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Beware the Requirements Death Spiral

By Greg Cohen

A pattern I've observed in multiple companies over the years is product managers defining features and the implementation in their requirements documentation. When I see this, I know the company went into the *requirements death spiral*. The story of each company is always remarkably similar.

It starts off simply enough and with the best intentions: a product manager provides some high level requirements to their development team and asks for an estimate to do the work. When the estimate is longer than the time available, the product manager asks the team if they could try to make it happen by the deadline and assures them that the product is really very straightforward and there are no hidden surprises. Because the team wants to be accommodating, it agrees.

As the development progresses, new requirements are added as more is learned but the team is told the release date cannot move, parts of the requirements are misunderstood, the resultant solution does not match the product manager's or customer's expectations, rework is needed, and the schedule inevitably slips. Feeling powerless, the product manager points the finger at engineering for missing the date and getting the product wrong. Being blamed after having worked overtime and with heroic efforts, engineering points the finger right back at the product manager for not being clear on what he wanted and frequently changing his mind.

For the next release the product manager, a little wiser now, asks the development lead to sign-off on the requirements. This way the engineering team will somehow think it is legally bound to the terms of the requirements document. Product management also presses the engineering team to ensure the delivery date will be met. Having been burned once and also a little wiser, the engineering man-

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Inside this issue

January Event Review: "Launching a New Product" with Chris Yeh, VP Marketing, PB Works

By Cindy Solomon

At the January meeting of the SVPMA, Chris Yeh addressed the issue of Launching a New Product beyond TechCrunch. Introduced as one of the smartest guys in Silicon Valley, Chris earned two degrees from Stanford University and an MBA from Harvard Business School. Chris Yeh has been building Internet businesses since 1995. He has been a founder, founding employee, or seed investor in almost a dozen startups, and advises a wide array of startups ranging from network equipment makers to vertical search engines. Chris is the Vice President, Enterprise Marketing for [PBworks](), the world's leading provider of on-demand wikis and col-

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Nine Silver Bullets to Increase Marketing's Relevance: Enabling Greater Competitive Differentiation and Faster Revenue Growth

By Michael Cannon

The question, "what do we need to do to make Marketing more relevant to customers?", has been a topic of discussion in articles and books for decades. Yet the answer continues to be elusive, sapping the resources of every business.

The most recent reincarnation of this topic resides under the banner of sales and marketing alignment. And, while there are many good ideas for "what to do", true improvement remains minimal. The problem is that we are asking the wrong question. Instead, we need to focus on the systemic, root cause issues: "Why is it so difficult to increase customer relevancy?" Understanding "why" yields a more useful answer to "what do we need to do to make Marketing more relevant to customers?".

Before answering these questions, let's clarify some terms. The word, "customer", includes both Marketing's internal customers such as field sales, inside sales, sales operations, and field marketing, and its external customers such as the end users, channel partners, market and financial analysts, and investors. The word, "marketing", includes the product management, product marketing, and corporate marketing teams.

The Big, Visible Disconnect

When you peel the onion back on customer relevancy, what you find is that the disconnect is focused primarily on four categories of marketing deliverables:

1. Customer-facing collateral (company website, brochures, etc.)
2. Demand generation (advertising, events, etc.)
3. Internal-facing sales tools (competitive analysis, market opportunity overviews, etc.)
4. Sales support training (product training, competitive training, etc.)

When you peel down to another layer, what you see is that it's often not the deliverable that's the problem but rather the content in the deliverable — or more specifically, the lack of effective content: content that is focused on your product and what it will do instead of being focused on how the customer can more successfully achieve his or her business objectives using your product.

Think about it like this: content are the words you use, both written and verbal, along with the supporting visuals, to persuade people to do business with your company. Content is integrated into every marketing deliverable. The less effective the content, the less effective the marketing deliverable. It's that simple.

