The Product Manager’s Handbook
THE PRODUCT MANAGER'S HANDBOOK

Fourth Edition

LINDA GORCHELS
Executive Education workshop materials (chapter by chapter) to accompany the Product Manager’s Handbook (4th edition) by Linda Gorchels. Can be used in conjunction with the book for university classes, but appropriate attribution is requested (i.e., do not remove the copyrights).
Chapter One

THE MULTI-FACETED NATURE OF PRODUCT MANAGEMENT
Product management timeline

Procter & Gamble introduces brand management for Camay, 1931

Other CPG firms test the brand management approach, 1930s +

Product management is covered in academic journals, with both positive and negative reactions, late 1950s – early 1960s

Brand management morphs into product management in non-CPG industries, 1960s & 1970s

Product life cycles are recognized as an important aspect, and the discipline of product management grows dramatically, late 1970s - early 1980s

Books, websites and associations dedicated to product management become common, 2000s on

Banks, hospitals, services and a host of non-traditional industries experiment with product management, early 1990s and beyond

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Let’s start with the basics

**Business Strategist**

Visionary with a passion for implementation. Must be both entrepreneurial and corporate-minded. Requires focus, but with adaptability, not allowing fire-fighting to overtake strategy. Can work with people from all levels and cultures. Responsible for financial success of products with minimal authority. Experience required. Superhero cape with a red S optional.

*E-mail inquiries to ...*
What is the best metaphor for a product manager?

Intrepreneur?

Quarterback?

Virtual CEO?
Product management is ...

... the entrepreneurial management of a piece of business (product, service, product line, brand, segment, etc.) as a “virtual” company.
Product managers are generally accountable for this piece of business without having direct authority over the entities that “make it happen.”
The product manager’s job is to oversee all aspects of a product or service line so as to create a strong value proposition and deliver superior customer satisfaction while simultaneously providing long-term value for the company.
Strategic product line planning

New product development

Product life cycle management

Annual marketing planning

Advertising & promotions

Sales support

Product support

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“The best personal advice [I can give product managers] is always be empathetic. That’s great advice for being a successful brand manager because it ensures that you always view things through the eyes of the customer.”

Mark Rothwell, VP-Marketing, Dean Clinic
Chapter Two

LEADERSHIP & MANAGEMENT COMPETENCIES
Growth Initiatives

Inorganic growth
Mergers, acquisitions, etc.

Organic growth
Product development, increased sales

Corporate Strategies

Business Strategies

Product/Service Strategies

Field strategies
The decision-making process:

1. **Frame the issue**
   - Look at it from multiple angles
   - Be objective
   - Analogies & metaphors
   - Brainstorming
   - Viewpoint shifting

2. **Gather data**
   - What did you learn? Seek continuous improvement
   - Decision tree weights & probabilities
   - Pros/cons or costs/benefits
   - Paired comparisons
   - Criteria or rules-based
   - Roll the dice!

3. **Evaluate alternatives**
   - Avoid snap decisions, but don’t overanalyze. It’s not right versus wrong!

4. **Select alternative**
   - Make it happen

5. **Act**

6. **Evaluate outcomes**

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Avoid influence roadblocks
Many stakeholders

- Engineering
- Channels
- General public
- Top management
- Mfg
- Customer Service
- Finance
- Customers
- Legal
- Marketing Research
- Sales
- Purchasing

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Need to break through the walls

Salespeople assume they “own” the customer relationship

“Techies” believe they are the guardians of innovation

Marketers feel they have objective information

Production wants to minimize change-orders

Project leaders push to meet critical deadlines

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Influence Stakeholders

• Communicate the product vision

• Build a track record

• Establish trust

• Keep learning
“If your actions inspire others to dream more, learn more, do more and become more, you are a leader.”

John Quincy Adams
6th president of the United States
Chapter Three

BUSINESS COMPETENCIES
Avoid fuzzy finance

- Separate facts from assumptions
- Maintain objectivity in forecasts and costs
- Solicit *true* product and customer costs
- Compare different financial drivers
- Know the impact of price changes on the bottom line and on volume requirements
Basic Financial Concepts

• General cost classifications
  – Manufacturing costs
  – Nonmanufacturing costs
  – Allocated costs

• Contribution reporting
  – Direct costs (cost drivers)
  – Indirect costs
  – Relevant costs
What are *relevant* costs?

Relevant costs are

- Costs that can be eliminated (in whole or in part) by choosing one alternative over another.
- Avoidable costs are relevant costs.

Unavoidable costs (rarely relevant to product manager decisions) include:

- ✓ Sunk costs.
- ✓ Future costs that **do not differ** across the alternatives.
Know the impact of contribution reporting (right) and comparative percentage changes (next slide)
<table>
<thead>
<tr>
<th></th>
<th>Original</th>
<th>1% price decrease ($198)</th>
<th>1% volume decrease (4950 units)</th>
<th>1% CGS increase ($121.20)</th>
<th>1% fixed cost increase ($353,500)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sales (5,000@ $200)</strong></td>
<td>$1,000,000</td>
<td>$990,000</td>
<td>$990,000</td>
<td>$1,000,000</td>
<td>$1,000,000</td>
</tr>
<tr>
<td><strong>CGS (5,000@ $120)</strong></td>
<td>600,000</td>
<td>600,000</td>
<td>594,000</td>
<td>606,000</td>
<td>600,000</td>
</tr>
<tr>
<td><strong>Gross margin</strong></td>
<td>400,000</td>
<td>390,000</td>
<td>396,000</td>
<td>394,000</td>
<td>400,000</td>
</tr>
<tr>
<td><strong>Operating costs</strong></td>
<td>350,000</td>
<td>350,000</td>
<td>350,000</td>
<td>350,000</td>
<td>353,500</td>
</tr>
<tr>
<td><strong>Net pretax income</strong></td>
<td>$50,000</td>
<td>$40,000</td>
<td>$46,000</td>
<td>$44,000</td>
<td>$46,500</td>
</tr>
<tr>
<td><strong>% change in income</strong></td>
<td></td>
<td>-20%</td>
<td>-8%</td>
<td>-12%</td>
<td>-7%</td>
</tr>
</tbody>
</table>
New investments

- Net present value
- Average rate of return
- Payback
- Internal rate of return

Evaluation tools
Economic value modeling

Example:
Reference price
Value of added benefits
  Monetary savings
    Longer life $1,000
    Lower failure rates 500
    Labor savings 2,000
    Total savings 3,500
  Monetary costs
    Switchover costs 1,000
  Net savings
    Economic value to the customer $12,500
    Incentive to switch 1,500
    Your price $11,000
Identify sources of profit leakage

- The difference between list price and street (pocket) price is your pricing waterfall.
- Identify the elements and discounts that erode profits – then take corrective action. This is the time to look at it as a policy (strategy) issue.
“Always befriend your finance team. A positive relationship with them can take you a long way.”

