Newsletter Archives

January 2003

Welcome to the January, 2003 issue of the SVPMA newsletter. This issue covers the November meeting and the most recent book by Paul Wiefels of the Chasm Group. Also, in this issue, Contributing Editors David Highbarger writes about the challenges of internationalization a product and Sonya Doernberg explores careers in biotech marketing.

☐ SVPMA Calendar

January 8, 2003, Marissa Mayers from Google will present on Creativity in Product Management

☐ Around Town

Fundamentals of Product Management - Two Day Seminar

As another special membership benefit from the SV Product Management Association, we are offering a $500 off discount to members to the upcoming Fundamentals of Product Management offered by Sequent Learning Networks--

COURSE OVERVIEW: The Fundamentals of Product Management course teaches practitioners how products are created, developed, launched, and managed throughout the entire life cycle. Students are introduced to the disciplines of product planning, new product introduction, product life cycle management, and product portfolio management. It reinforces the need to link corporate strategies with customer/market information and product capabilities. Supporting this extremely thorough introductory course is an explanation of product management roles and activities. Through a series of "skill building" exercises and interactions, we equip the participant with key tools and skills, including market research, financial techniques, and cross-functional team building.

SPECIAL OFFER: The course is offered to members of the Silicon Valley Product Managers Association for only $895, which is $500 off its normal price of $1,395. This one-time only offer is valid only for the San Francisco delivery of this course (January 21-22) To register, you need to call 1-800-606-2777 and identify yourself as a member of the SVPMA.

ABOUT SEQUENT: Sequent Learning Networks uses a comprehensive curriculum derived from years of benchmarking companies, across

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industries regarding their product management and product development practices. We learned what the 'best of the best' do, and how the success rates of their products is higher than those of companies who don't utilize best practice approaches to managing their products. Sequent's curriculum leverages a phased methodology supported by best practices activities and tasks. It's curriculum is facilitated by experienced coaches who can guide participants using interactive discussions and relevant exercises.

ON THE WEB: Sequent can be found at www.sequentlearning.com

☐ 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 OnTheMove@svpma. org.

☐ November Event Review
Applying the Chasm Group Model to Product Management

Paul Wiefels, Co-founder and Partner of the Chasm Group, spoke to a crowd of over 100 product management and marketing professionals at the November 6th meeting of the SVPMA at the Wyndham Hotel in Sunnyvale. Paul presented on Applying the Chasm Group Model to Product Management, which is one of the topics covered in his recently published how-to book The Chasm Companion.

Paul opened with a reality check on the current high-tech malaise by covering what's in and what's out. Some of the highlights were:

OUT	IN
First Mover Advantage	First Prover Advantage
Revolutionary	Evolutionary
Horizontal	Vertical
Geographic Coverage	Domain Expertise
Strategic Partners	Value Chain
Catching the next wave	Fixing the leaky pipe
Vendor Centric Messaging	Customer Centric Messaging
Early Markets and Tornadoes	Bowling Alleys and Main Street

What's also out is your application category having its own line item in the budget. All the areas are now lumped in with the IT department budget. Since 40%-50% of a company's IT budget is already committed to maintenance, the total addressable market has already been cut in half.

But the news was not all bad, as Paul then reviewed the Chasm Model and launched into strategies to survive and even thrive in this current downturn. He offered five questions to evaluate one's current position:

- How vulnerable are we to fundamental marketplace change?
- How powerful is our category? Is the power of our category rising or falling?
- How important are we in the category? (also realizing that we can't be more powerful than our category)
- Do we have the right strategy to advance or survive?
- Does our organization understand what it takes to compete?
- Can we execute or are we playing to yesterday's rules?

Paul then stated that Product Managers must define themselves and take responsibility for much more than the product. They should really view themselves as Value Chain Managers because this is what is necessary to be successful. The product manager must manage the ROI of their solution; of which the investment includes the entire solution, for example systems integration, and not just the application. Further, the product manager must correctly address the needs of the technology buyer, end user, and economic buyer on the customer side. Linking these parts together completes the value chain. The way in which these links are managed will change throughout the Technology Adoption Life Cycle (TALC).

Companies must also focus on selling to pragmatists, as the visionaries who drive early adoption are in hiding after enjoying more than a decade in the limelight. The problem with pragmatists is that they see the risk before they see what the solution does. They believe their business is different and do not reference visionaries. Pragmatists buy a 100% solution. Therefore, the conventional approach of building to 80% of the common enhance requests will fail. To succeed in the bowling alley and in this market, you must focus on a single customer segment and build the whole product for that segment. You can then leverage that experience and product to move into a similar segment.

