

The Pragmatic Marketer™

Volume 5 Issue 4 2007

Stop Perfuming the Pig: Why “real” marketing is done before the product is created

The Online Media Room:
A terrific place to market directly
to buyers (yes, buyers!)

The Power of the Persona

Customer Affinity:
How to get it,
what to do with it



Stop Perfuming the Pig:

Why “real” marketing is done **before** the product is created

By Steve Johnson

There's a problem in the industry today...

According to research from executive search firm Spencer Stuart, the average Chief Marketing Officer in a technology company can expect to stay in the job for 23 months.¹ That's half the time we expect for CEOs and COOs. Why is a CMO's job in such jeopardy? Invariably, this short tenure is the result of the CMO's inability to meet unrealistic demands of the job—expectations that are in fact impossible. The CMO fails to create the need for your company's product.



[1] 2004, Spencer Stuart, Blue Paper CMO tenure: Slowing down the revolving door. http://content.spencerstuart.com/ssweb-site/pdf/lib/CMO_brochureU1.pdf

Unfortunately, people don't need what they don't need.

In effect, CMOs have been hired to perfume the pig. Product Marketing is relegated to delivering the product to market without clarity on the problem and who wants to solve it.

Alas, no amount of perfume can overcome the stench of a technology product that people don't need.

•••

Your founder, a brilliant technician, started the company years ago when he quit his day job to market his idea full time. He created a product that he *just knew* other people needed. And he was right. Pretty soon he delivered enough of the product and hired his best friend from college as VP of Sales. And the company grew.

But before long, the VP of Sales complained, "We're an engineering-led company. We need to become customer-driven." And that sounded fine. Except... every new contract seemed to require custom work. And you signed a dozen clients in a dozen market segments. And the latest customer's voice always dominated the product plans. You concluded that "customer-driven" means "driven by the latest customer" and that can't be right.

Later, a board member declared, "We've become a sales-led company. We really need to start being marketing-driven." So you hired a brand specialist away from a consumer company as VP of Marketing. She designed a new corporate logo with a new color scheme, the collateral, and the trade show booth. Everyone got new company icons on their clothing. Except... you spent millions on the logo but without any change in revenues. Apparently, branding isn't all that it's cracked up to be, eh?

The CFO whispered to the founder, "Don't you think it's time that we started controlling costs?" So the company became cost-driven and started cutting all the luxuries of the business, like travel, technical support, bonuses, and awards dinners. And Marketing. The CFO asked, "What do those marketing people do?" and since no one had a good answer, the CFO deleted the marketing budget and fired all the marketing people.

Eventually, the president and founder said, "We've tried being sales-driven; we've tried being marketing-driven; we've tried being cost-driven. It's time to get back to our roots and become engineering-driven again."

Actually, no, that's the wrong conclusion.

Many companies move through this cycle: from being led by Engineering, Sales, Marketing, Finance, and back to Engineering again. We go from technology-driven to customer-driven to brand-driven to cost-driven and back to technology-driven.

Until... someone decides to be market-driven.

The way to break the cycle of dysfunction is to stop listening to *each other* and start listening to the market. Listening to the market means first observing problems in the market and then solving them.

I'm convinced that developers, engineers, and executives want to be market-driven. They just don't want to be driven by marketing departments.

There's a big difference between listening to the *market* and listening to the *marketing department*. The problem is, marketing people don't buy our product. Nor do most of them understand the product. In fact, many marketing people deserve all the respect that they get— which is none. →



What is marketing anyway?

A Director of Marketing asks me to talk to her management. She tells me that her executives “just don’t get marketing.” Then she starts reminding me about the importance of awareness and “buzz” and exposures... and I realize that I agree with her management: she doesn’t “get” marketing either. She’s not talking about *marketing*; she’s talking about *promotion*.

Marketing directors frequently ask, “What percentage of revenue should I allocate for my marketing budget?”

Do you mean the *marketing* budget or the *promotion* budget? A promotion budget *reflects* the product strategy; the marketing budget *defines* the product strategy. The marketing budget should contain market research; the promotions budget contains marketing research. Which is right?

