for many reasons; sometimes they lose touch with the marketplace, try and achieve conflicting goals, and become opportunity driven rather than market driven. One of the biggest culprits is trying to be all things to all customers. Gateway is an example of a company that lost its way, having entered, existed, and even re-entered markets such as high-end systems, consumer electronics, and recently acquired eMachines. Sometimes you have to have the courage to fire a customer. Susan related a story of how when the CEO of Southwest Airlines received a letter from a customer complaining that they would no longer fly Southwest as long as they continued to add levity to the safety briefing, the CEO wrote back "We'll miss you."



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Understanding and defining customer value is a real challenge. The basic value equation is benefit realized minus cost. Some companies like to look at total cost of ownership as one method, but this is difficult because everyone sees it differently. Susan recommends going back to product management basics and following the customer around. While at AT&T she once spent six weeks at a customer site understanding how AT&T's systems fit into the larger whole of the customers operations.

Companies achieve leadership on one of three dimensions, operational excellence, customer intimacy, and product innovation. Examples of operationally excellent companies are Dell and Starbucks, while Nordstroms focuses on customer intimacy, and Intel is a product innovator. To win, a company must master one of these value dimensions and be proficient in two.

The third step is identifying market-anchors. Having this lens enables employee teams to retain focus and act autonomously. Starbucks, for example, excels in a number of areas, including branding, merchandising, and atmosphere, to list a few. But its anchors are convenience (location and ordering) and quality/consistency. Starbucks has redefined the living room.

Market anchors can then be used to move towards market leadership. This starts by identifying where you are now and where you are relative to your competition. Next starts a value chain analysis. Pulling from Michael Porter, Susan defined the primary activities as Inbound Logistics, Operations, Outbound Logistics, Marketing and Sales, and Service. The support activities are Procurement, Technology Development, Human Resource Management, and Infrastructure. Product managers can have a significant influence over the primary activities.

Susan ended by asking everyone to consider what the one area on which their company should really focus. ☘

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- 94% have completed college, 56% have some MBA classes
- 47% have completed a masters program
- 30% are female, 70% are male.

The typical product manager has responsibility for three products.

Organization

The typical product manager reports to a director in the marketing department.

- 43% report to a director
- 33% to VP
- 27% report directly to the CEO
- 23% are in the Marketing department
- 15% are in Development or Engineering
- 10% are in the Product Management department
- 10% are in a sales department

Impacts on Productivity

- Product managers receive 65 emails a day and send about 33.
- Product managers spend roughly two days a week in internal meetings (14 meetings/week).
- But 30% are going to 15 meetings or more each week and 25% attend 19 or more meetings!

Working with requirements

The majority of product managers are researching market needs, writing requirements, and monitoring development projects.

- 72% researching market needs
- 55% preparing business case
- 24% performing win/loss analysis
- 85% monitoring development projects
- 79% writing requirements
- 50% writing specifications

Working with marcom and sales

Product managers also spend time providing technical content for marcom and sales.

- 49% writing promotional copy
- 38% proofing promotional communications
- 38% talking to press and analysts
- 53% training sales people
- 35% going on sales calls

Compensation

Average product management compensation is **\$91,650** salary plus **\$11,363** annual bonus (as in 2002, 78% of product managers get a bonus)

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Our bonuses are based on:

- 57% company profit
- 30% product revenue
- 42% quarterly objectives (MBOs)

Almost 40% say the **bonus does not motivate** at all and only 10% say the bonus motivates a lot.

What should the company know about the role of product management?

- PM role is more strategic than tactical
- I don't have time to do all that I can contribute strategically
- We tend to be understaffed
- Product management is not sales support.
- I need to visit the market to be a good product manager

Product Management ratios within the company

How are product managers allocated relative to other departments? For each Product Manager (PM), we find:

- 2.7 Products
- 0.7 Product Lines
- 1.0 Services
- 13.3 Developers

- 1.7 Development Leads
- 1.7 Sales Engineers/Pre-sales support
- 5.0 Sales people

For companies with both product managers and product marketing managers, the average is 3.82 product managers and 2.63 product marketing managers for 13.84 products.

Product management technology environment

Product managers use a fairly standard computing setup, usually a laptop running Office XP, with these operating system characteristics:

- Windows 2000 Professional (45%) or Windows XP (38%)
- Internet Explorer (95%)
- 1024 x 768 screen resolution or better (85%)
- Java with cookies enabled (97%)
- Plug ins installed
 - Shockwave Flash (94%)
 - Adobe Acrobat [PDF] (72%)
 - RealPlayer (50%)
 - QuickTime (20%)



Steve Johnson is an instructor for Pragmatic Marketing. Prior to joining pragmatic Steve launched 22 products over 18 years for software and hardware companies specializing in client/server, mainframe, and PC.

