

Who Needs Product Management ?

By Barbara Nelson

Product management is a well-understood role in virtually every industry except technology. In the last ten years, the product management role has expanded its influence in technology companies yet we continue to hear the question, “Who needs product management?”

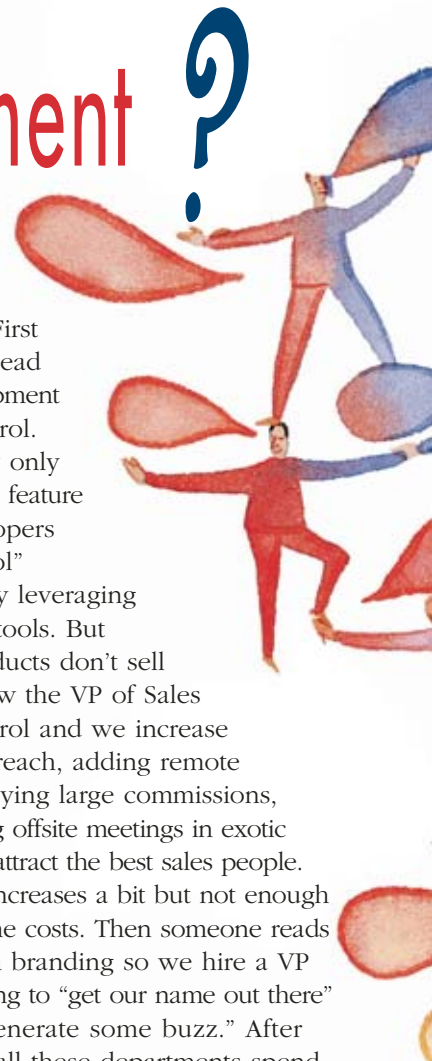
Companies that have not seen the value of product management go through a series of expansions and layoffs. They hire and fire and hire and fire Product Management. These same companies are the ones that seem to have a similar roller-coaster ride in revenue and profit. Product management is a job that can even out the ups-and-downs and can help push a company to the next level of performance.