Mark Phillips
CMO GE Healthcare Asia-Pacific
The most important contribution of product managers is *applied customer knowledge*.
What is market insight?
Market insight is a process

It requires ongoing data streams from human, secondary and digital sources for broad foresight on the competitive environment IN ADDITION TO detailed analytics from explicit marketing research.
A common PM portfolio matrix

- **Repositioned product**
- **Derivative product**
- **Addition to product line**
- **Platform product**
- **New-to-the-company product**
- **New-to-the-world product**

**Newness**

**Familiarity**

- **Existing customers**
- **Similar customers**
- **Tangential markets**
- **Unfamiliar markets**

**Relationship to market**

- **Line extensions to sustain and grow the core business**
- **Line extensions & repositioning to penetrate adjacent & new markets**
- **New products and solutions to enable future sales**
- **Breakthrough products for disruptive growth**

Adapted from the classic Ansoff Matrix
Research approaches vary

<table>
<thead>
<tr>
<th>Product type</th>
<th>Newness</th>
<th>Familiarity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Repositioned product</td>
<td></td>
<td>Traditional surveys and voice of customer techniques</td>
</tr>
<tr>
<td>Derivative product</td>
<td></td>
<td>Non-customer ethnography, analogous industry research, expanded qualitative research</td>
</tr>
<tr>
<td>Addition to product line</td>
<td></td>
<td>Customer visits, ethnography, lead user input, open innovation, solution focus</td>
</tr>
<tr>
<td>Platform product</td>
<td></td>
<td>Trend projections, lead user input, market intuition</td>
</tr>
<tr>
<td>New-to-the-company product</td>
<td></td>
<td></td>
</tr>
<tr>
<td>New-to-the-world product</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Relationship to market

Existing customers

Similar customers

Tangential markets

Unfamiliar markets
External intelligence categories

Clock diagram with categories:
- **T**echnology
- **E**cosystem
- **I**ndustry
- **M**arket

Characters:
- **T**echnology:
  - Design technology
  - Process technology
- **E**cosystem:
  - Regulatory & political
  - Economic & environmental
- **I**ndustry:
  - Existing competition
  - New competition
- **M**arket:
  - Customers & Prospects
  - Societal changes

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Technology

• Describe technology, science & innovation in your industry and in similar industries.
  – Can technologies from other industries be adapted?
  – Are novel applications possible?
• What technological changes are expected or anticipated?

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Industry & competition

• Think about your current or prospective industry. What changes are occurring that might trigger innovation for your firm? How might product life cycles affect innovation?

• Who are your direct competitors and why?

• How are you uniquely positioned compared to these competitors? What is your value proposition; how will you innovate to maintain it in the future?
Porter’s industry analysis

- **Buyer power**
  - Economic size
  - Bargaining strength
  - Price sensitivity
  - Switching costs

- **Supplier power**
  - Economic size
  - Number of suppliers
  - Bargaining strength
  - Uniqueness of offering

- **Threat of new competitors**
  - Entry barriers (capital requirements, regulations, etc.)
  - Economies of scale
  - Technology protection
  - Current brand strength

- **Threat of substitution**
  - Easy to copy functionality
  - Emergence of new technology
  - Do-it-yourself potentiality
  - Perceptual changes

- **Existing competitive rivalry**
  - Oligopolistic or pure competition
  - Willingness to attack/defend positions
  - Financial strength
  - Exit barriers
# Categories of competition

<table>
<thead>
<tr>
<th>Type of competition</th>
<th>Identify who they are</th>
<th>Future Impacts</th>
<th>Implications</th>
</tr>
</thead>
<tbody>
<tr>
<td>Directly competing products</td>
<td>List competitors and specific product features</td>
<td>What percent of competition does this represent both today and in the future? For which customers?</td>
<td>How can you establish differential advantage against these products?</td>
</tr>
<tr>
<td>Category</td>
<td>Describe the category and the companies and products within the category</td>
<td>What percent of competition does this represent both today and in the future? For which customers?</td>
<td>How can you position your offering as best in category?</td>
</tr>
<tr>
<td>Substitutes</td>
<td>Describe the actual “need” the products and services provide with their functionality</td>
<td>What percent of competition does this represent both today and in the future? For which customers?</td>
<td>How can you influence the perceived risk of customers shifting to substitutes?</td>
</tr>
<tr>
<td>Budget</td>
<td>Highlight potential resistance of customers to spend money on your type of product or need</td>
<td>What percent of competition does this represent both today and in the future? For which customers?</td>
<td>How can you encourage shifting of budgetary expenditures to your product?</td>
</tr>
<tr>
<td>Organizational</td>
<td>Explain the “augmented” product provided by competing companies</td>
<td>What percent of competition does this represent both today and in the future? For which customers?</td>
<td>How can you develop collaborative efforts to better position your company over competing companies?</td>
</tr>
</tbody>
</table>
Market

• Is your primary market stable, growing, or declining? Have you saturated this market, or is there room for profitable growth?
• How might this change in the future, and what will be the implications for the types of innovation?
• Are there adjacent markets that offer opportunities for the future innovations?
• How do you get market inputs for innovations?
B2B Market Segmentation

• **Firmographics**
  - Size, location, NAICS

• **Operational**
  - Capabilities, user/nonuser

• **Purchasing**
  - Centralized/decentralized

• **Personal characteristics**
  - Demographics, psychographics

• **Situational factors**
  - Urgency, order size
Start with strategic segmentation

- Analyze existing customers: Who are our “best” customers? Can we improve their profitability? Can we “grow” more of them?
- Re-evaluate industry segments: Are there prospective new markets with underserved needs? Are some markets declining?
- Market entries and exits
- Strategic segmentation
- Positioning options: What competitive positioning might give me an advantage?
Revenues come from customers!

Attracting and keeping the highest-value market is the cornerstone of a successful business program.
Economy, environment, etc.

- What pending legislation might affect your future?
- Are there existing laws or requirements that pose opportunities or threats?
- What types of innovations might be necessary to respond to these issues?
Trend prioritization

- **High priority**: High significance and high probability
- **Moderate priority**: Medium significance and high probability
- **Low priority**: Low significance and high probability
- **High significance**: High probability
- **Medium significance**: Low to medium probability
- **Low significance**: Low probability

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Source: Adapted from Ed Crowley, “Market Intelligence versus marketing research, Quirk’s Marketing Research Review, December 2004, p. 64+
Hindsight + Insight = Foresight
“Google is not a synonym for research.”

Dan Brown
American author
Chapter Five

PLANNING FRAMEWORKS
A planning framework

1. Where are you now?

2. Where do you want to go long-term? (vision, goals, and strategies)

3. What are you going to accomplish this year to move closer to the long-term vision? (annual objectives)

4. What actions will help you accomplish the objectives? (tactics & tasks)

5. How will you implement, track & evaluate results? (performance measures & metrics)
Fact Book on Product Intelligence

Compile & organize external data & trends
- Technology inputs and processes
- Industry structure and key performance issues
- Competitive profiles & strategies (including possible substitutes)
- Segment size, growth rates, psychographics and demographics
- Trends, events and externalities affecting the product line

Evaluate past product performance against goal
- Financial metrics (sales, profits)
- Customer metrics (satisfaction, repeat purchase, referrals, brand equity)
- Product line metrics (complementary value, life-cycle, depth & breadth, relevance to future goals, 4R status)
- Marketing metrics (awareness, plan effectiveness)

Update goals, portfolios, roadmaps, strategies
Avoid fire fighting
Define a long-term portfolio

R&D Portfolio
- Roadmaps
- Fuzzy concepts
- Lead user or trend data
- Expected applications

New Products Portfolio
- Projects in development
- NPV
- Future resources
- Success probability

Existing Products Portfolio
- Core
- Ancillary
- Niche
- Renew
- Resurrect
- Retire

Umbrella Product Portfolio

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Develop your own product vision statement

• Think of the product vision statement as similar to the opening paragraph of a future annual report. There is no template. Every vision statement is unique to the specific product situation.