Proof that both the content and marketing deliverables

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are ineffective can be seen year after year in numerous research reports such as the one from which this excerpt was taken:

Some 58% of vendors' marketing content is not relevant to potential buyers and reduces vendors' chances of closing a sale by 45%.
Source: IT Buyer Survey, International Data Group, December 2008

Nine Silver Bullets to Fix the Disconnect and Increase Marketing's Relevance

Now let's get back to the question of "why." Below are the top nine reasons why it's so difficult to improve Marketing's relevance to customers and some practical ways to make meaningful improvements:

1) Poor visibility into the true cost of ineffective content. SBG research indicates that the true cost of ineffective content is between 10% and 30% of a company's annual revenue. In the U.S. alone, B2B companies lose hundreds of billions of dollars annually using ineffective content, e.g., content that is not customer-value-based, differentiated, or segmented. There is no line item in the P&L for the cost of ineffective content. The cost is hidden in the company's business model in the form of higher discounting, lower win rates, and slower revenue and market share growth. It's hidden in Sales' (field, inside, field marketing, sales operations) and the channel partners' budgets as the percentage of their time spent trying to close the gap between what they need and what Marketing produces.

Solution: Gain visibility into the true cost by conducting assessments such as a Sales/Channel Time Usage Study, a Collateral and Sales Tools Gap Analysis, or targeted surveys.

2) Inaccurate map of the categories and types of messaging required for market success. When you look at the types of conversations we need to have with end-user customers, it quickly breaks down into three, as defined by the buyer's primary buying questions:

- Why should I meet with you?
- Why should I change-out my current solution for a new solution?
- Why should I buy this new solution from your company instead of from other competitors?

The problem is that most companies are using corporate, market, and product messaging to answer the prospective customer's key buying questions and it's not working. These categories of messaging are just too high-level and descriptive to be effective, as the research referenced above indicates.

Take a look at this customer messaging map. As you see in the product messaging category, most of the messaging describes what the product does, what's included, how it works, and what some of its key benefits are. It's all the typical "content" in a product brochure. What it does not provide is a persuasive answer to the prospective customer's key buying questions. What's missing, as you can see from the map, is an entire category of messaging called "sales messaging". This new category is designed to provide highly persuasive answers to the prospective customer's key buying questions. It enables the sales conversation that both Marketing and Sales need to have with customers.

Marketing needs to integrate both *descriptive* messaging and *persuasive* messaging into its content in order to be more relevant to customers.

Solution: Use the sample customer messaging map as a reference, and create a company customer messaging map that's aligned with Marketing and Marketing's customers, too. Then create the required messaging and integrate it into your content and marketing deliverables. The result is a structure that gets all stakeholders on the same page, prior to the development of your messaging and go-to-market tools.

3) Lack of clear differentiation among messaging, content, delivery tools, and tactics. Messaging, as

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defined above, is integrated into the content, via the copyrighting process, which is then integrated into delivery tools. Separating messaging from content enables you to make sure the content is highly effective. Separating content from delivery tools enables you to reuse the content within multiple delivery tools. For Marketing, the delivery tools can be landing pages, collateral, whitepapers, websites, and presentations. For Sales, the delivery tools can be competitive briefings, ROI calculators, call guides, and sales support training such as product or sales opportunity training. These "delivery tools" are then presented to the customer via various tactics. For Marketing, the tactics can be campaigns, seminars, trades shows, etc. For Sales, the tactics can be sales conversations, emails, and voicemails.

Solution: Create a company customer engagement model with a common vocabulary for each of the components that Marketing creates and that Marketing's customers use.

4) Misguided priority setting. Messaging is not seen as the *only* item that has the greatest impact on the effectiveness and success of *all* the marketing deliverables. Instead, it's seen as just one of many marketing deliverables (demand generation, collateral, website, sales tools, channel training, PR, etc.) that needs to be produced to launch and support products.

Solution: Get your priorities right. Acknowledge that messaging is "the fuel" on which your marketing and sales engines run. Then reprioritize and renegotiate deliverables with stakeholders so that you have more of the resources and time needed to produce highly relevant messaging, content, and deliverables. It's far better to produce more effective messaging and fewer, more effective deliverables than the other way around, as is so often done today.