In conclusion, a company must change its strategy during the course of the TALC, sometimes acting in the opposite way. With this in mind and an honest assessment of your company's category and position, you can create winning strategies in this difficult market. To learn more about Paul Wiefel's presentation, click here to see the slides.

□ Internationalizing a Product: Product Internationalization 101

by David Highbarger

This article covers some of the critical basics of taking a product to international markets, focusing on software and web-related products from the perspective of US companies. There are many steps needed to successfully launch a product in a foreign market. As with any product launch, a company needs to conduct marketing research to determine product requirements, positioning, etc., as well as sign appropriate licensing, marketing and distribution agreements. What makes launching a product outside the US unique is the legal and cultural differences, as well as the internationalization of the software.

The best way to develop a product that will be marketed abroad is to build it from the very beginning with this in mind. This, however, is seldom done since the extra effort would delay the launch in the US market. This is not surprising since it is the largest borderless market for most products, where legal and cultural differences vary little compared to international markets. Therefore, it remains common practice to conduct market research, develop and launch a product solely looking at the requirements within the US.

Developing a product solely for the US, then subsequently reviewing how it can be marketed abroad also encourages a very common organizational structure; one that creates an international team that is separate from the original "domestic" team. Once a decision is made to internationalize a product, this almost always leads to freeze on any additional features while the infrastructure and features are made capable of working in an international environment. This freeze, as well as the fact that international markets can take 2-4 times longer to reach a positive ROI (doesn't help that most companies are driven by quarterly financial results), can easily cause friction between the international and domestic team. It is critical that the domestic product manager understands and supports the internationalization effort, since they almost always (my experience is 'always') have final say on the product roadmap regardless of market.

Once a product has been internationalized, it can lead to longer development time for adding additional features, since all features must support international requirements. With all this, it is not surprising that companies market abroad only after the market in the US starts to mature, and there is a feeling that they must go international to continue the expansion. Despite all the effort needed to market internationally, once established, it is not uncommon for international markets to show higher profit margins, partially because a lot of development costs are absorbed by the US operations.

I'll now review the three basic aspects that are unique to launching a product abroad: Legal and Cultural differences, Internationalization, and Localization.

Legal & Cultural

While there was a lot of press in tech circles about Yahoo being recently taken to court for allowing people to sell Nazi memorabilia in France, US companies being confronted by foreign laws is nothing new. One excellent way to effectively deal with the local culture, legal environment, etc., is to partner with a local company who has intimate knowledge of local laws, culture, business methods, etc. Coca-cola, McDonalds among others are successful examples of this. However, if you chose the wrong partner, you could end up locking yourself out of a market. Do your homework upfront. For example if you sign an exclusive distribution / marketing agreement in Japan you could very well be locking yourself out of 9/10ths of the market since the distribution system is not an open system like the US; in many cases it is restricted along corporate groupings. Do not assume anything. Research how other companies have entered the market or failed trying.

While I was developing some products for an international launch at Netscape, our local partner came back and asked us to change one of

our business practices. This partner was affiliated with an official government media organization, and they did not want to distance them (including being banned) by allowing certain content to be promoted. However this clearly clashed with Netscape's philosophy of a borderless, censorless Internet. After about three months of discussions which threatened to delay launch, we were finally able to reach a consensus, which caused me to slightly modify one of our business practices (this is an example of an unanticipated internationalization requirement which is discussed later in the article).

Almost any product launch has its unforeseen gotchas that have to be worked out. While product development gives you a straightforward but undesired choice between delaying a launch or dropping features, politics can be the most difficult since the solution is not always as clear-cut.

Getting the Software Ready

Once you have determined the internationalization requirements, preparing software for an international market is a two-step process: internationalization and localization.

Internationalizing a product simply means getting it ready for one or more non-US markets. Localization, on the other hand, means getting the product ready for a specific market. Understanding the difference here is critical, if you localize a product by looking at a single market, you may very well discover you need to go back to the drawing board before entering another international market. As mentioned before, internationalization almost always requires a product development freeze, so do the research upfront.

An example of this would be the registration. Netscape followed the traditional path, there were about 500 people assigned to the domestic website, and 30 people for the 15+ international markets. The registration process was US-centric, one line for street address, with the expectation of a five digit numeric zip code (which does not match most other countries). Since we wanted to allow applications to be customizable, this required a localized registration system.

The first step was to understand the various international requirements. We made a large effort to understand the various privacy laws since almost the entire world has stricter laws than the US. The regulations varied by different age groups. Further, we strove to create a registration form that allowed people outside the US to add their data naturally (not customized to US style of writing addresses).