• Write a draft vision statement below.
Create strong objectives for annual plans

Specific
Measurable
Attainable
Results-oriented
Time-bound

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FACTS Tools for Planning

Flowcharts  Action maps  Checklists  Templates  Schedules

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## Typical plan components

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Vision statement</strong></td>
<td>Concisely define the future direction of your product portfolio and how this particular plan fits in. Link to corporate goals and visions as necessary.</td>
</tr>
<tr>
<td><strong>Goals or objectives</strong></td>
<td>State the long-term goals or short-term objectives in the SMART format. Add composite profit projections and augment with target market profiles and positioning – unless they are addressed more specifically by product later in the plan.</td>
</tr>
<tr>
<td><strong>Internal review</strong></td>
<td>Summarize high level product performance history, as well as product and company strengths and weaknesses relevant for this plan. If specific templates or checklists ensure compliance with company goals, include that here.</td>
</tr>
<tr>
<td><strong>External review</strong></td>
<td>Summarize high level components of the TIME analysis relevant for this plan. Include your insights as to what these mean for your product portfolio.</td>
</tr>
<tr>
<td><strong>Product innovation</strong></td>
<td>Describe key product development activities, projects and initiatives that fit within the planning cycle, including any launch initiatives. Highlight forecasts, market profiles, competitive benchmarks and “reasons to believe.”</td>
</tr>
<tr>
<td><strong>Lifecycle management</strong></td>
<td>Describe efforts for reinforcing, renewing, relaunching or retiring products during this planning cycle. Attach forecasts, market profiles and positioning by product or product category as appropriate. Include rationale and assumptions.</td>
</tr>
<tr>
<td><strong>Resource requirements</strong></td>
<td>Explain what support (people, time, money, operations, competencies, etc.) will be required to realize this plan.</td>
</tr>
<tr>
<td><strong>Stakeholder involvement</strong></td>
<td>Specify the functions who will necessarily contribute to the execution of the plan and what their roles will be. This should include both internal partners (such as R&amp;D and marketing) as well as external partners (channel, supply chain, lead users and others).</td>
</tr>
<tr>
<td><strong>Appendices</strong></td>
<td>Include financials (P&amp;L), supporting research, and continuation of ongoing activities from prior plans.</td>
</tr>
</tbody>
</table>
“...a key measure of the effectiveness of product managers is their ability to attract, mobilize, and motivate the resources to optimize their product. This requires an ability to (1) craft and sell compelling business cases; (2) negotiate, collaborate, and execute on plans; and (3) demonstrate leadership to gain followership.”

Brad Rogers
Director of Process Excellence
TIAA-CREF
Chapter Six

ROADMAPS, INNOVATION AND THE FUZZY FRONT END
Foundation Elements of NPD

• Focus on systematic series of actions
  – Structures, roles, incentives & norms
  – Ecosystem & governance

• Overall corporate climate & culture

• Business and product strategies
  – Vision, technologies & portfolio

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• Focus on specific product projects
  – Plans, schedules, process & timelines
  – Deliverables
• Project team and contributor inputs
• Specific product concepts, definitions, development
What is the fuzzy front end?”

The activities that precede what is traditionally considered the “official start” of a new product project.
Product Innovation Strategy

• Product strategy is a foundation element of the process
  – It precedes project-specific considerations of product development

• The core strategy should include both new (innovation) and existing products.

• The innovation strategy should consider the portfolio and pipeline of new products.
Innovation strategy components

• Statement of goals
  – e.g., % sales from new products, diversification, market dominance

• Areas of focus
  – e.g., which competitors, markets

• Alignment with corporate direction
  – e.g., fast follower or innovator

• Resource commitment, constraints

• Relevant platform and roadmap issues

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Roadmap basics

• A product roadmap is the business plan for the product owner
  – Containing probable scenarios based on current expectations, forecasts & assumptions
  – to aid in managing a product line’s growth

• A roadmap is not a project plan, but rather a strategy, business planning and communication tool.
Add pipeline management

Pipeline management refers to a balanced spacing (and trade-offs) of new product projects across the process.

- Do you have an ongoing pipeline of new products? Does it “fit” your culture?
- Are there different projects at different stages of development – with different time horizons?
## Stages of the Industry Life Cycle

The value is not as a predictive tool but rather as an insight tool.
Adjust strategies for ILC/PLC link

Industry life cycle (ILC)
- Introduction
- Growth
- Maturity
- Decline

Product life cycle (PLC)
- Introduction
- Growth
- Maturity
- Decline

- Market creation
- Shared market growth
- Positioning & differentiation
- Harvest; look for niches
- Reinforce strengths
- Market expansion & renewal efforts
- Evaluate for renewal, relaunch or retirement

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Time horizons for product growth

Product type

- New-to-the-world product
- New-to-the-company product
- Platform product
- Addition to product line
- Derivative product
- Repositioned product

Familiarity

- Existing customers
- Similar customers
- Tangential markets
- Unfamiliar markets

Newness

Relationship to market
The 3C Framework

Concept
- Roadmaps
- Strategy
- Ideation
- Business case

Create
- Business case
- Framing
- Oversight
- Gate reviews
- Beta programs
- Provisional plans

Commercialize
- Readiness
- Belief builders
- Training
- Plan execution
- Tracking
- Auditing

Product strategy → Ideation & concepting → Strategic filter → Business Case → Business screen(s) → Form, function & process design → Definition checkpoint → Prototyping & validation → Development readiness appraisal → Development

Development → Launch → Process review

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Multiple sources of product ideas

- Strategic thinking activities
- Customer research
- Internal documents
- Lead user studies
- Competitive comparisons
- R&D discussions
- Supply chain initiatives
- Past successes & failures

Potential new product ideas
How relevant is the advantage?

<table>
<thead>
<tr>
<th>Customer attitude</th>
<th>Attribute of product relative to competition</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Basic</td>
</tr>
<tr>
<td>Positive</td>
<td>Nonnegotiable</td>
</tr>
<tr>
<td></td>
<td><em>Perform at least as well</em></td>
</tr>
<tr>
<td></td>
<td>Discriminator</td>
</tr>
<tr>
<td></td>
<td><em>Differentiator</em></td>
</tr>
<tr>
<td></td>
<td><em>Perform better where it counts</em></td>
</tr>
<tr>
<td></td>
<td>Energizer</td>
</tr>
<tr>
<td></td>
<td><em>Exciter</em></td>
</tr>
<tr>
<td></td>
<td><em>Perform much better</em></td>
</tr>
<tr>
<td>Negative</td>
<td>Tolerable</td>
</tr>
<tr>
<td></td>
<td><em>Perform no worse</em></td>
</tr>
<tr>
<td></td>
<td>Dissatisfier</td>
</tr>
<tr>
<td></td>
<td><em>Perform below competition</em></td>
</tr>
<tr>
<td></td>
<td>Enrager</td>
</tr>
<tr>
<td></td>
<td><em>Perform much worse</em></td>
</tr>
<tr>
<td>Neutral</td>
<td>So what?</td>
</tr>
<tr>
<td></td>
<td><em>Does not affect buying decision</em></td>
</tr>
<tr>
<td></td>
<td>Parallel</td>
</tr>
<tr>
<td></td>
<td><em>Only indirectly influences buy</em></td>
</tr>
</tbody>
</table>


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Idea pruning

Use an idea funnel approach

Avoid idea tunnel

Strategic filter

Business screen

Definition checkpoint

Development readiness appraisal

Products

“Never kill projects — we just wound them!”

“Killing projects is like killing cockroaches … they never die!”

NO ideas rejected or put on hold.
NO concepts rejected or put on hold.
NO prototypes rejected or put on hold.

“Nobody wants to be the funeral director.”

“No is a four-letter word!”

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“The business landscape is certainly getting more competitive. More and more is expected of each business and each product manager. Innovation is becoming a mandate rather than an approach.”

Dave Franchino
President, Design Concepts
Chapter Seven

CREATING – AND GETTING APPROVAL FOR – BUSINESS CASES
A business case is:

A **structured proposal** for an **investment** (product, business, or process change) that functions as decision-support for decision-makers. Even though it needs structure, it should not be formulaic.