5) Erroneous business model for allocating sales and marketing resources. A large percentage of the channel readiness work needed to enable the channel (field sales, inside sales, customer service, and channel partners) to successfully sell the value of the company's products and services is not clearly defined across the marketing and channel organizations. The impact is that the resources required to complete the channel readiness work are not allocated correctly, or are underfunded. Studies indicate that 25% or more of the channel readiness work is done by the channel, one rep at a time and one deal at a time, as the high-level descriptive messaging is translated into sales messaging/conversations. From a business model perspective, wouldn't it be more effective to have Marketing do more of this work and then leverage it over your entire channel organization? The answer is an obvious yes, but tasking Marketing to do more of the channel readiness work, even if it wants to, will have limited success.

Most marketing organizations are already resource-constrained and unable to fulfill many of their commitments. The business model restricts the reallocation and reprioritization of sales and marketing resources needed to increase performance.

Solution: Gain a clear understanding of how much time and effort your channel invests into re-creating messaging and collateral — and why they do it, and calculate the dollar value of the work. Then create a channel readiness model that defines the kinds of messaging and tools needed to support the sales cycle, from lead generation to retention, and agree on which stakeholder is responsible for creating each deliverable. Combine this work with the ideas above, and you will have a much better business model for correctly allocating sales and marketing resources to drive greater market success.

6) Ineffective new product development process or commercialization process. In addition to fixing the business model, the new product development process (NPDP) must be revised. The NPDP in most companies focuses on how to bring new products and capabilities to market quickly. While these capabilities are typically wanted by the target customer, they are often not highly aligned with solving meaningful customer business problems and, in particular, the ones that the customer would be willing to pay money to get. Additionally, the NPDP produces mostly high-level descriptive messaging and content, resulting in less-effective channel readiness tools.

About 50% of all new products end up failing.

Solution: For greater market success, reframe the product development process into a customer development process. You can move in this direction by integrating sales messaging and Geoffrey Moore's Technology Adoption Life Cycle into the NPDP, starting at product definition. Combine this work with #5 above and you will have a much more effective process for bringing successful new products to market.

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7) Lack of skills and knowledge to create the most persuasive messaging, a.k.a. sales messaging. Addressing the systemic issues above is necessary to increase customer relevancy, but it's not enough. This is because most marketers do not have the skills for "how to" create highly persuasive messaging, but think they do. What've been missing up until recently are objective criteria to evaluate messaging effectiveness prior to testing or launch and a methodology to create highly persuasive messaging, a.k.a. sales messaging. It's a significant gap in Marketing's professional education.

Solution: Use the criteria above to assess the effectiveness of your current content and deliverables. If there is a meaningful gap, then create an internal core competency around sales messaging. The fastest and most cost-effective way to do this is by hiring a firm that has expertise in enabling organizations to successfully create, integrate, and deploy the most persuasive messaging, and the most effective collateral, demand generation campaigns, sales tools, and sales support training. If the skill set was easy to develop with internal resources, many of the problems discussed in this article would not exist.

8) Poor alignment around the definition, rating, hand-off, follow-up, and reporting of leads. There must be a Dilbert cartoon for this infamous pain point between Marketing and Sales. Marketing complains that it produces lots of leads but Sales does not follow up. Sales complains that the leads are mostly suspect, and thus useless, and/or too time-consuming to chase.

Solution: Create a sales and marketing effectiveness task force and empower it to create a solution around these items. Stop treating lead generation as a one-off campaign, and start treating it as part of the customer development business process. Then automate the business processes with a marketing automation platform, and use sales messaging as the secret ingredient to achieve the best demand generation results.

9) Limited sales experience. Some believe that marketing professionals will always struggle to be relevant to customers because most have little to no sales experience. They lack fundamental knowledge of what customers need (messaging and collateral) to make a good buying decision and what Sales needs (messaging, sales support training, and sales tools) to enable the customer to make a good buying decision.