This effort occurred during the time that the European Union was getting ready to implement new online privacy laws, and we did not want to be out of sync with this (again politics / legal). After researching the privacy policies for all the targeted regions, I was able to define the different age breakdowns for specific regions / countries. Interestingly, Latin America had the strictest privacy laws. We then determined the different registration field requirements, including which fields (e.g. 2 or 3 lines for street address) and methods to validate the info being entered.

Along with the business logic and general requirements, a good product manager must also get involved with many of the technical aspects. For example, when counting Chinese characters, which are double-byte, am I supposed to double the number of characters needed for that field when specifying requirements in my functional spec? By the way, the answer is 'no'. Or since the servers are located in the US, a German 11 year old registers, then when you see their age / country you must purge all their personally identifying info. There was some discussion as to whether the fact that the information may sit in memory constitutes a violation. The registration servers sat in the US, and we

had web servers in Germany, but concluded that it was unavoidable so we continued crossing our fingers. The point is that you'll spend a lot of time analyzing stuff that would not be necessary for a US-only launch. We were dedicated to establishing ourselves in Germany and wanted to abide by local laws instead of figuring out if we could escape them if we ran into trouble.

After gathering all these requirements and different scenarios, there was still a lot of work creating an integrated flow for the applications we were developing as well as minimizing the impact to the domestic team. Due to the various factors, including using a database that could not handle double-byte characters, it took almost two years to internationalize our registration system, even longer if you count other earlier attempts.

So once you get the product ready for an international audience, then you must localize it. Sticking with the registration example, we then had to translate the help files and instructions, make sure the proper fields were correct, and that they flowed properly. After we were done with all this, it was ready for a single international market. We were able to expand easily into other targeted markets since we did the proper research upfront and had internationalized our registration system to accommodate each countries local requirements.

In conclusion, developing a product for either domestic or international markets have a lot of similar steps; conducting market research, establishing marketing and sales channels, marketing materials, PR, etc. The difference between getting a product ready for a domestic market versus an international market is that almost all steps take longer and mistakes can be more costly, in both lost revenue (and legal issues if you did not do your homework upfront) as well as additional engineering effort. Organizational structures that separate out and subjugate the international team also subjugate their efforts and potential return of international markets to domestic markets. To be successful in international markets, it is necessary that the entire organization supports expanding abroad and has a realistic understanding of the effort needed to make it successful.

David Highbarger started his product management experience while working for IBM in Japan. He honed his web experience during his four years at Netscape, where he successfully established several new products in the Asian, Latin American and European markets.

□ Thinking About Biotech? Some Words of Advice From Those In The Field
by Sonya Doernberg

With high-tech being caught in a downward cycle, many Silicon Valley Marketing professionals are considering a transition into biotech. The biotech sector has been getting a lot of attention due to its relatively stable growth. Other factors, such as the mapping of the human genome and the threat of a biological warfare have woken up the scientist, if not the crusader, in many of us.

How is biotech marketing different from high-tech marketing? Here is what I was able to learn in talking to Exelixis and Gilead.

Located in South San Francisco, Exelixis collects genetic data from fruit flies, worms, zebrafish and mice to develop drug targets for cancer

and other diseases. These drug targets are of interest to companies looking to design new medications.

Jane Greer, The Vice President of Communications at Exelesis, says that biotech product development is highly regulated. It can take as long as a decade to bring a new treatment to fruition. As a result, many of competitors become collaborators in the process. Exelixis, for example is sharing some of its discoveries with Bristol-Myers Squibb to create new cancer therapeutics that would kill cancer cells while leaving normal cells intact.

Heavily engaged in development and research, Exelixis, like many young biotech companies, has yet to introduce a product to market. In the early stages of a biotech company or start-up, public and investor relations groups are the marketing arm of the company.

In contrast, Foster City-based Gilead has six products on the market. Gilead is a biopharmaceutical company, focused on therapeutics for infectious diseases. A balm by the name of Tamiflu is designed to fight the flu bug. AmBisome, a "best-seller" in its category, is used to combat systemic fungal infections that can accompany AIDS. Viread is Gilead's HIV therapy product used with other antiretroviral agents. DaunoXome treats Kaposi's sarcoma. To cure eye infections, Gilead rolled out Vistide. And hepatitis B is treatable with Hespera. Founded in 1987, the company has more than 1,000 employees worldwide. Its well-known chairman, Donald Rumsfield, resigned in 2001 to be come U.S. Secretary of Defense.

Amy Flood has been with Gilead's communications group for three years. "Marketing starts with physicians," said Amy. "This is a physician-driven market. Marketing begins with clinical trials."