Determine price impact levers

Market price sensitivity

Product differentiation

Competitive response

- High response
  - Price mid-range
  - Price mid-to-low

- Low response
  - Price low
  - Price mid-to-low

Product differentiation

Competitive response

- High response
  - Price mid-to-high
  - Price high

- Low response
  - Price low-to-mid
  - Price mid-range

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<table>
<thead>
<tr>
<th>Needs</th>
<th>Importance</th>
<th>Initial metrics</th>
<th>Competitor A</th>
<th>Competitor B</th>
<th>Revised Metrics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lightweight</td>
<td>Must</td>
<td>Total mass in kg.</td>
<td>Competitor A will be lighter than concept</td>
<td>Equal</td>
<td>Need to reduce the mass</td>
</tr>
<tr>
<td>Can withstand rain and water contamination</td>
<td>Must</td>
<td>Time in spray chamber without water entry</td>
<td>Concept is better than A</td>
<td>Concept is better than B</td>
<td>Continue with initial metrics</td>
</tr>
<tr>
<td>Safe in a crash</td>
<td>Must</td>
<td>Bending strength of materials</td>
<td>Competitor A has superior bendability</td>
<td>Competitor B breaks sooner</td>
<td>Improve bending strength to match or surpass Competitor A</td>
</tr>
<tr>
<td>Easy to install</td>
<td>Should</td>
<td>Average time to assemble</td>
<td>Concept has quicker time than for A</td>
<td>Concept as quicker time than for B</td>
<td>Good performance as long as it does not add cost</td>
</tr>
<tr>
<td>Works with a variety of attachments</td>
<td>Should</td>
<td>List of attachments &amp; sizes</td>
<td>Similar product line fit</td>
<td>Similar product line fit</td>
<td>Continue with initial metrics</td>
</tr>
<tr>
<td>Competitively priced</td>
<td>Must</td>
<td>Target cost range</td>
<td>On track to be competitively priced</td>
<td>On track to be higher priced</td>
<td>Maintain target cost range and determine how to help customers perceive value</td>
</tr>
</tbody>
</table>

**Profile:** Define the target users in demographic and psychographic terms. Include a statement on the impact of influencers on the purchase decision.

**Use Situation:** Describe where and how target customers would use the product. Incorporate any insights from observation and design thinking activities.

**Non-functional requirements:** List any aspects of the product that may be important design parameters (such as appearance or feel) that may be necessary parts of the product even if they do not provide functional benefits.
## Forecasting comparisons

<table>
<thead>
<tr>
<th></th>
<th>Forecasting existing products</th>
<th>Forecasting new products</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Data</strong></td>
<td>History</td>
<td>Assumptions</td>
</tr>
<tr>
<td><strong>Analytics</strong></td>
<td>Statistical</td>
<td>Judgmental</td>
</tr>
<tr>
<td><strong>Forecast</strong></td>
<td>Point</td>
<td>Range</td>
</tr>
<tr>
<td><strong>Plan</strong></td>
<td>Certainties</td>
<td>Contingencies</td>
</tr>
<tr>
<td><strong>Measurement</strong></td>
<td>Accuracy</td>
<td>Meaningfulness</td>
</tr>
</tbody>
</table>


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Refining initial sales estimates

market potential \((from\ secondary\ and\ expert\ sources)\)
\[\times\] market share \((from\ your\ share\ on\ similar\ products)\ \textbf{OR}\)
\[\times\] \% likely to buy \((from\ customer\ surveys\ &\ channel\ input)\)
\[\times\] expected number of purchases \((from\ customer\ input)\ \times\ price\)

\[=\ \text{preliminary sales forecast}\]

\[\pm\ \text{impact of market friction} \ (\text{internal\ assessment})\]
\[\pm\ \text{corrective action taken by company to affect market friction}\]
- any cannibalization of existing products \((\text{internal\ assessment})\)

\[=\ \text{net sales forecast}\]
Business case components

Market
- Size
- Use(r)
- Profile
- Situation
- VOC
- Function
- Form
- Lifecycle

Product
- Design
- Development
- Plans
- Lifecycle

Industry
- Competition
- Positioning
- Trends
- Standards
- Development

Company
- Fit
- Strategy
- Portfolio
- Targets
- Finances

ASSUMPTIONS

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Pre-evaluate the business case

• Ask yourself (negative questions):
  – Why isn’t “this” already in the market?
  – What is a functional substitute and how is it doing?
  – Who is better positioned to sell and deliver “this”?
  – How can we fail?
  – How would we attack or cause a competitor to fail if they introduced “this”? 

• Ask yourself (positive questions):
  – What should we have or do to feel 100% confident (if I or a loved-one were to be solely responsible for the success of the new product)?
  – What would bring success faster?
“One of the greatest attributes of a strong product manager is the ability to periodically pause and consider whether there are logical inconsistencies in the plan or items completely forgotten.”

Kevin Booth
President, The Hines Group
Chapter Eight

OVERSEEING THE NEW PRODUCT PROJECTS
Time commitment changes

<table>
<thead>
<tr>
<th>Concept</th>
<th>Create</th>
<th>Commercialize</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low</td>
<td>High</td>
<td>Low</td>
</tr>
</tbody>
</table>

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Team decisions & processes

- Who should be the team leader and why
- Functional vs. co-location
- Amount of time devoted to project

- Establish mission and vision
- Integrate knowledge, project & risk management
- Avoid motivational mistakes
 Clarify Team Structure

Transparent

Heavyweight

Autonomous

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Differing views of stage-gate

Stages

- activities
- deliverables

Team member emphasis

Management emphasis

Go/ No Go Review

- deliverables
- results

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What is scope creep?

• Scope creep is defined as adding features and functionality (project scope) without addressing the effects on time, costs, and resources, or without customer approval. (PMBOK)
What to do about it....

• Check your strategy – is the change necessary?
• Establish a “contract” with the project team
• If change is required, use discipline
• Attempt “design around” changes to continue forward momentum
“The product manager is the single point of accountability for every aspect of the product [project, and] ... will need to provide different information at different phases of the development process.”

Laura Farnham
VP, Johnson Controls
Chapter Nine

FORMULATING AND EXECUTING LAUNCH PLANS
Within the governance cloud ...

The role of strategy heightens in the first and last segments.

- **Concept** (Design)
  - ideation
  - customer insights
  - design thinking

- **Create** (Develop)
  - business case & requirements planning
  - Team guidance

- **Commercialize** (Deliver)
  - beta programs
  - launch plan
  - training
# Pre-launch checklist

<table>
<thead>
<tr>
<th></th>
<th>Who?</th>
<th>Due date</th>
<th>Contingencies</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Product reality check</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- does it fulfill the original idea?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- does it still fit the market?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- is there competitive superiority?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Packaging</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- will it facilitate storage, use, transport and convenience?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- does it provide customer-friendly information?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Regulatory approvals &amp; standards</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- have all country, governmental and industry approvals been obtained?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- can you demonstrate compliance and efficacy?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Systems readiness</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- is IT ready for ordering and billing?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- are preliminary production runs complete?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Service &amp; tech support</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- is infrastructure in place?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- warranty programs ready?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- service programs defined?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- spare parts, loaners, upgrade tools?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Logistics</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- process map for physical movement to customer’s location</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Marketing decisions</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- pricing policies by market</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- roll-out sequence planned</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- marketing communications on track</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Marketing support</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- sales &amp; customer service training set</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- kick-off events and activities planned</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- collateral material ready</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Preparatory launch documents

- Milestone activities chart
- Marketing strategy
- Market & product profiles
- EARLY INDICATOR CHART
New product strategy outline

A. New-product objectives
   a. sales volume
   b. market penetration

B. Background summary
   a. total industry sales volume and trends
   b. major competitors and analysis
   c. market segment and potential

C. Product overview
   a. market requirements & specs
   b. brand name
   c. why is this better?
   d. ideal customer profile
   e. positioning

D. Entry strategy
   a. timing
   b. roll-out strategy

E. Company preparations
   a. internal announcements
   b. sales force tools
   c. customer service training
   d. field seminars
   e. policy statements

F. Marketing plan
   a. target market
   b. sales incentives
   c. channel incentives
   d. base price & discounts
   e. special promotions
   f. advertising