Solution: While having a policy to hire more marketing professionals with sales experience and/or to rotate marketing professionals into Sales, or visa versa, makes sense, it's often a time-consuming and expensive long-term solution. By implementing one or more of the ideas in this article, you can cost-effectively enable Marketing to understand what its internal and external customers really need to be successful and how to give it to them. You can enable Marketing to be highly relevant to customers, to create greater competitive differentiation, and to be a driving force behind faster revenue growth. ⌘

Michael Cannon is an internationally renowned sales and marketing effectiveness expert and best-selling author on topics related to sales messaging and sales/marketing enablement. For more information, visit www.silverbulletgroup.com or call 925-930-9436.

February Event Review:

Practical Pricing Tips for Driving Profitable Growth with David Mok Chief Pricing Manager, Seagate

By Tejaswini Ravindra

David Mok, a pricing strategist offered unique insights into the strategic aspects of pricing and shared 5 simple rules to help you manage your business profitably. These concepts apply across B2B or B2C businesses whether you are selling software or a widget or services.

A McKinsey study showed that on an average for most companies, a 1% improvement in price contributed to an 11% improvement in profitability. How is that for a compelling reason to reexamine your pricing strategy?

In order of complexity, the three most prevalent ways of pricing are competition based (very simple), cost plus pricing and value based pricing (pretty complex to figure out). David shared specific examples of how companies can price their offerings to truly create a win-win situation for themselves and their customers. David Mok was instrumental in Seagate's pricing strategy. Seagate was pitted against a competing chip vendor to provide flexible communications equipment to a potentially key customer. Although their chips were priced higher at a chip level price comparison, Seagate won the account. How did they accomplish this? Seagate's sales team investigated the real problem that the customer wanted to solve. This allowed Seagate to change the scope of their offering to provide a solution that reduced both service cost and lower power consumption. The chip price was no longer the sole factor in the customer's decision. Understanding what the customer is buying ("Don't sell me toys, Sell my children many happy moments") is key to successful pricing.

Rule #1

If the value is not clear, your price will always be too high (Value Justifies your Price) did

If the customer does not see the value proposition of your product right away, any price you state will be too high. An example to illustrate this is when Seagate introduced three categories of back up hard drive with three tiered pricing structure. The top of the line product was basically a plug and play which needed no manual steps whatsoever. However this was not stated anywhere on the packaging thus not making the differentiation obvious. The result was that the higher end product completely failed to capture any market. Positioning and packaging your product are key to communicating your product's value and justifying the price you set. Another key takeaway: price your segment as different customers have different value for variations of the product. This leads us to the second rule.

Rule #2

Offer Trade-Off Scenarios ("Give-Get"), Not Concessions (Trade Value for Price)

You cannot expect customers to pay for value unless your price structure that aligns with value. You have to create options for your customers so you are able to serve a larger set of unmet needs at different price points. A direct feature to feature & price comparison with a competitor will give away information about your differentiation and drive the discussion to just price. However to ensure that the discussion comes

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Upcoming Events:

April 6th - Mike Gospe, Author, Marketeer, and Instructor

May 4th - Ann Ruckstuhl, Symantec

groups.yahoo.com/group/SVPMA/

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back to value and what you can offer, create alternatives for your customer for different price points. In other words, trade value for price. David shared an example where the customer was only willing to spend $25,000 for a prototype development where his company's original offering was priced at $100,000. They counter offered an alternate basic prototype (stripped away a lot of the bells & whistles) for the amount that the customer was willing to pay. End Result: They got the customer and did not damage the value of the original offering.

Rule #3

Knowing When to Fold is as Important as Knowing When to Hold (Know when to be Desperate)

Here are some numbers that show the type of impact a price cuts can have on a company's profitability and throw light on the commonly used line among Sales teams "We'll make it up in numbers". It's important to know at what point price cuts are not the right move for your company's strategy. Assess where your product's lifecyle is at in the context of your industry; before you start offering discounts to gain market share. This leads us to what David refers to as the most important takeaway of these pricing rules.

What Happens If You . . .

