

THE GROWTH ZONE

by Scott Propp

How to Locate Your Next Growth Hot Spot 
Using Crucial Customer Data Hidden in Plain Sight

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How long has it been since your company had a great product success story?


Do you recall when you first introduced your current flagship product? Your customers received it with great anticipation. Meetings with key leaders were easy to get, and rarely did an email or phone call not get returned. Pricing discussions were straight forward — the only questions were “how many?” and “when?”

It seemed almost effortless to attract new customers. Applications were abundant and interest in working for your company was so high that you didn’t need to advertise openings, the best and the brightest came to you. Your marketing existed primarily to drive awareness, as once a customer knew about the product, the value was self-evident.

It's time for a new strategy.

If you're like many companies these days, it's been too long since those halcyon days. Instead, we are in the midst of a long, challenging economic period where risk taking and investment have turned conservative and the result is that the tables have turned. The following scenarios are now more typical, maybe they sound familiar to you:

- ▶ You're under increasing pressure to meet competitor's bids and terms.
- ▶ The bottom line is no longer growing and each product release has lower financial return.
- ▶ You find yourself needing to do "interim" refreshes to keep up.
- ▶ Your partners and sales team is having trouble meeting with the key decision makers and is increasingly working with a layer down in the organization.
- ▶ You are starting to lose a person or two from the sales team and product development team to new opportunities.
- ▶ Your marketing budget is increasingly spent to defend rather than increase share.



"Giving your product development processes a tune-up doesn't have to be overly complicated or expensive."

I have some good news for you: giving your product development processes a tune-up doesn't have to be overly complicated or expensive. There are many tools you and your team can access right now that will revive your existing process and make it more responsive and agile. The bad news? It's not easy and it will take senior leader focus — so does anything worth doing.

For the last three decades I've had leadership roles in design, operations and business development in a Fortune 500 company. For the last seven years, I had the great privilege to lead enterprise cross-functional teams that launched into new

verticals. In each instance, I joined a team that had great foundations, but was in need of a new viewpoint and framework.

I have seen again and again the power of re-framing the product from the customer's viewpoint. In this ebook I am going to share some of the insights that I've gained by parachuting into diverse areas and providing leadership for these teams.

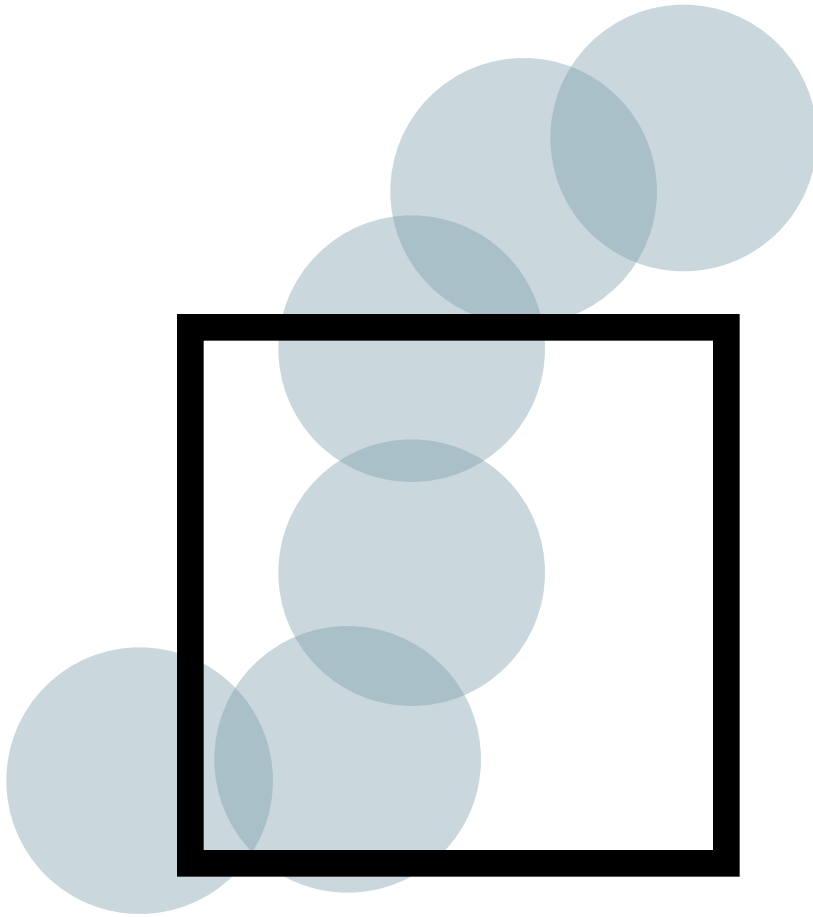
In this report, I'll show you:

- ▶ The trap that most product development processes fall into, and why it's easy to describe and hard to fix
- ▶ Where to look for the quickest, least expensive path to your next winning product
- ▶ What the golden rule of product development is and how it can help you find the quickest path to growth
- ▶ Why traditional financial indicators can often be misleading and take you down the wrong path
- ▶ How to feed your product development process the freshest and best information possible for breakthrough results
- ▶ How to find the often-overlooked information sources that lead to key customer insights

But before we can get to the solution, we need to pinpoint the problem.

It's time to get reacquainted with your customer – and you might not recognize him.

The snapshot problem



Most organizations have grown rigid in their systems, while their customer is moving and changing.

Have you ever gone to a high school or college reunion and barely recognized the people you used to eat lunch with every day?

You had a mental or actual snapshot of what they looked like back in the old days, and now they look and act completely different. You're faced with an uncomfortable realization that because you haven't kept in touch with them, you have no idea who they are or what they care about now.