If you’re in maintenance mode and just want to keep your existing customers, a promo budget of 3-5% of revenue is plenty; keep the cash cow alive. But what if you’re in a market-share fight? If your strategy is striving for *dominance in the market*, you might spend more in promotions than your entire corporate revenues. In a drag race, you’re not interested in optimizing fuel efficiency or ensuring good tread wear on the tires. You are literally *burning through resources* to win the race.

For the first few years, Amazon lost money on every book sold. They were in a drag race for market dominance. Before AOL became a party joke for acquiring Time Warner and then being eaten up by it, AOL spent millions on the ubiquitous install disk everywhere you looked. AOL was in a drag race to be everyone’s on-ramp to the internet. AOL and Amazon each spent more on promotions than on development. And each became number one in their space.

So, what is your strategy?

“Uh-oh. We don’t seem to have one of those. Can I just budget a percent of revenue?”

Okay here’s *an* answer: spend 10% of your revenue target on promotion if you don’t have a strategy. (And then seek employment with a company that does have a strategy.)

The real problem facing tech companies (and life sciences and web 2.0 and, okay, well almost everybody) is that they’re not doing marketing; they’re only doing promotion.

I’m not saying that promotion is a waste of time or money or talent. Indeed, I have worked with many fine promotional professionals. But promotions isn’t *marketing*; promotion is marketing *communications*.

“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

Peter Drucker makes it clear that marketing isn’t a product *promotion* strategy; it’s a product *definition* strategy, that “marketing” is creating a product that sells itself, creating a product that people want to buy; creating an environment that encourages people to buy.

Over the years however, industries and agencies and marketing experts have worn away the original meaning of marketing and cheapened it. Marketing now means many things to many people but apparently not what Drucker meant. For most people nowadays, marketing means t-shirts, coffee mugs, trinkets, trade show trash, and tchotchkes.

I attend many marketing conferences and invariably find that I’m the only one in attendance who seems to be talking about *products*; everyone else is talking about *promotion*. At one such marketing conference, an attendee in the front row asked every single speaker, “How does what you’ve talked about generate awareness and leads?” He didn’t know what to ask me because I hadn’t once used any of the marketing keywords: awareness, leads, campaigns, programs, spin, or buzz. Apparently to him I was a *product* guy and not a *marketing* guy. But promotion isn’t marketing.

Sales isn't marketing

Sales isn't marketing either. Many people equate marketing with sales. And many salespeople do, too. Some salespeople are so embarrassed by their profession that they've taken a new title: marketing rep. Look at the number of business cards that do not reference sales but some other moniker instead. Do you get paid a commission on your personal sales of product? If yes, then you're a sales rep.

Many believe that salespeople are the best source for product ideas. After all, they're talking to customers all the time! But talking is the key word. They are *talking* to the customer about the *existing* products, not listening for what products they *should* build. Yes, salespeople are a valuable source of product information but not the only source.

There are two ways of using salespeople in a company: there's selling and there's “not their job.” When we invite salespeople 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 salespeople to help us because they know more about the market than the people at corporate. But the VP of Sales does not pay salespeople to be strategic. She pays them to sell the product. If salespeople want to be involved in these

activities, they should transfer to Product Management; I'm sure there'll be an opening soon.

In the classic 4P's (product, promotion, price, place), salespeople are the last P, not the first. We want them to be thinking weeks ahead, not years ahead. We want them selling what is on the price list now, not planning what we ought to have. Selling isn't marketing; it's selling.

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.

PR and advertising aren't marketing either

In the old days, public relations and advertising were the biggest parts of a marketing budget. These two promotions techniques were pretty much the only way back then to reach customers, so PR and advertising became synonymous with marketing. But PR and advertising are promotion techniques. They are two ways—and fairly ineffective ones at that—to communicate the message to the market.