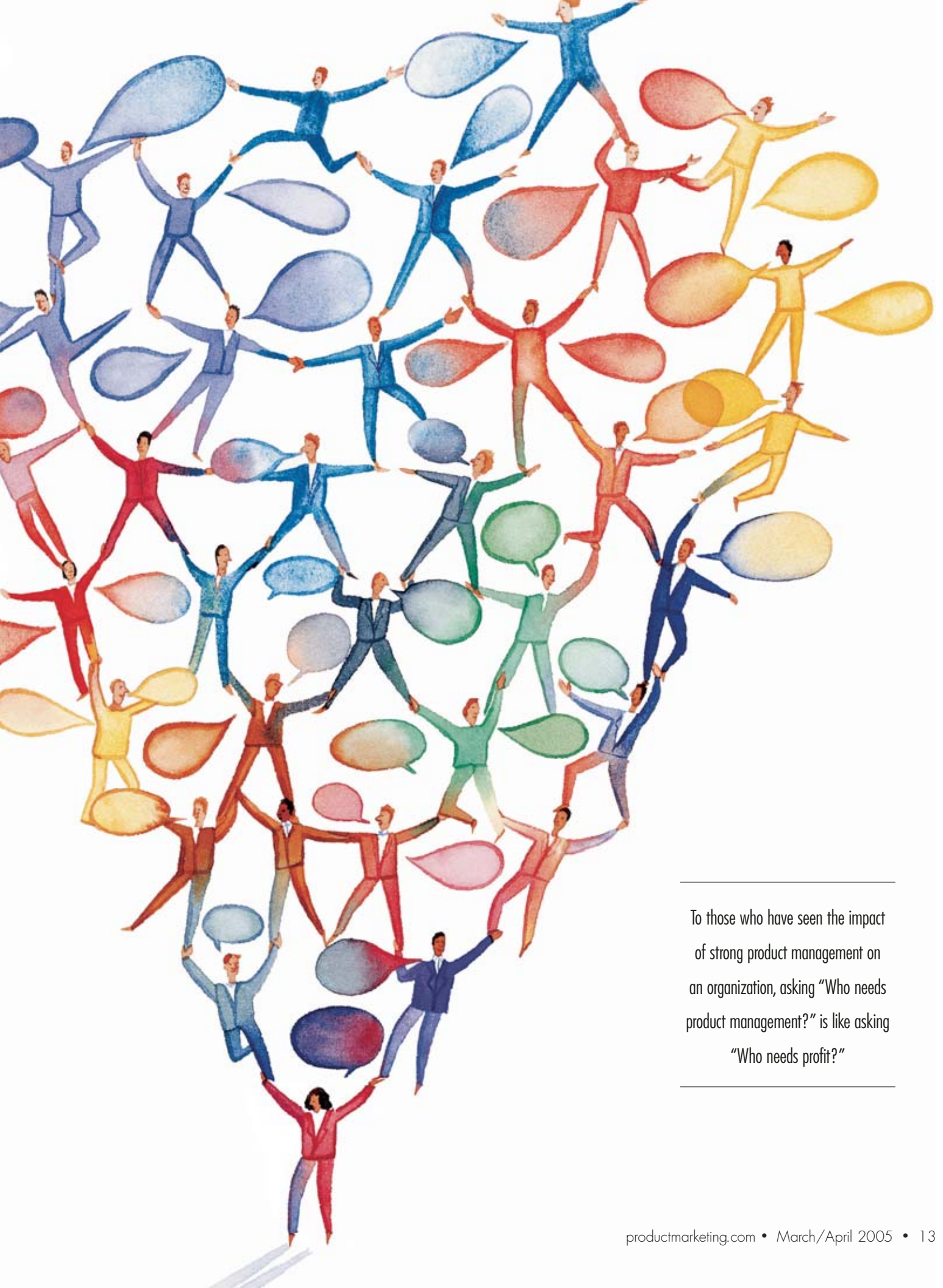
The evolution of a technology company

We’ve all seen a typical technology evolution. An entrepreneurial founder creates a utility that she needs to simplify her daily job. Explaining it to another, that person asks if it’s for sale. Based on the enthusiasm of a few friends, she convinces her husband that there is an opportunity here and starts a company. She becomes a vendor. She quickly hires someone to sell the product while she handles all the technical work. Over time, she grows the company, hiring more developers and some technical support people and a documentation writer and a marketing specialist. But she continues in the role of technical leader. After the huge success of the first product, she envisions other products that people surely must need. But the second product isn’t very successful and the third is a disaster.

The problem, of course, is that she no longer knows or understands her target market. Having become a president, she is no longer working in the domain and doesn’t really understand the environment of the market. Instead of managing databases or warehouses or assets, she’s now managing hiring and firing and financing. With her new income, she’s buying toys that she could never before afford and she’s really focused on her new set of interests. Because the new products haven’t been successful, she challenges her executives to find new ways to generate

revenue. First the new head of Development takes control. Since they only control the feature set, developers build “cool” technology leveraging the latest tools. But these products don’t sell either. Now the VP of Sales takes control and we increase our sales reach, adding remote offices, paying large commissions, and having offsite meetings in exotic locales to attract the best sales people. Revenue increases a bit but not enough to offset the costs. Then someone reads a book on branding so we hire a VP of Marketing to “get our name out there” and to “generate some buzz.” After watching all these departments spend money like crazy, the VP of Finance steps in to bring some order from the chaos. Since Finance can’t increase revenue, they focus on cutting costs, cutting all the excessive spending of the other departments. When Finance goes too far, the founder steps back in and focuses on her roots—the technology—and the cycle begins again. The VP of Development says, “Customers don’t know what they want.” The VP of Sales says, “I can sell anything.” The VP of Marketing says, “We just have to establish a brand.” The VP of Finance says, “We have to control spending.” Our focus goes from technology to revenue to branding to cost-containment, over and over again.





To those who have seen the impact of strong product management on an organization, asking "Who needs product management?" is like asking "Who needs profit?"

This story is all too familiar to those watching the technology space. And we're seeing it in biotech and life sciences, too. What the president needs is someone to be in the market, on her behalf, just as she used to be. What's missing from this cycle is the customer. The customer with problems that we can solve. And one who values our distinctive competence.

Why is there air?

To those who have seen the impact of strong product management on an organization, asking "Who needs product management?" is like asking "Who needs profit?" A president at a company in Florida explained it this way, "Product management is my trick to a turnaround. If I can get Product Management focused on identifying market problems and representing the customers to the company, then the company can be saved."

To break the viscous cycle of being driven by one VP or another, product management brings the customer into the equation. Instead of talking about our company and our products, the successful product manager talks about our customers and their problems. A product manager is the voice of the customer. The product manager is also the business leader for a product, looking across all departments.