G. Resource requirements
   a. training tools & costs
   b. demos and tools
   c. launch events
   d. miscellaneous
Usability testing

- **Alpha**
  - Prototype testing within the organization

- **Beta**
  - Prototype testing with potential buyers

- **Gamma**
  - Tests conducted among stakeholders who are potential influencers of or barriers to new product acceptance

- **Delta**
  - Monitoring wear of product during usage
Beta program decisions

• “ideal” profile?
• how many sites?
• how long?
• who pays?
• mutual requirements?
Confirm systems readiness

• Ensure product readiness
• Work with sales administration, H.R., or relevant department in charge of training.
• Verify that systems are in place for ordering and support.
Build price/value into the launch

Risk reducers
• Beta test results
• Guarantees
• Free trials, demonstrations
• Belief builders such as testimonials, third party tests, marketing conversions

Training
• Ensure salespeople know the value proposition from the market perspective!
Launch is another project to manage

• **Who** is the primary target market?
• **What** specifics do you need to ensure?
• **When** should you plan your launch?
• **Where** should you launch the product?
• **Why** is your product better?
• **How** should you market your product?
POST-LAUNCH REVIEWS
Measures to track

• Early launch
  – actual to planned activities
  – % resellers stocking product (if relevant)
  – # sales calls (per call reports)
  – awareness
Measures to track

- Post-launch
  - unit sales
  - returns
  - discounts
  - service calls
  - customer acceptance
  - competitive response
  - shareholder value
Control plan

• Determine frequency of tracking

• “Red alert” strategies or contingency plans
<table>
<thead>
<tr>
<th>Potential Problem</th>
<th>Tracking</th>
<th>Contingency Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Salespeople fail to contact general-purpose market at a prescribed rate.</td>
<td>Track weekly call reports. The plan calls for at least 10 general-purpose</td>
<td>If activity falls below this level for three weeks running, a remedial program of</td>
</tr>
<tr>
<td></td>
<td>calls per week per rep</td>
<td>one-day district sales meetings will be held.</td>
</tr>
<tr>
<td>2. Salespeople may fail to understand how the new feature of the product relates</td>
<td>Tracking will be done by having sales manager call one rep each day. Entire</td>
<td>Clarification will be given to individual reps on the spot, but if first 10 calls</td>
</tr>
<tr>
<td>to product usage in the general-purpose market.</td>
<td>sales force will be covered in two months.</td>
<td>suggest a widespread problem, special teleconference calls will be arranged to</td>
</tr>
<tr>
<td></td>
<td></td>
<td>repeat the story to the whole sales force.</td>
</tr>
<tr>
<td>3. Potential customers are not making trial purchases of the product.</td>
<td>Track by instituting a series of 10 follow-up telephone calls a week to</td>
<td>Remedial plan provides for special follow-up telephone sales calls to all prospects</td>
</tr>
<tr>
<td></td>
<td>prospects who have received sales presentations. There must be 25 percent</td>
<td>by reps, offering a 50 percent discount on all first-time purchases.</td>
</tr>
<tr>
<td></td>
<td>agreement and on product’s main feature and trial orders from 30 percent</td>
<td></td>
</tr>
<tr>
<td></td>
<td>of those prospects who agree on the feature.</td>
<td></td>
</tr>
<tr>
<td>4. Buyers make trial purchase but do not place quantity reorders.</td>
<td>Track another series of telephone survey calls, this time to those who</td>
<td>No remedial plan for now. If customer does not rebuy, there is some problem in</td>
</tr>
<tr>
<td></td>
<td>placed an initial order. Sales forecast based on 50 percent of trial</td>
<td>product use. Since product is clearly better, we must know the nature of the</td>
</tr>
<tr>
<td></td>
<td>buyers reordering at least 10 more units within six months.</td>
<td>misuse. Field calls on key accounts will be used to determine that problem, and</td>
</tr>
<tr>
<td>5. Chief competitor may have the same new feature (for which we have no patent)</td>
<td>This situation is essentially untrackable. Inquiry among our suppliers and</td>
<td>Remedial plan is to pull out all stops on promotion for 60 days. A make-or-break</td>
</tr>
<tr>
<td>ready to go and markets it.</td>
<td>media will help us learn quicker.</td>
<td>program. Full field selling on new item only, plus a 50 percent first-order</td>
</tr>
<tr>
<td></td>
<td></td>
<td>discount and two special mailings. The other trackings listed above will be</td>
</tr>
<tr>
<td></td>
<td></td>
<td>monitored even more closely.</td>
</tr>
</tbody>
</table>

**Sample Control Plan**

Red alert strategies

• **Revise marketing strategy**
  – reposition product
  – repackage product
  – bundle or unbundle product
  – change pricing
  – identify new markets
  – change sales channels
  – partner with another company
Red alert strategies (continued)

- Revise product
- Pull product temporarily
- Abandon product
- Sell the product or rights to product
Process review & follow-up

- After the product is launched, a final review is necessary
  - How effective was the process?
  - Would process improvements make the next launch better?
  - Is the product effective in terms of the objectives established for it?

“Good judgment comes from experience... and a lot of that comes from bad judgment.”
“A successful launch begins early in the development process with a well laid-out plan that has flexibility. So many great products never make it to market because they are launched improperly.”

Elyse Kaye
Sr. Product Manager, HoMedics
Chapter Ten

LIFECYCLE MANAGEMENT
# Lifecycle strategy choices

<table>
<thead>
<tr>
<th></th>
<th>Reinforce</th>
<th>Renew</th>
<th>Relaunch</th>
<th>Retire</th>
</tr>
</thead>
<tbody>
<tr>
<td>% contribution to</td>
<td>high</td>
<td>mid to high</td>
<td>potential</td>
<td>low</td>
</tr>
<tr>
<td>profits</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Brand value</td>
<td>high</td>
<td>potentially high</td>
<td>potentially high</td>
<td>declining</td>
</tr>
<tr>
<td>Strategic fit</td>
<td>solid</td>
<td>can be grown</td>
<td>can be grown</td>
<td>declining</td>
</tr>
<tr>
<td>Growability</td>
<td>self-sustaining</td>
<td>growable</td>
<td>growable</td>
<td>unsustainable</td>
</tr>
<tr>
<td>Time-based potential</td>
<td>solid current</td>
<td>future growth potential</td>
<td>future growth potential</td>
<td>past performer</td>
</tr>
<tr>
<td>Strategy &amp; resource commitment</td>
<td>maintain: focused and steady resources</td>
<td>grow: increase resource commitment</td>
<td>grow: burst of supporting resources</td>
<td>contract: reduce support</td>
</tr>
</tbody>
</table>

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# Segment of a Product Scorecard

<table>
<thead>
<tr>
<th>Attribute</th>
<th>Notes</th>
<th>Evaluation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Strong</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Moderate</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Weak</td>
</tr>
<tr>
<td><strong>Financial evaluation</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% change in units</td>
<td></td>
<td></td>
</tr>
<tr>
<td>% change in revenue</td>
<td></td>
<td></td>
</tr>
<tr>
<td>% change in profit</td>
<td></td>
<td></td>
</tr>
<tr>
<td>% change in profit contribution</td>
<td></td>
<td></td>
</tr>
<tr>
<td>% change in market share</td>
<td></td>
<td></td>
</tr>
<tr>
<td>estimated future financial potential</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Brand strength and contributing value</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Strategic fit</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>core to corporate mission</td>
<td></td>
<td></td>
</tr>
<tr>
<td>core to customer solutions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>core to brand image</td>
<td></td>
<td></td>
</tr>
<tr>
<td>cradle-to-cradle (LCA) assessment</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
REINFORCE, protect, maintain

• Focus on existing areas of strong, differentiated customer value

• Strengthen communication of the value proposition

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RENEW, overhaul, retread, upgrade

• Reevaluate your target customer strategy
• Modify the product or the total solution to establish new value
Know the “total product”
Rethink your product offering

What if I ...

