

Planning Software Products That Sell

Monthly Software Product Management Tips

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THIS MONTH

- ▶ Product Innovation Engine: The Impact
- ▶ Management Presentation Available: Boosting Payoff..
- ▶ Identifying Innovation Loss Streams
- ▶ Quote of The Month/ Product Positioning
- ▶ Metrics of the Month: Time to Commit
- ▶ Next Month's Metric Question: Requirements Coverage
- ▶ Upcoming Product Development Conferences

PRODUCT INNOVATION ENGINE: THE IMPACT

Last month we introduced to you the metaphor of the Product Innovation Engine as your management system to pump a steady stream of superior value to your target customers.

As shown at right, an excellent product innovation engine pays off in reduced sales cycles, premium prices, longer market life, and internal and external buzz and excitement.

The engine is a "machine" that generates better products faster by translating ideas, resources and market & technology insight into clear differentiation and superior customer value.

Better Products Faster
Improved product differentiation
Increased product/ feature throughput



- Attract new customers**
- Reduce sales cycles/costs**
Shorter sales cycles/ Higher win rate
- Command premium prices**
Higher margins/ Less discounting
- Increased customer satisfaction**
Increased re-purchase/pull through
- Lower support costs**
- Earlier product release**
Longer market life
Fewer cancelled projects
- Market buzz**
Stronger market launches
Brand building
- Internal excitement**

Management Presentation Available

BOOSTING YOUR PAYOFF FROM YOUR PRODUCT INNOVATION INVESTMENT

We've recently created a new management level presentation to discuss some of the issues associated with boosting the payoff from your product innovation investment. It outlines the payoffs available from improving the performance of your products engine, the key barriers to improvement and a set of steps in assessing the strengths and weaknesses of your product engine. The presentation can be viewed by clicking the link below:

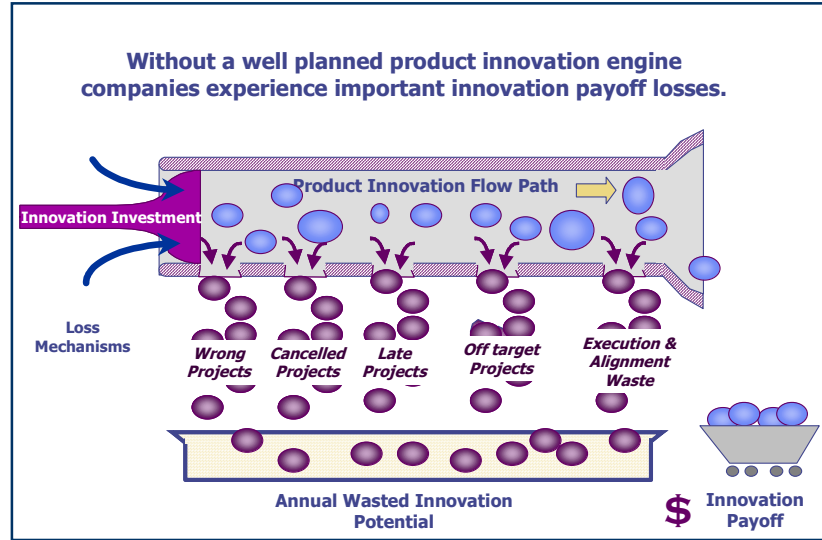
http://product-masters.fugent.com/vp_05062003/

PRODUCT ENGINE LOSSES

One useful vision of the **Product Innovation Engine** is to think of flow through a pipe. Product development projects of various sizes, shapes, duration and value are propelled according to a defined cadence along the innovation flow path.

The output of the engine is measured by the expected (forward looking) or actual (backward looking) commercial value of the products exiting the pipeline.

While this innovation payoff is a critical measure of the effectiveness of the engine, it can often be of greater value to evaluate the loss streams associated with your engine. The loss streams include:



▶ **Wrong projects** – The lost potential when projects with sub-par payoff –pet management projects, last big fantastic order driven etc. – are executed instead of those with clear value, strategically aligned to customer needs and development competency.

▶ **Cancelled Projects** – The economic value of resource (wasted pipeline capacity) wasted on cancelled projects

▶ **Lateness** – The lost profit from shortened selling life from bringing products to market late. (Don't forget to include any schedule excesses your company may incur due to delays in 'time to commit") (See metrics discussion below.)

▶ **Off -Target Projects** – Reduced value of your innovation out put due to missing the mark on product definition or by dropping important features to "get that product shipped".

▶ **Execution Waste** - Excessive effort to execute projects due to poor definition of practices and processes – making the same mistakes over and over, missed handoffs etc.

▶ **Alignment Waste** – Waste due to different silos operating around differing agendas. Development chooses one course, sales believes the opportunity is somewhere else and marketing is communicating to a still different audience.

[Click here for the Product-Master's Management presentation " Boosting the Payoff of Your Product Innovation Engine"](#)



Our Product-MASTERS studies have shown that innovation loss streams can easily reduce the efficiency of a typical innovation engine by 65% or more.

More...

Further information on the Product Innovation Engine concept can be found in our recent article published by CincyTechUSA. To read the article go to:

<http://www.cincytechusa.com/story/0303innovation.asp>

Quotes of the Month

PRODUCT POSITIONING

Planning products that sell requires that we develop products that have a clear market position.

As implied by quote 1, we're big advocates of making sure that you have a standard approach to many product development competency issues – positioning included.

But we also think it's good to have more than one tool available to do the job. (See quote 2.)