John Wanamaker (considered the father of modern advertising) quipped, “Half the money I spend on advertising is wasted, and the trouble is, I don't know which half.” Is marketing the same as advertising? Marketing directors and ad agencies apparently think so. So do PR firms. Advertising and PR are the old way of marketing. They're still trying to get your message in publications that no one reads.

And these same firms are trying to make sense of the new media—video, webinars, podcasts—but with the old mindset. For them, marketing is media, not message.

is defining the product? Marketing communications is about promoting our message; it's about “how” to communicate. Where is the “what” to communicate?

The first time I met with an agency was a complete head-trip; it was truly surreal. I felt like I was the only sane person in the room! The agency rep started asking me questions like:

- tell me about your buyer
- tell me what your buyer reads
- tell me what trade shows your buyer attends
- tell me who influences your buyer

In effect, tell me how to *reach* your buyer, how to *promote* your product to the buyer. In some confusion, I asked, “Aren't you interested in my product?” “Oh no,” he replied. “We don't need to know the product to define your product message. This is called ‘marketing.’” (Can't you just imagine the agency guy making little quotes with his fingers when he said “marketing”?)

The old agency approach is based entirely on the “art” of communication. They interview a few execs within the company, find a concept they understand, exaggerate the heck out of it, and that's the message. Is that “marketing”? No.

Some call it “creative.” I call it “ignorance.”

In another agency experience, I provided a set of personas (profiles of likely buyers and users of the product) and positioning (product message and description). The agency's creative people were speechless; no client had ever before provided such information. The result was they got to work right away without spending months on concepts, hoping to stumble across one that works.

Marketing is knowing what to build and for whom—and frankly, the rest is easy.

“Marketing is too important to be left to the marketing department.”

—David Packard

“Marketing” has come to mean “communicating our message.” But who is *defining and delivering* the basis of our message? That is, who



The marketing mix isn't marketing

Remember Father Guido Sarducci from the first years of Saturday Night Live? He offered a Five Minute College that taught everything that the typical college graduate remembers ten years after leaving college. Economics? “Supply and demand.” Business? “Buy low, sell high.”

Marketing? In my meetings with executives, I ask, “What is marketing?” and I usually get a Father Guido Sarducci answer: “It’s the 4P’s.” But then, the executives can’t remember any of the Ps so they start calling out any words that start with the letter “P.”

What we learned about marketing in college doesn’t seem to apply any longer. We learned the 4P’s or the Marketing Mix. Over the years, people added more and more words that start with the letter P to the marketing mix. People. Pricing. Positioning. Personas. PowerPoint. Prayer.

What’s missing is the Problem.

Problem

The first and most important consideration for any business is the market problem. It’s the problem that drives the product decisions, the message for positioning, and the key elements of selling—the placement strategy. Having identified the problem, the other Ps of the marketing mix become obvious.

Product

The product we build should address a well-understood market problem. What did Drucker say? “The aim of marketing is to know and understand the customer so well that the product or service fits him and sells itself.” That is, the product should come from a deep understanding of the market of customers.

Your company founder understood this, perhaps inadvertently. That is, he created a solution to a problem he encountered in his daily life. He built a product and felt sure that others would value it. And apparently he was right, as your company was an overnight success. But the problem was that the second product wasn’t quite as good as the first and the third was a complete disaster. What happened to the president’s innate understanding of the market? Well, he left the market; he became a president. For the last few years, he’s been more focused on hiring and firing and financing and cash flow and compliance and signage and all the other things that fill a president’s days.

But when was the last time he was in the customer’s chair? When did he last write some code? Balance indexes in a database? Backup a file? What does the president know about the real world any more? And his new hobby is cropping up at work, too. Now that he’s sailing his boat or flying his plane, he wants to include nautical or aviation metaphors into the products and into the promotions.

Engineers tend to be perennial inventors. They’ve always got a great idea of a new feature, a new product, or a new technology. And it’s natural.