- Magnify
- Minimize
- Replace
- Combine
- Modify
- Reengineer
- Change the rules

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RELaunch, resurrect, revive

• Are there old concepts or products that were ahead of their time and might work now? Can you resurrect them?
• Are there discontinued brand names that still have value for customers?
• Can you repurpose a component, subcomponent, or complete product to create new value?
**Retire**, sunset, liquidate, rationalize

- Retiring products is part of product line rationalization.
- The definition of *rationalize* is to “weed out unwanted or unnecessary things”
- *Rationalization* refers to making changes to a product mix (including retirement) to increase its profitability.
Retirement (sunsetting) strategies

• Combine functionalities into one product

• Improve speed and quality of support services without cost increases

• Test various bundling approaches

• Consider niche markets

• Sell rights to another company

• Eliminate product
  – Lower price to reduce inventory
  – Raise price to reduce customer demand
“...make lifecycle planning the core of what you do. Most product managers treat lifecycle management as an event rather than a process. Every decision a product manager makes has a lifecycle impact. ... When lifecycle management and planning is at the center of a product manager’s planning process, product-line decisions from new products, to enhancements, to end-of-life are much clearer and easier to understand.”

Greg DiCillo

President, Life Cycle Strategies, LLC
Chapter Eleven

MANAGING BRAND EQUITY
What is a brand?

At its core, a brand is a distinctive symbol (name, term, number, design, etc.) that uniquely identifies a product, service, company, organization, or offering. However a brand goes beyond mere recognition to carry evaluative meaning. It implies some promise or contract of performance. It is the mental “stereotype” or “executive summary” of what the brand stands for. The visual and auditory symbols are created by the seller, but the meaning is in the minds of customers and stakeholders.

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A strong brand is a **deliverable** promise of specific customer value.
Brand Hierarchy

Corporate Brand

- Family brand
  - Individual brand
  - Brand modifier
- Family brand
- Family brand
Apple brand architecture: a branded house

Master Brand

Apple

Endorsed sub-brands

Macintosh

iPod

iTunes

iPad

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House of brands architectures
GM brand architecture: a hybrid approach

<table>
<thead>
<tr>
<th>GM Brand</th>
<th>Portfolio Role</th>
<th>Core Brand Promise</th>
<th>Area Focus</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chevrolet</td>
<td>Global Mainstream</td>
<td>Cars for Life’s Journey</td>
<td>Global</td>
</tr>
<tr>
<td>Cadillac</td>
<td>Global Luxury</td>
<td>Red-blooded Luxury</td>
<td>Global</td>
</tr>
<tr>
<td>Buick</td>
<td>Regional Luxury</td>
<td>Inviting Luxury</td>
<td>NA, China</td>
</tr>
<tr>
<td>GMC</td>
<td>Regional Premium</td>
<td>Professional-grade-up for the Challenge</td>
<td>NA</td>
</tr>
<tr>
<td>Opel</td>
<td>Regional Mainstream</td>
<td>Forward-thinking Cars for Real Life</td>
<td>Europe / Russia</td>
</tr>
<tr>
<td>Vauxhall</td>
<td>Local Mainstream</td>
<td>Forward-thinking Cars for Real Life</td>
<td>U.K.</td>
</tr>
<tr>
<td>Holden</td>
<td>Local Mainstream</td>
<td>World-class cars for Australian “Go”</td>
<td>Australia</td>
</tr>
</tbody>
</table>

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Tangible brand elements

• Trademarkable or recognizable aspects such as:
  – Brand names
  – Logos
  – Symbols
  – Characters
  – Packages
  – Taglines
  – Jingles

“You’re in good hands with Allstate.®”
Naming considerations

• Neologisms (new words)
  – Tylenol®, pepsi®, Google

• Current usage words & names
  – People, Oracle®, twitter, Wendy’s®

• Hybrids
  – ThinkPad®, Aquafresh®, facebook

• Acronyms
  – IBM®, GE

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Criteria for evaluating brand elements

- Memorable
- Meaningful
- Likable
- Transferable
- Adaptable
- Protectable

Marketer’s offensive strategy: build brand equity

Marketer’s defensive strategy: leverage and maintain brand equity

Consider all of these from the perspective of the target market

Source: Kevin Lane Keller
Brand positioning rules

Be different
Be relevant
Be energizing
Be real

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## Fundamental brand issues

<table>
<thead>
<tr>
<th>Brand Issue</th>
<th>Description</th>
<th>Product Manager Concerns</th>
</tr>
</thead>
<tbody>
<tr>
<td>Image</td>
<td>Customer’s perception</td>
<td>Define rational and emotional cues</td>
</tr>
<tr>
<td>Equity</td>
<td>Relevance and importance</td>
<td>Define why customers should <em>care</em></td>
</tr>
<tr>
<td>Positioning</td>
<td>Image vis-à-vis the competition</td>
<td>Define your differential advantage</td>
</tr>
<tr>
<td>Management</td>
<td>Ongoing strategies</td>
<td>Define future plans</td>
</tr>
<tr>
<td>Positioning approach</td>
<td>Comments</td>
<td>Examples</td>
</tr>
<tr>
<td>----------------------</td>
<td>----------</td>
<td>----------</td>
</tr>
<tr>
<td><strong>Price-value</strong></td>
<td>Establishes unique prestige or economy, and may facilitate a good-better-best strategy or product range</td>
<td>Toyota Lexus vs. Toyota Camry</td>
</tr>
<tr>
<td><strong>Usage</strong></td>
<td>Highlights product applications</td>
<td>Excedrin <em>(for migraines)</em></td>
</tr>
<tr>
<td><strong>User-focused</strong></td>
<td>Can be directly related to segmentation</td>
<td>Callaway golf clubs <em>(for “serious golfers”)</em></td>
</tr>
<tr>
<td><strong>Alternative</strong></td>
<td>An anti-category position (may sometimes be short-term as competition in the anti-category increases)</td>
<td>Organic Choice <em>(Scotts’ brand of organic fertilizer)</em></td>
</tr>
</tbody>
</table>
| **Secondary association** | Focuses on “borrowing” meaning from a location, person, or another product | BMW *(German engineering)*  
Affinity credit cards *(co-branded with an association, company, cause, etc.)* |
| **Attribute**        | Emphasizes specific features or benefits | Nexium *(the purple pill)*  
FedEx *(guaranteed delivery)*  
Tums *(with calcium)* |
“Brand is not a product, that's for sure; it's not one item. It's an idea, it's a theory, it's a meaning, it's how you carry yourself. It's aspirational, it's inspirational.”

Kevin A. Plank
CEO, Under Armour
MARKETING STRATEGY AND GO-TO-MARKET EFFORTS

Chapter Twelve
Take an external viewpoint

**7 Ps**
- Product
- Price
- Promotion
- Place
- Position
- People
- Proficiency

**7 Cs**
- Customer
- Cost
- Conversation
- Convenience
- Clarity
- Customer service
- Confidence

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Avoid tunnel vision
Carefully analyze today’s customers

• Which customers account for the bulk of your sales and profits?
• What about them makes them important customers?
• How are they similar to each other?
Avoid indistinct segmentation
### Segment by Combining Criteria