Cut Prices By . . .	% Volume Change (Breakeven Gross Profit)
5%	33%
25%	500%

Note: Assume 30% GM and no distributor margin

Rule #4

Get Control of Your Discounting with Rules of Engagement

Eliminating Unnecessary Discounts will Improve Profit Significantly. If you want to stop any habit (unnecessary discounting), you've got to replace it with something. First, recognize how bad the discounting is. Once you realize how much money you're leaving on the table in your negotiations, develop some rules for when you will and won't discount. Start with something like your smallest highest-value accounts and write those rules in stone. Notice the results. See, you didn't lose as many customers as you thought you would. Good discounts increase your footprint and are competitive.

Rule #5

New Products need a Context, without it, customers cannot evaluate a Price.

Any product needs a clear and compelling value proposition, more so with new and innovative products. New and innovative products sometimes get priced by the engineers who develop it or by using a cost plus pricing approach . This arbitrary pricing of new products have lead to pricing disasters for many new products. Pricing a unique new product requires thinking about value in unique new ways. Pricing a unique new product with no direct comparators is a challenging task. Understanding the critical issues, and processes, required to link the price with the value of the product is essential if you are to avoid pricing mistakes. Make sure that your marketer identifies and creates a clear value frame for your new product. Without the value frame, a potential customer cannot evaluate the value of your product and you cannot get the price you set for your product. ⌘

Tejaswini Ravindra is a Sr.Product Manager at eBay Inc. In her previous roles, she has led product management for SAAS and B2B software. Her interest areas include technology & business strategy, mobile applications & data analysis to drive better business decisions. As a product manager, she always strives for the most intuitive end user experience.

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ager starts to pad the dates and says that he cannot commit to anything sooner without more detailed requirements. This, of course, does not fix the problem.

Thus, the spiral begins. With each subsequent release the product manager demands ever more detailed time estimates from development. Development in turn demands ever more detailed requirements from the product manager. Without even realizing it, the product manager begins to specify the solution and the development team, not wanting to be blamed for any mishaps, starts to build exactly what is written without ever questioning it. Worst of all, the customer is disappointed and the product meets with only limited success in the marketplace.

The destructive feedback loop that sets-up the *requirements death spiral* is a fascinating phenomenon because both sides want to create a winning product and start with the best of intentions. Further, both sides are behaving completely rationally within the scope of their area (e.g. product management or engineering). Only when viewed from the perspective of delivering value to the customer and creating value for the company are product management's and engineering's actions so clearly counterproductive.

It is product management's responsibility to identify customer problems worth solving. It is engineering's role to identify technical solutions to those problems. Together, both sides must collaborate to create the optimal design that will solve the problem for the customer and delight them in its use.

Ultimately, the product manager is accountable for the product's success. Product managers, therefore, must be vigilant to avoid entering the death spiral. The easiest way to do this is to focus on the problem space and encourage engineering to apply their creative energies to the solution space. Product management and engineering are on the same team and share the same objective of creating value for their customer. The product manager's actions must reflect this truth. ⌘

"Beware the Requirements Death Spiral" is from the recently released book "42 Rules for Product Managers" edited by Greg Cohen and Brian Lawley of the 280 Group. For 41 other rules by leading product management experts from around the world visit http://www.280group.com/product-management-books.htm

Greg Cohen is a Senior Principal Consultant and Trainer at the 280 Group and the author of the book "Agile Excellence for Product Managers". He is a certified Scrum Master, former President of the Silicon Valley Product Management Association, and trainer to product managers from around the world on Agile development methods, Road Mapping, and product lifecycle issue.

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http://svpcamp.weebly.com/index.html

Access to the LinkedIn group is **exclusive** to current SVPMA members. The LinkedIn group provides one-degree access to other product management/ marketing professionals and the opportunity to demonstrate your affiliation by displaying the SVPMA logo on your LinkedIn profile.

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laboration software serving over 85,000 businesses, including 1/3 of the Fortune 500.