In an IEEE paper, Albert Ehrenfried declared, “Too many products are developed to satisfy the desires, urges, and hunches of people within the company, rather than to meet the specific needs of the market external to the company. Products grow out of the desire to tinker, or because an engineer sees a purely technical challenge.”²

Sound familiar? Ehrenfried wrote this paper in 1955—over fifty years ago. I guess the technology world hasn’t changed very much after all. Yet one CTO said to me, “Steve, you just don’t understand innovation. We’re solving problems that people *don’t even have*.”

Umm. How’s that working for you?

The best engineers and developers are problem-solvers. If we start the marketing mix with the market problem, inventors can—and will—focus on solving real problems.

[2] Albert D. Ehrenfried, “Market Development—the Neglected Companion of Product Development,” IEEE Western Electronic Show and Convention (WESCON) (San Francisco: August 24-26, 1955).



Promotion

With a problem-solving product in hand, the promotion is fairly straightforward. Just go ask people if they have the problem and then show how you solve it. It's that easy.

Do you remember the introduction of Hotmail? There was a problem in the industry: it was hard to access your personal email account from within the company firewall and besides, company email wasn't really confidential so you couldn't easily send your resume to a potential employer from your current employer's email account. Hotmail gave you free, private email... and each message you sent to your friends came with your implicit endorsement. Nobody had to generate “buzz” for it; Hotmail became an overnight success because it solved a problem and had the necessary promotion built right into each message. Did they need to create the need? Nope. They didn't promote the product at all; they just gave it to a few hundred customers who told two friends who told two friends, and so on and so on...

When Google Mail became available, I was fairly unimpressed. Ugh, yet another mail program. And I knew I wouldn't like a mail program that didn't have folders! Or so I thought. Once I had a few hundred messages, I realized that folders are irrelevant if you can search quickly. I don't need folders in Gmail because Google can actually find messages—faster than I can file them into folders. The reason we need folders in Microsoft Outlook is that you can't find anything using the search tools provided by Microsoft. Happily, you can use Google Desktop Search to find the Outlook messages that Microsoft can't find.

Build a product that people want to buy and they'll dig it. The new rules of marketing are basically the same as the old rules of marketing.

Have something to talk about and people will listen.

Place

Have you ever been in Sales? It's hard to live with your house payment on the line every month. It's particularly hard when you don't really believe that your product has value.

Incredibly, many salespeople don't believe that their product has any value to the client. How sad is that?

The *really* sad part is that many tech products don't actually have value. They solve problems that people don't have. Or they solve the problem incompletely. So I guess I understand why salespeople feel they have to sell product futures and make promises that the product can't keep.

But we can place a fair amount of the blame for our product failures on salespeople themselves. Maybe if they didn't distract the company with “deal of the day,” the developers could actually finish 100% of the functionality needed by a specific market segment. Yet even if the company has indeed created the ideal product set for a well-defined market segment, the sales team sells the product into another segment. After all, for a sales guy, anyone who calls back is a qualified prospect.

I don't truly blame the sales guys—they do what they do. I do, however, blame sales management. The VP of Sales (or if not the VP, then the CEO) should reject deals that are not in the segment.

The real problem is this: the company engaged a sales group before they had clarity on the problem they were solving, before they had a complete product, and before they had the promotions in place to support a repeatable sales process. They built an incomplete product and hired salespeople to sell it. They hoped the sales team could generate short-term revenues without interfering with long-term viability and they lost.

Hope is not a strategy.

The truth is that we shouldn't engage a sales team until we have a repeatable sales process for all the buyer personas in a well-defined market segment. Place is the fourth P, not the first.

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

Companies fail when they employ marketing without market, when we worry more about promotion than problem, when we focus more on selling than solving. That is, we fail when we deliver products without market knowledge.

TPM



Steve Johnson is an expert in technology product management. He works for Pragmatic Marketing as an instructor for the top-rated courses Practical Product Management and Requirements That Work as well as onsite courses. Contact Steve at sjohnson@PragmaticMarketing.com

Pragmatic Marketing Framework™

A Market-Driven Model for Managing and Marketing Technology Products



STRATEGIC

TACTICAL