<table>
<thead>
<tr>
<th>Common purchase-decision criteria</th>
<th>Negotiator Segment</th>
<th>Big-Lot Segment</th>
<th>Solutions Segment</th>
<th>Custom Segment</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Technical self-service</td>
<td>• Large customers</td>
<td>• Solution-seekers</td>
<td>• Nonstandard motors</td>
<td></td>
</tr>
<tr>
<td>• Standard products</td>
<td>• Very price sensitive</td>
<td>• Modified-standard products</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Large purchases</td>
<td>• Standard products</td>
<td>• Medium-size lots</td>
<td>• Special features</td>
<td></td>
</tr>
<tr>
<td>• Strong price negotiators</td>
<td>• Large purchases</td>
<td>• Moderate price sensitivity</td>
<td>• Small lots</td>
<td></td>
</tr>
<tr>
<td>Price</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Features</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>Delivery</td>
<td>3</td>
<td>4</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>Installation</td>
<td>5</td>
<td>5</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>Engineering support</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>Sales coverage</td>
<td>4</td>
<td>4</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>Size and share</td>
<td>$89 million</td>
<td>$113.4 million</td>
<td>$69.3 million</td>
<td>$66.6 million</td>
</tr>
<tr>
<td>Average order size</td>
<td>13%</td>
<td>31%</td>
<td>30%</td>
<td>30%</td>
</tr>
<tr>
<td>Industry: $15,000</td>
<td>Industry: $5,000</td>
<td>Industry: $2,000</td>
<td>Industry: $3,000</td>
<td></td>
</tr>
</tbody>
</table>

Key to importance of buying factors: Low 5 4 3 2 1 High
Rate market attractiveness

• size
• growth
• number of competitors
• strength of competitors
• similarity to existing products/services
• complementary products
• technology requirements
• barriers to entry/exit
• social/political/legal
Rate ability to compete

• existing market share
• product quality
• reputation of the firm
• distribution network
• productivity capacity
• service & support capabilities
• properly trained personnel
• technological capabilities
• adequate responsiveness
## Hypothetical market attractiveness ratings (foodservice company)

<table>
<thead>
<tr>
<th>Market Segment</th>
<th>Percentage of Company Sales</th>
<th>Percentage of Industry Sales</th>
<th>Characteristics of Market Attractiveness (size, growth rate, purchase volume, etc.)</th>
<th>Rating (1-5)</th>
</tr>
</thead>
<tbody>
<tr>
<td>General distributors</td>
<td>39%</td>
<td>27%</td>
<td>Top five play a pivotal role in the industry. Price is a driving factor</td>
<td>3</td>
</tr>
<tr>
<td>Specialty distributors</td>
<td>14%</td>
<td>13%</td>
<td>Showing growth due to special food-service demands of aging population</td>
<td>4</td>
</tr>
<tr>
<td>Fast food chains</td>
<td>16%</td>
<td>22%</td>
<td>Approaching saturation of our type of product. Heavy competition and price pressure.</td>
<td>2</td>
</tr>
<tr>
<td>Commercial operators</td>
<td>22%</td>
<td>30%</td>
<td>Pockets of rapid growth (e.g., retail delis) due to dual-income families. Strong potential for our type of product</td>
<td>3</td>
</tr>
<tr>
<td>Noncommercial operators</td>
<td>9%</td>
<td>8%</td>
<td>Static or declining potential.</td>
<td>1</td>
</tr>
</tbody>
</table>
### Hypothetical ability-to-serve ratings (foodservice company)

<table>
<thead>
<tr>
<th>Market Segment</th>
<th>Needs</th>
<th>Requirements to satisfy needs (product, skill set, locations, costs)</th>
<th>Rating (1-5)</th>
</tr>
</thead>
<tbody>
<tr>
<td>General distributors</td>
<td>Centralized purchasing: volume buying at discounted price; specialized distribution specifications</td>
<td>Improved carrier terms, established BI function</td>
<td>3</td>
</tr>
<tr>
<td>Specialty distributors</td>
<td>Unique products; merchandising support</td>
<td>Commitment to R&amp;D and new product development</td>
<td>4</td>
</tr>
<tr>
<td>Fast-Food chains</td>
<td>Just-in-time shipments at lowest price</td>
<td>Shared-cost shipping services</td>
<td>2</td>
</tr>
<tr>
<td>Commercial operators</td>
<td>Menu support; presentation suggestions</td>
<td>Consulting chef de cuisine on call; test kitchens; online educational programs</td>
<td>4</td>
</tr>
<tr>
<td>Noncommercial operators</td>
<td>Consistent inventory replenishment; long shelf-life</td>
<td>Product development efforts on extending shelf life</td>
<td>1</td>
</tr>
</tbody>
</table>
Matrix your ratings and decide

Ability to compete

Market Attractiveness

- Low
  - Non-commercial
- Medium
  - Fast food
  - General distributors
- High
  - Commercial operators
  - Specialty distributors
Customer equity flow chart

1. Identify and profile “best” customers
2. Develop customer value profile
   - Attract new customers who have a similar profile
   - Enhance the profitability of existing customers
     - Increase the amount of business they do with you
     - Extend the length of relationship with you
Avoid incomplete positioning
At what level do you compete, and how are you different from the relevant competition at each level?
Develop a draft positioning statement

For **foodies & cooks** who **like unique ethnic foods**, Jolma’s book is the **ethnic cookbook** that provides nutritious, practical, and affordable Tibetan recipes.

Unlike **Tibetan Cookbook**, this embodies authentic Tibetan customs due to the author’s.

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Think through customer messaging strategies

<table>
<thead>
<tr>
<th>Purchase complexity</th>
<th>short-term / acquisition</th>
<th>long-term / retention</th>
</tr>
</thead>
</table>
| considered purchase | • become part of the “short list”  
|                     | • generate leads  
|                     | • sale (if buyer is ready)  
|                     | • become a thought leader  
| simple decision     | • encourage immediate purchase  
|                     | • generate awareness  
|                     | • nurture leads  
|                     | • develop relationships/tools  
|                     | • increase collaborations  
|                     | • repeat business  
|                     | • brand alignment (including corporate brand)  
|                     | • trust, reliability  
|                     | • cross-sell, up-sell  
|                     | • advocacy  
|                     | • brand building (mostly on product brand)  

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Now let’s dig into the downstream side of product pricing
Calculate your product’s true costs

- Define the fixed, variable, and incremental costs relevant to your pricing decisions and time frames.

- Assess whether allocated costs impact your decision outcome.

- Evaluate trend changes if necessary.
Calculate the true *cost-to-serve*

- Examine both the visible and hidden costs to serve specific accounts and/or segments.
- Compare your pricing policies against these realities.

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Focus your initial pricing efforts on the top (most important) products in your line or portfolio.
Manage the pricing on your higher-velocity products more actively.
Develop a pricing strategy for substitutes, complements and flanker brands in the product line.
<table>
<thead>
<tr>
<th>Price variation category</th>
<th>Example tools</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Incentive pricing</strong></td>
<td>Rebate, Coupon, Promotional pricing, Sales, Price match guarantee</td>
</tr>
<tr>
<td></td>
<td>Package pricing, Penetration pricing, Every-day-low-pricing, Order-size discounts, Cumulative volume discounts, Product mix discount, Step (or block) discount, Deductibles, Preferential terms, Buy one, get one free</td>
</tr>
<tr>
<td><strong>Ownership variations</strong></td>
<td>Leasing/renting, Licensing</td>
</tr>
<tr>
<td></td>
<td>Layaway, Metering</td>
</tr>
<tr>
<td><strong>Pay now, benefit later</strong></td>
<td>Membership, Subscription, Retainer</td>
</tr>
<tr>
<td></td>
<td>Pre-payment, Lock-in pricing</td>
</tr>
<tr>
<td><strong>Buy now, pay later</strong></td>
<td>Financing programs, Credit</td>
</tr>
<tr>
<td><strong>Consumption pricing</strong></td>
<td>Peak and off-peak, Metering/hourly rates, Price-per-project</td>
</tr>
<tr>
<td></td>
<td>Usage, Two-part pricing</td>
</tr>
<tr>
<td><strong>Product line variations</strong></td>
<td>Versioning, Private label, Good-better-best</td>
</tr>
<tr>
<td></td>
<td>Portfolio pricing, Bundling, A la carte/menu pricing</td>
</tr>
<tr>
<td><strong>One-size-fits all</strong></td>
<td>Flat rate / fixed fee, All-you-can-eat</td>
</tr>
<tr>
<td><strong>Real-time price variations</strong></td>
<td>Negotiation, Dynamic demand</td>
</tr>
<tr>
<td></td>
<td>Competitive bid pricing, Auction pricing</td>
</tr>
<tr>
<td><strong>Customer engagement</strong></td>
<td>Loyalty pricing, Guaranteed rate, Priority access, Location-based, Goal attainment</td>
</tr>
<tr>
<td></td>
<td>Yield management, No haggle pricing, Protection pricing, Enhanced warranties, Bartering</td>
</tr>
<tr>
<td><strong>Non-standard revenue generation</strong></td>
<td>Market expansion, Sponsorships/advertising fees, Controlling price leakage</td>
</tr>
</tbody>
</table>
Support the direct sales effort