"There will always, one can assume, be need for some selling. But the aim of marketing is to make selling superfluous. The aim of marketing is to know and understand the customer so well that the product or service fits him, and sells itself."—Peter Drucker

This is the essence of being market driven—being driven by the needs of the market rather than the capabilities of the company. Being market driven means identifying what dishes to serve based on what patrons want to eat

rather than what foodstuffs are in the pantry. A market-driven company defines itself by the customers it wishes to serve rather than the capabilities it wishes to sell.

Companies that are not market driven believe the role of Marketing is to create the need for our products. You can see this in their behavior. Marketing is where t-shirts and coffee mugs come from. Marketing is the department that runs advertising. Marketing is the department that generates leads. Most of all, Marketing supports the sales effort. But mature companies realize that the aim of marketing is to make selling superfluous. Marketing defines our products based on what the market wants to buy.

What is product management?

Because the term "marketing" is so often equated with "marketing communications," let's refer to this market-driven role as product management.

You need product management if you want low-risk, repeatable, market-driven products and services. It is vastly easier to identify market problems and solve them with technology than it is to find buyers for your existing technology.

Product Management identifies a market problem, quantifies the opportunity to make sure it's big enough to generate profit, and then articulates the problem to the rest of the company. We communicate the market opportunity to the executive team with business rationale for pursuing the opportunity including financial forecasts and risk assessment.



We communicate the problem to Development in the form of market requirements; we communicate to Marketing Communications using positioning documents, one for each type of buyer; we support the sales effort by defining a sales process supported by the requisite sales tools so that the customer can choose the right products and options.

If you don't want to be market-driven, you don't need product management. Some companies will continue to believe that customers don't know their problems. Some companies believe that they have a role in furthering the science and building the "next great thing." These companies don't need product management—they only need project management, someone to manage the budgets and schedules. But these companies also need to reexamine their objectives. Science projects cannot be made into products in the short-term. Don't expect revenues if your company is focused on the "R" in Research and Development. Product management can guide you in the "D" in R&D—the development of technology into problem-solving products.

Strategic sales?

There are two ways of using sales people in a company: there's selling and there's "not their job." When we invite sales people for guidance on events or product features, we're asking them to stop selling and start focusing on "not their job." Assessing marketing programs or product feature sets or proposed services or pricing are all

"not selling" and therefore "not their job." We invite sales people to help us because they know more about the market than the people at corporate do. But the VP of Sales does not pay sales people to be strategic. She pays them to sell the product. If sales people want to be involved in these activities, they should transfer into Product Management; I'm sure there'll be an opening soon.

In the classic 4Ps (product, promotion, price, place), sales people are the last P, not the first. We want them to be thinking weeks ahead, not years ahead. We want them selling what we have on the price list now, not planning what we ought to have.

Instead, we should rely on Product Management to focus on next year and the year after. To be thinking many moves ahead in the roadmap instead of only on the current release.

Product management is a game of the future. Product managers who know the market can identify and quantify problems in a market segment. They can assess the risk and the financials so we can run the company like a business. They can communicate this knowledge to the departments in the company that need the information so that we can build products and services that actually solve a known market problem—so that we can expand our customer base profitably.

Product management is the key to running your business like a business instead of a hobby.

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Barbara Nelson is an instructor for Pragmatic Marketing. She has 21 years in the software industry, including Vice President of Product Marketing for a leading provider of business and accounting applications for the middle market. Before her decade of product marketing experience, she worked closely with customers in several capacities, which taught her the importance of listening to the customer and solving critical business issues. Contact Barbara at bnelson@PragmaticMarketing.com

Why are we Pragmatic Marketing?

People sometimes ask why the company is named Pragmatic Marketing. The "pragmatic" moniker should make sense: we offer practical, no-nonsense solutions to the problems facing technology product managers.

It's the term "marketing" that throws people.

In technology, there are two definitions of marketing:

1) the market experts and business leaders for the product

or

2) the t-shirt department. As quoted in this article, Peter Drucker defines marketing as "to know and understand the customer so well that the product or service fits him." We use this classical definition of marketing.

Pragmatic Marketing was formed in 1993 to provide product marketing training and consulting to technology firms by focusing on strategic, market-driven techniques. Our training courses emphasize business-oriented definition of market problems, resulting in reduced risk and faster product delivery and adoption.