Regional impact on compensation

Compensation (in US\$)	Female			Male			Overall		
	Salary	Bonus	Total	Salary	Bonus	Total	Salary	Bonus	Total
Mid Atlantic	\$85,154	\$10,900	\$96,054	\$92,278	\$10,286	\$102,563	\$89,290	\$10,542	\$99,832
Midwest	75,941	6,818	82,759	82,404	11,649	94,053	80,688	10,542	91,229
North East	87,600	15,625	103,225	99,070	12,194	111,264	94,853	13,250	108,103
Pacific Northwest	86,667	4,000	90,667	87,563	7,333	94,896	87,421	6,857	94,278
South	83,100	12,000	95,100	89,647	11,174	100,821	88,159	11,367	99,526
Southwest	93,250	9,200	102,450	83,333	11,250	94,583	86,783	10,647	97,430
West Coast	90,452	6,421	96,873	106,571	14,537	121,108	101,255	11,967	113,222
US Average	\$86,252	\$9,914	\$96,167	\$94,097	\$11,943	\$106,040	\$91,650	\$11,363	\$103,013
Canada (in US\$)	77,556	3,500	81,056	74,750	12,500	87,250	75,432	11,115	86,548
Canada (in CN\$)	\$102,916	\$4,645	\$107,561	\$99,193	\$16,588	\$115,781	\$100,099	\$14,750	\$114,849

Compensation for 2002

Results from last year's survey showed a product manager's average salary was \$88,496 plus \$8,092 annual bonus.

BOOK REVIEW

Revenue Rocket: New Strategies for Selling with Partners

by John Addison

Review by Greg Cohen

In *Revenue Rocket: New Strategies for Selling with Partners*, author John Addison shares fifteen strategies and 110 action items to increase sales. It is geared towards professionals who use partners to sell to and support their customers. Unlike some books that never get beyond theory, this book is packed with practical advice that can be put to immediate use.

The author opens by saying that

We are in a period of transition. The old strategies centered on resellers, not selling partners. Strategies centered on fulfillment, stuffing channels, and bypassing resellers once sales started doing well. The new strategies with partners center on market leadership, partner excellence, and sales leverage.

Mr. Addison should know: he is the founder of OPTIMARK, a leading consulting firm focused on sales channel strategy and partner development. OPTIMARK has worked with such leaders as General Electric, Veritas, and QLogic. Prior to founding OPTIMARK, Mr. Addison was an area channel manager for Sun Microsystems. He is considered one of the early architects of Sun's channel program and led his sales team to 300% annual growth for three years.

The book divides partners into three types of channels:

1. **Solution Providers** – this partner makes your product part of a complete solution. They are often called system integrators, service providers, OEM's, and value added resellers.
2. **Resellers** – this partner sells products from many different companies. They tend to differentiate on price and convenience. They are often referred to as reps, retailers, and distributors.
3. **Alliance Partners** – this partner complements your products. Often they do not even resell your product. Oracle and Sun Microsystems are alliance partners – each makes the others products more valuable.

The author then looks at the three areas of Market Leadership, Partner Excellence, and Sales Leverage, which

are necessary to create a high performance sales channel.

It all starts with *Market Leadership*. Companies achieve this by providing the best solution to a group or groups of customers. Companies that achieve leadership have the conviction to excel on cost, customer intimacy, or innovation, and are smart enough not to attempt all three. They know they cannot be everything to everyone. Leadership is earned one customer community at a time. For new products, the Mr. Addison recommends focusing on a customer community with a compelling problem and little competition. Then, you should produce a game plan for expanding one segment at a time.

Realizing Market Leadership requires the right combination of channels, and this requires *Partner Excellence*. Mr. Addison focuses on how to attain lasting sales growth and offers guidelines for creating the ideal channel structure and coverage. Your channel partner must complement your market leadership strategy. If your product is complex, select a partner who is customer intimate and can transform your product into a complete solution. Creative partners excel at putting your product into their own. Lastly, cost leaders can allow you to scale quickly to meet the needs of a large market. The author also recommends having fewer highly productive partners. This will maintain profit margins and the interest of the partners while providing you with a much more motivated channel team. The author makes his point succinctly: "Train the best. Terminate the rest."

The last section of the book shows how to get *Sales Leverage* to accelerate revenue. It covers focusing direct sales and channel sales on the right set of customers and reducing channel conflict. But it is ultimately the customer that decides which channel to use and when. Your company must be structured to profitably respond to customer's needs and make supporting the customer seamless.

Revenue Rocket is easy to read and filled with many tips on establishing and leveraging your sales channel. The book is laid out such that if you have 10 minutes or 10 days you will find what you need. With plenty of useful guidelines and valuable recommendations, Mr. Addison's book is a thought provoking read. ❀

You can find a free 15 page executive summary of the *Revenue Rocket* at "Look Inside"
<http://optimarkworks.com/books/>