• Build trust
• Include sales in the marketing process
  – sales advisory committee
  – add to routing list
• Embrace the sales process of your firm
• Provide appropriate data, collateral and call assistance
  – Understand account-specific strategies

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Improve channel performance

- Provide sales tools
  - list of customer goals questions
  - product-service literature
- Conduct joint sales calls
- Educate
  - business training
  - merchandising suggestions, POP displays, advertising basics, communications policies, newsletters

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Develop strong collateral

Become the “trusted resource” for distributors, dealers and agents ...

- product description
- unique value propositions
- product benefits
- target customers
- competitive analysis
- cross-sell opportunities
- pricing
- contacts
- FAQs
- marketing material

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Evaluate performance

• Define metrics appropriate to your sales cycle
  – Sales revenue, units
  – Demos, proposals, etc. for longer cycles

• What is their ability to meet plan objectives?

• What functions are performed?
  – Showroom, counter displays, events, etc.
“Business has only two functions - marketing and innovation.”

Peter Drucker
Professor and management guru
Chapter Thirteen

ESTABLISHING A GLOBAL MINDSET
Cross-cultural business behavior

**Deal-focused**
- North America
- Great Britain

**Relationship-focused**
- Arab countries
- Most of Africa & Latin America

**Informal**
- Australia
- U.S., Canada

**Formal**
- Most of Europe
- Mediterranean Region

**Rigid time**
- Nordic & Germanic Europe
- North America

**Fluid time**
- Latin America
- Africa

**Reserved**
- East & Southeast Asia
- Nordic & Germanic Europe

**Expressive**
- Mediterranean Region
- Latin America

Prepare transnational product strategy

- Fully standard global product
- Modified global product
- Fully local product
Global distribution

• Select distributors (don’t let them select you).
• Look for distributors capable of developing markets.
• Treat them as long-term partners
• Support the market entry with resources.
• Maintain control over strategy,
• Ensure two-way dialogue.
• Build peer-to-peer networks.

For more information, see David Arnold, “Seven Rules of International Business,” Harvard Business Review.

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“Globalization means we have to re-examine some of our ideas, and look at ideas from other countries, from other cultures, and open ourselves to them. And that's not comfortable for the average person.”

"Herbie" Hancock
American pianist
Chapter Fourteen

GOAL AND PERFORMANCE ALIGNMENT
Traditional organizational structure
<table>
<thead>
<tr>
<th>Product/Market Characteristics</th>
<th>Possible Organizational Structure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Many products going to a limited number of market segments. The products require focused attention to be fully successful.</td>
<td>Product management</td>
</tr>
<tr>
<td>Company sells to a variety of market segments with preferences for various product sets. The product might not require elaborate customization, but the &quot;bundling&quot; of products/services is unique to market segments.</td>
<td>Market or segment manager</td>
</tr>
<tr>
<td>The same situation as above, but there is also a need to develop some new products for various market segments.</td>
<td>Segment management with &quot;special products&quot; managers or project managers</td>
</tr>
<tr>
<td>The company sells to a few large customers with differing needs from the rest of the customer base.</td>
<td>Key account managers</td>
</tr>
<tr>
<td>New-product efforts are time-consuming and critical for the company, to the point where a special position is created exclusively to handle new products.</td>
<td>Product-development manager or new-products manager, possibly (although not necessarily) part of a technical department</td>
</tr>
<tr>
<td>Shift from regional and/or country organization to strategic alignment with common customers/applications and distribution channels</td>
<td>Global business units focused on major product categories</td>
</tr>
</tbody>
</table>
## Competency scorecard

<table>
<thead>
<tr>
<th>Drive business results</th>
<th>Deliver results through people</th>
<th>Create strategies</th>
<th>Ensure market-driven direction</th>
<th>Guide product “fit” and function</th>
<th>Manage multiple priorities</th>
<th>Exhibit entrepreneurial traits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial aptitude</td>
<td>Leadership</td>
<td>Ability to spot trends</td>
<td>Market analysis &amp; segmentation</td>
<td>Technical know-how</td>
<td>Project management skills</td>
<td>Self-discipline</td>
</tr>
<tr>
<td>Selling knowledge &amp; skills</td>
<td>Influence &amp; motivation</td>
<td>Product portfolio building</td>
<td>Competitive intelligence</td>
<td>New product development knowledge</td>
<td>Time management skills</td>
<td>Visionary</td>
</tr>
<tr>
<td>Business planning</td>
<td>Team management</td>
<td>Long-term foresight</td>
<td>Go-to-market knowledge</td>
<td>Quality assurance</td>
<td>Organized</td>
<td>Risk tolerance</td>
</tr>
<tr>
<td>Forecasting</td>
<td>Decision-making</td>
<td>Ability to deal with ambiguity</td>
<td>Customer champion</td>
<td>Product line fit</td>
<td>Ability to execute plans</td>
<td>Can-do attitude</td>
</tr>
<tr>
<td>Process know-how</td>
<td>Perceptive</td>
<td>Partnerships</td>
<td>Brand and message fit</td>
<td>Prototype validation</td>
<td>Ability to say no when necessary</td>
<td>Results-oriented</td>
</tr>
<tr>
<td><strong>Total Weighted Scores</strong></td>
<td><strong>Weight of the specific competency</strong></td>
<td><strong>Rating of product manager on the specified competency</strong></td>
<td><strong>Scores based on the sum of the weight x rating numbers</strong></td>
<td><strong>Skill level ratings:</strong></td>
<td><strong>1. Deficient.</strong> Product manager lacks some of the necessary experience, skills or abilities related to this competence.</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>2. Basically Competent.</strong> Product manager is able to perform these competencies on a fundamental level and understand the knowledge to be able to participate in decision-making.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>3. Proficient.</strong> Product manager is able to perform these competencies on a fully operational level and understand them well enough to teach others, if necessary.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>4. Advanced.</strong> Product manager is not only proficient in these competencies, but also pushes the competency to a higher level.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
We’re at the end of the block. If you want to go further, pick up a copy of The Product Manager’s Handbook to guide you along the way.

Thanks for taking this journey with me!
Linda Gorchels
Just as we routinely upgrade computer systems, we must upgrade our own knowledge systems. Linda has helped over 10,000 people over a 25+ year period with these educational upgrades, merging anecdotal client experience with researched “best practices,” and sharing the resulting insights with managers and executives. After working in the office products, publishing and insurance industries, she joined UW-Madison’s Center for Professional and Executive Development, both as a corporate trainer and program director. Now, as a director emerita, she provides workshops for select clients.


Linda is now a blogger, mystery author and *Creativity Curator* for her own company, Tomorrow’s Mysteries, LLC.
For more information, refer to the following books on Amazon, follow my blogs, and download several free articles from my website, BrainSnacksCafe.com.

The Product Management ShortRead Series is a collection of “bite-sized” (about 100 pages) books on selected topics. Product Management 101 and Product Strategy & Roadmaps were published in January 2017. Creatively Innovative is scheduled for late 2017.