Last month we explored a positioning formula from a book by Gary Lundquist: "[Technology and the Agents of Change](#)". In a previous issue we described "value propositions" (when, what customer, what action, competing alternative, what received, experiences –positive, neutral negative).

This month we'd like to explore the formula used by creativity guru [Doug Hall](#), President of Eureka ranch an "inventing, training and research" firm.

Hall outlines his method in his book "[Jump Start Your Business Brain](#)". While far from a method focusing on software we find much of the advice useful.

In summary Hall recommends that as early as possible you explore the following for each product concept to enhance it's probability of being a winner:

The Overt Benefit

To get through the communication clutter, your products need to specifically, obviously & directly state what's in it for your target customer. Some common mistakes with defining the Overt Benefit are:

- ▶ Solving a non problem- be sure the benefit is relevant AND unexpected.
- ▶ Keep it simple – beware of assuming domain knowledge – but not too simple – distillation to the point it has no bite.
- ▶ Stay away from price – yes it's a benefit but a problematic one.
- ▶ Similar to Lundquist's method, arrive at your target benefit by: defining your target customer >> describe your features>> translate features into benefits>>turn benefits into overt benefits.

The Real Reason To Believe

Why should the customer believe you will deliver on the promise made above. The real reason to believe is relative to your overt benefit –it amplifies it. Hall points to five basic sources for delivering strong assurance about your benefit to your prospect:

- ▶ Kitchen logic – a clear direct explanation relying on common sense.
- ▶ Personal Experience – free samples, demonstration or sensory feedback.
- ▶ Pedigree –This can include marketing, trademark or development pedigrees.
- ▶ Testimonials –from key reference accounts, experts or media quotes



Quotes of the Month:

1. One falls to the ground in trying to sit on two stools. -- Francois Rabelais
2. Beware of the man of one book. -- Thomas Aquinas

- ▶ Guarantee – this needs to be aligned to the level of risk associated with using the product.

The Dramatic Difference

This is the area of greatest importance to product developers and planners since it is most closely related to the characteristics of the actual product – you can design this into your offering. In the words of one advertising executive “great products assure great advertising” -- and the heart of the great product is it’s differentiation.

Some key points:

- ▶ Once again the difference is relative to the target market and must flow from the chosen overt benefit and real reason to believe –since to be relevant it needs to impact the experience received.
- ▶ How new? For a product to be dramatically different it must break through the “natural gravitational pull of conformity”.
- ▶ To be sustainable the difference needs to be hard to copy and therefore hard to execute by your organization.
- ▶ Don’t solve yesterday’s problems – remain current with needs and alternative solutions.

The “Software Marketing Jingle”

Of course, if you lack an overt benefit, a real reason to believe and a dramatic difference you can follow the old advertising adage (as quoted in the book “Cluetrain Manifesto”) **“If you have nothing to say – sing it.”**

Metric of the Month

TIME TO COMMIT

One of the most insightful metrics from our report “Planning Products That Sell- Metrics and Best Practices for Boosting Your Product Development Payoff” was **“Time to Commit”**.



The survey found that reducing the dead space between the time when a firm senses an opportunity to when a commitment is made to begin development is a key contributor to a successful product innovation engine. Compressing this time is linked to a number of good practices including a clear process and a well defined project selection criteria.

Last month we asked you to weigh in on how this works at your software company. The results can be found in this box above.

If you would like to add your answer to this question it’s not too late -- click on the following link: <http://intercom.virginia.edu/SurveySuite/Surveys/Metric1timetocommit>

March Question: Time to Commit

Typically how long (in months) does it take your organization to decide to commit to a major development project (new product/new release) from first discussion to funding commitment?

Answer: 7.1 months (22 respondents)

This Month's Metric Survey

REQUIREMENTS COVERAGE

This month's question deals with requirements coverage. Not only are most development projects late, many get out the door only by jettisoning committed features. We'd like you to share how much of your product typically gets left behind.

To take this month's metric survey please click on the link below:

<http://intercom.virginia.edu/SurveySuite/Surveys/Metrics2reqtscoverage>

This month's survey question:

"Typically what percentage of the requirements in the product's approved requirements document are actually delivered at the time of release?"

For example delivering 24 of 30 requirements is 24/30=80%.

____% New product

____% Upgrade release"

UPCOMING PRODUCT DEVELOPMENT RELATED CONFERENCES

1. [Project Impact: Practical Strategies for Project Leaders](#) - Sponsored by Project Management Institute; May 12-14; Fairmont Hotel San Jose CA \$1795.
2. [Managing the Front End of Innovation](#) Sponsored by PDMA; May 29-30; Hyatt Regency Cambridge MA \$1795.
3. [Software Management: People, Processes, Products](#) - Sponsored by Software Quality Engineering; June 2-6 Fairmont Hotel San Jose CA \$1345.
4. [Maximizing and Measuring the value of Technology Alliances](#) - June 2-3. Battery March Conference Center; Boston. \$1895 per person.
5. [Building a Strategy Focused Organization](#)- Sponsored by the Balanced Scorecard Collaborative. June 2-4 Fairmont Copley, Boston MA. \$2995
6. [Driving Lifecycle Profits from Launch to Renewal](#) - Sponsored by PDMA and Management Roundtable. June 16-18, 2003; Wyndham Chicago, Chicago IL \$1595 + 1295 for pre-conference workshops.
7. [Managing Complex Product Development Projects](#) - Sloan School Executive Series July 10-11 2003, Cambridge MA; \$2600.

About the Author



A certified new product Development professional, Joseph Kormos is a consultant and facilitator who works with software and other technology companies to strengthen their internal capabilities in the areas of product management, product strategy, voice of the customer and innovation practices.

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