Previously, Chris was the first investor in and interim CEO of Ustream.TV, which provides an open and distributable platform for live interactive online video. Chris is also an active angel investor, author of the popular blogs, Adventures in Capitalism (http://chrisyeh.blogspot.com), and Ask The Harvard MBA (http://www.asktheharvardmba.com) and the founder and Chairman of the Harvard Business School Technology Alumni Association.

Chris opened with the humble statement, "I don't know if I'm the right guy to talk about launching a new product because product marketing and product management people (in the audience) have all kinds of experience in launching products… but what I do know a lot about is launching a product if you don't know if there's an established category, market, or even if there's a business opportunity."

Chris went on to pepper his presentation with first hand stories from his startup experience, including before Juno went public, and inviting Michael Arrington to speak on a panel about startups circa 2003/04 when Arrington was not recognizable and TechCrunch was unknown (and not yet sold to AOL).

It became clear that Chris was not addressing the tactical mechanics of how to gain headlines for a product you are launching, or even developing a strategy to bolster the launch, but most fundamentally highlighting the essential ingredients required to produce a viable product. His talk could have been titled, "Find your Market first, and then develop the product."

Chris employed a charming, non-academic presentation style to point to the core distinction that people think marketing is about getting the headline in the Wall Street Journal or TechCrunch, when marketing is NOT about getting press. Achieving press coverage is neither marketing, nor the causative action. Marketing is the cause that affects the press to exist. Marketing is about telling an effective story. He used the example of comparing Pixar's A Bug's Life to DreamWorks' Antz movies to exemplify that Pixar knows how to tell a story that is compelling, entertaining, heartwarming, and effective to a young audience.

Salient Takeaways:

1. Start marketing before you build your product: Build the desire, sense that there is a need in the marketplace, and then fill that desire

2. Identify and develop relationships with key influencers: How long does this process take? It depends on how much time you devote to it – do it part time, on the side, on the fly – 3-6 months to make a dent depending on how big a conversation you're trying to affect.

3. Build reserves of credibility you can tap later on

Identify Your Audience

Before you come up with the product or launch, decide who your audience is. Who is your market?

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1. Find people who are addressable – can you tell me what magazine or paper they read, what event they attend? If you don't know, then you don't have a real market you can reach.

2. What are you telling them? What is your sentence going to be – sum up your product in one sentence – if you can't boil down the story, more work needs to be done.

3. Why should they believe you? People think they can't believe "marketing" because they're paid to say things about the product.

The Hiten Shah Secret

From Hiten Shah, the founder of Kissmetrics:

1. Be a nice guy that everyone likes

2. Build a product that everyone likes

3. Market before you build the product

Develop Trust

Develop key relationships before you have the product for trust and believability.

Slowly build overnight success: "Timing, perseverance, and ten years of trying will eventually make you look like an overnight success." --Biz Stone (Twitter founded in 2006)

Become Part of the Conversation

Get inside the loudmouths, the people who control the conversations, the early adopters, thought leaders. To get thousands of followers – try to find the people already in the conversation and become part of the conversation.

1. Identify the key issues your startup touches

2. Become part of the conversation

3. Cultivate the influencers (follows & replies)

4. Produce (or borrow) compelling content

5. Build a need in the marketplace

6. Launch a product that fills that need, and only then can you

7. Print out the TechCrunch headline for your mom

How to market before you have a product?

1. Identify key issues that the product touches upon - something that's already out there that people recognize, become part of the conversation - don't create the conversation, participate in it and then steer it in the direction you want to go

2. Talk about things that already have interest, create compelling content, what excites you? The headline says something that relates to you

3. Build the need in the market place

4. Launch the product that fills that need, satisfies a need in the market place

5. When you can do that, you can create a headline

To follow Yeh's advice requires commitment and investment of time and focus to get to know the audience and become known by the thought leaders in order to engage in the conversation in the market place. Only then can you build the trust and listening to steer the conversation towards distinguishing a need and then launch the product that fills that need.

Yeh's direct and charming style presents this process as if it were a simple undertaking. Simple? Perhaps on paper, but not easy. ⌘

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