

Case Study

kinderstreet[®]

Start-up Software Company Learns to Listen, Listens to Learn

Take a look behind the scenes at any after-school program or childcare center and you'll discover a lot more than crayons and storybooks. You'll find reams of paperwork and administrators who spend countless hours communicating with parents and generating reports for regulators. Kinderstreet Corporation is changing all that. Launched in 2000 by six founders who are passionate about making a positive impact on young lives, Kinderstreet is ensuring that childcare providers and parents can focus on education and child development—not on processing paperwork.

Before embarking on its mission to help its customers improve their learning processes, the Kinderstreet founders knew that they themselves had a lot to learn. Scott Lindsay, who heads up operations for Kinderstreet and is a company founder, explains, "When we started the company, we had a strong concept of the type of product we wanted to build. But we also decided that Kinderstreet would be a company founded on customer focus and customer care. So we funded an eight-month research period, where we did absolutely no product development. Our goal was to study childcare and after-school programs in extreme detail. By becoming intimate with every iota of our customers' practices and their needs, we hoped to find unique solutions to their challenges."

Toward that end, the founders went out and talked to nearly two percent of their target market to get feedback on their concepts. "Initially we were going to produce a record management system to keep track of families and do billing. But when we polled the leading people in the market, we realized there was a vast, untapped opportunity. Our

research showed that the majority of the administrator's time was spent talking with parents and regulators. So we expanded our product vision to include communication tools in the initial product launch—a system that would get mom and dad more involved in their children's activities. One that automatically gives the government all the information it needs—and all in a way that saves time for providers."

A Pragmatic approach— from the ground up

Lindsay learned the importance of listening to your market from the many years he's been practicing the Pragmatic Marketing[®] approach to product management. In fact, he likes to say that he practically grew up on Pragmatic Marketing's strategic product management methodology. "I started out as a developer, spent time in sales and implementation, and then went into product management in the mid-90s. I came out of the field and straight into my first Pragmatic Marketing training. A few years later, when I moved to Solomon Software (now Microsoft Business Solutions), I brought the Pragmatic grid along with me to manage products there."

He adds, "Now, the Pragmatic grid is the fundamental way I manage all of the product marketing tasks that need to be done—filling out the grid and identifying who in the organization is going to do those things. When we launched Kinderstreet, we started with that grid as the model of the things we needed to do from a product perspective—especially listening to our market. If the Pragmatic structure and influence hadn't been there, we would not have justified that amount of research, and we would have missed a critical market opportunity."

Based on the new product vision, the Kinderstreet team spent another eight or nine months to build the solution and deploy it to a select group of commercial customers. The objective was to test the complete service delivery system, not simply launch the product. The result of the exhaustive research, development, and testing is Kinderstreet: a suite of innovative Internet applications that streamline administration, simplify billing, eliminate state licensing paperwork, and keep family members informed 24/7.

Mastering the chaos and the competition

Of the six Kinderstreet founders, all were "product-type" people, but only Lindsay had gone through the Pragmatic Marketing courses. "All of us have worked for companies that built custom products or know the lifecycle of software products," he remarks. "But I was the one who provided a work-structured task list for developing and



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managing the product vision. That's what Pragmatic Marketing did for us from day one—it filtered out the typical chaos into a structure of everything we had to deal with, from the strategic issues down to the tactical tasks. The Pragmatic methodology really opens the minds of product managers and empowers them to get their jobs done in a way that will help the organization succeed—much better than everybody playing cowboy and running in their own direction.”

Having a market-focused methodology in place from the beginning not only helped Kinderstreet master the chaos, it also helped the company master the competition. “The deep market research we did definitely gave us a leg up on the competition,” Lindsay emphasizes. “It's a fragmented market, and the players in this space are not Internet based. The majority of the tools have focused more on accounting and back-end business applications than on communications. We made a strategic decision early on, to specialize in communications solutions and partner with others for accounting tools. That means we spent our resources on a truly unique value proposition—one that differentiates us from the competition and puts up barriers to entry to our space.”

When a start-up company starts talking about a proven methodology for product development and a focus that sets it apart from the pack, investors tend to stand up and take notice, as well. “When you approach investors to get capital to start a company, they like to hear that there is a structure underneath the product that makes them feel comfortable with giving you their money. While that's not the only thing that got us start-up capital, I do think the Pragmatic approach was an integral part of that success. Our investors could see that we are a professional development organization, using a

methodology that produces results. That makes a positive impression.”

Know your customers

Customer intimacy has now become a way of life at Kinderstreet, along with the company's commitment to service and ongoing product enhancements. Not one to rest on its laurels, the company continues to seek new ways to improve the care and education of the nations' youth. As part of its first salvo into market research, Kinderstreet lined up a product advisory board comprising some 50 different companies. The team continues to listen to the market and test products and features with focus groups geared to obtain feedback during the building cycle.

“The most valuable thing I've learned over the years from the Pragmatic course is to know and talk to your prospective customers,” says Lindsay. “As soon as you understand what they are saying, you can build a value proposition. And that permeates every level of your company—from sales to development to marketing to services. From a development standpoint, the methodology helps us prioritize what the next tasks are on the production list and ensure we are always tied back to the strategic vision of what we want to provide to the market.”

The results speak for themselves. “Our first customer satisfaction rating was in the high 90s,” he emphasizes. “That success is 100 percent driven by the fact that the Pragmatic grid helps us recognize how to fully serve our customer—not just what features are in the product. That's what we all refer to as a whole product.”

A small company thinks big

Today, you can still count the number of Kinderstreet employees on two hands. But while the company is small

and growing, there is no shortage of big thinking, especially when it comes to product management.

“Because we are a market-driven company with a proven methodology for listening to customers and managing our organization, we believe we are positioned to lead our niche—and dominate it in the coming years,” Lindsay emphasizes. “The power of the Pragmatic approach works as well for a start-up as for a behemoth. I've implemented the Practical Product Management™ course at very large companies and now a very small company. In both cases, it has helped me plan where to spend my time to achieve maximum return on investment. In a start-up company, with investors watching very carefully, that ROI question is right up front. And the Pragmatic Marketing methodology helps you answer that question definitively. I would actually say it's almost more essential for smaller companies.”

When asked about advice for other small companies trying to come to grips with professional product management, Lindsay says, “If you look at product management and you can't figure out how that organization should work, Pragmatic is the place to go. It provides you with the structure. It helps you make the decisions about where product management should fit and how it should work in your organization. And it also helps you give responsibility to those people who need authority over certain areas. The Pragmatic Marketing methodology is an essential part of getting rid of the chaos and the floundering that so many organizations experience. Over the years, the Pragmatic process gets ingrained in you, and it just makes sense. I consider Pragmatic Marketing to be the professional product management company.”

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