Clinical trials are medical research used to determine whether new drugs are safe and effective. The research is usually funded by a variety of organizations or individuals such as physicians, medical institutions, foundations, voluntary groups, pharmaceutical companies, and federal agencies. Clinical trials is one of the reasons why it can take 10 years to bring a therapeutic product to market.

As an English major with an interest in science, Amy spent several years at a New-York based public relations firm, focusing exclusively on pharma and biotech accounts. Amy has always found biotech to be very rewarding because of its potential to save lives. However, she also thinks that many P.R. skills are transferable from industry to industry and that P.R. tactics are essentially the same across many industries.

I asked Amy what words of wisdom or advise she has for those who are contemplating a transition into biotech. "Take a look at your skill set and how to translate them. You may have to take a step back in terms of title or make a lateral move." It is important to be ready to "jump in with both feet." Her most encouraging words to those seeking refuge from high-tech: "Smart people are smart people."

Sonya Doernberg has been working in market research for over 15 years. Her background includes hardware, e-commerce, financial services, and health care industries. She is a graduate of the Wharton School of Business.

☐ Book Review: *The Chasm Companion.*

Paul Wiefels, of the Chasm Group, spoke at the November 2002 SVPMA event about applying the Chasm Group Model to Product

Management. In this issue, we review Paul's new book, *The Chasm Companion.*

On the cover of *The Chasm Companion* reads "a fieldbook to Crossing the Chasm and Inside the Tornado". These earlier works, published by Chasm Group founder Geoffrey A. Moore in 1991 and 1995 respectively, remain two of the most important texts written about high tech marketing. Adding to these titles is no small task, but Paul Wiefels achieves his goal of creating a useful field book and meaningful text in it own right.

The Chasm Companion shows the reader how to execute on the marketing strategies laid out in Moore's earlier writings. The book is divided into three sections:

1. How High-Tech Markets Develop
2. Developing a Strategy
3. Taking the Market Development Strategy to Market

Part 1 covers the Chasm Group Strategies that have been the subject of Geoffrey Moore's books. It begins with a back to basics, post internet bubble review of the technology adoption life cycle (TALC): it starts with the early market, proceeds through the chasm, the bowling alley, the tornado, and ends on main street. If you have read the other books listed above, this is a solid refresher with some great real life examples. If not, this section covers the concepts in enough detail to realize the full benefit of the other two sections.

At the end of section one, it is clear that the optimal strategy depends on where your company's products are on the TALC and your market position. This creates a smooth transition into Part 2, which has a series of tools to help the reader develop a market strategy. The reader uses the first tool to locate where his or her products are on the lifecycle curve. The next chapter addresses discontinuity analysis to measure whether the benefit or gain realized by the customer justifies the outlay or pain required to implement to the solution. Finally a nine-point checklist lets the reader identify everything from the target customer, to necessary partners, to pricing, and competition. This checklist is the basis of the market development strategy. Paul then covers the variables that effect the ability to create a market, the attractiveness of that market, and ultimately impact the company's ability to penetrate that market. The relative priority of the elements on the checklist change throughout the TALC and with a company's market position relative to the competition.

The final section, Part 3, details four initiatives that can determine the success or failure of the market development strategy. This includes validating the strategy, delivering the whole product, the marketing communications plan, and field engagement strategy. In the strategy validation, the reader tests whether the assumptions behind the nine-point checklist are accurate. Delivering the whole product deals with completing the value chain for the customer based on the TALC. For the early market, the generic product is sufficient and the customer will cobble together the necessary pieces to complete the solution. But your company will never cross the chasm until the whole product is present and elements of the whole product will change as the product matures. The marketing communications plan focuses on creating demand for the product and shortening the sales cycle. Finally, the field engagement strategy aligns your company's selling process with the target customer's buying process.

Another element of the book that makes it unique and valuable is the considerable space devoted to succeeding as the number two, three or

Nth player in the market: in Chasm speak, the chimpanzee or monkey. There are many successful companies that do not enjoy gorilla status in their market space. Paul Wiefels shows how the strategy differs, sometimes radically, when you are not the market leader.

I lifted the following from the epilogue of the book. It sums up the need for a company's strategy to be dynamic as a technology market matures.

"A company's competitive advantages in sum can be sustained over time. The parts that make up these advantages, taken singularly, are not sustainable."

Put simply, what made you successful today will not make you successful tomorrow and this is why you should read *The Chasm Companion*.

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☐ Letters to the Editor

Do you have an issue you would like to share with the membership, feedback on a presentation or article, or suggestions for the newsletter? Let us know. Please email all comments to letters@svpma.org.

SVPMA is an 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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