The same thing often happens between companies and their customers. **Almost without exception, when I hear that it's been awhile since an organization has had a successful product it's because they've lost touch with who their customer really is and how they have evolved.**

Customers change even faster than our old high school buddies — that snapshot you took of your customer a year ago hasn't even had time to fade and it might already be outdated.

Not only will a good system keep us aligned with who customers are *right now*, it will give us a good idea of who they are becoming and where they're headed. Ultimately, if you're tracking the right information, you'll get a clear snapshot of their future.

Timing customer snapshots and deciding how to respond to them are critical to organizational success.

The problem is that our organizations aren't often set up to evolve at a pace and clock cycle that keeps us in step with our customer, much less ahead of them. We assemble avatars that represent our actual customers because only a small fraction of our business actually talks to the outside world. Our business structures tend to be rigid; our approaches to problems linear.

This is how large companies typically function, right? You've got the A Group, the vice president of the A Group and a whole A Group engineering team and marketing team. They get promoted and incentivized on the performance of the A team and usually use a lens for the customer that they developed much earlier in the organization's history. A Group might even have a separate campus from B and C Groups and so on. A, B, and C Groups are all looking at different snapshots they've taken of your customer, and most of these portraits are far out of date. Worse yet, some departments are struggling to make out the customer from a word of mouth description or otherwise badly transmitted version of this original snapshot, many times removed from reality.

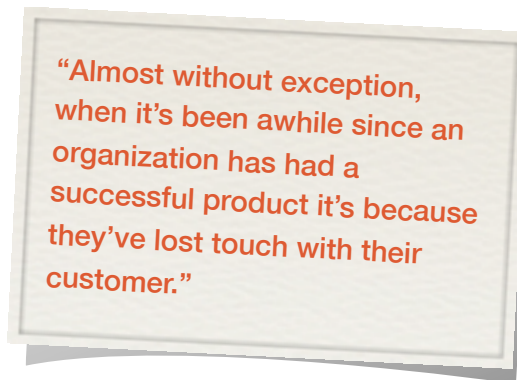
Financial reality does not equal customer reality.

Financials are critical tools, don't get me wrong, but when it comes to tracking a living, breathing customer, financials provide dismally lagging indicators, reactive rather than proactive. Your customer has evolved away from you way before the financials turn over.

By the time the financials begin to reflect a slump you have got a big issue on your hands.

Unfortunately, most of the time that's the pain that wakes up the senior leadership. It ends up being the reason that consultants are called in and by then there are lots of expensive knots to untie.

Don't let this happen to you. If it already has, read on, it may not be too late to correct course.



“Almost without exception, when it's been awhile since an organization has had a successful product it's because they've lost touch with their customer.”

Understanding that your customer is always shifting is the cornerstone of a healthy product development system.

Once you understand this, you can stop building a strategy based on outdated information to creating one that is fed deeply insightful data in real-time. This is like shifting from blurry snapshots of your customers' landscape to streaming video — the vitality of your product development process is going to be directly proportional to the freshness and dimensionality of your information. This gives you a clear grasp of their trajectory — where they're headed next.

Before we set up our real-time monitoring system, we need to have a bit more context. There is a well developed matrix that we will use to discuss how to invest your precious growth dollars for maximum effect. Keep in mind that the way a product is delivered can be as important as the product itself, and the issues we'll discuss apply equally well to the business and financial ecosystem of your customers. Once this background context is established, we can then make better decisions about how the actors in the ecosystem will respond and what the arc and trajectory of that response is likely to be.

So if your customer is constantly shifting, which direction are they headed? If we can get out ahead of them, we'll be ready for the next wave and positioned for success. This brings us to the four hunting grounds.

The Growth Zone



The four quadrants in this diagram show the hunting grounds that exist for your next product investment. The vertical axis represents the ways people are using your products, from existing applications to new ones. The horizontal axis represents existing customers on the left and new customers on the right.

Quadrant 1 is where you are now. Your existing customer base is using your products the way you intended them to be used.

This is an area of rich growth and return for products initially, and much great marketing literature is written about how to mine out the best returns from this quadrant through insightful segmentation and market development. We will not spend time here in this paper, because we are assuming your team does a solid job here.

The danger of quadrant 1 is getting too content and keeping all of your eggs in this one basket.

THE GROWTH ZONE

The Growth Zone



Quadrant 2 is the Growth Zone – giving your existing customers new applications for the technology you have already developed. I call this the Growth Zone because it is fastest way to grow, and I explore it in more detail below. One quick note while we are here – a company that is a market leader in Quadrant 1, rarely stays the market leader if the core of the market shifts to Quadrant 2.

Quadrant 3 is about finding new customers for your existing products, which is more costly than finding more ways to serve those you already have. In *Blue Ocean Strategy*, this area is called the red ocean because it can get bloody. Growth can be found there but you have to attack it with a very specific strategy.

Quadrant 4 is the uncharted frontier – both new applications and new customers. Quadrant 4 represents the most expensive and risky territory, though the returns can be epic. There will be a time to mount an expedition to the frontier (Quadrant 4), but just as with a physical journey, you should be prepared because the demands on your resources for an expedition like that will be large. So for now let's get some momentum back into the path you're already on, and take the quickest, most efficient way to your next successful product.

The Quickest Win: The Growth Zone

Getting new customers (moving to the right on this diagram) is expensive and time-consuming. It takes time for your customer acquisition process to work, there's no way around it. The more mature the market, the harder it is to move right, because you need to gain share – this means improving your product or your service enough to displace the incumbent – a tough job.

When you move vertically in this scenario, you can capitalize on existing relationships. That's why the Growth Zone is the quickest, least expensive path to the next product "win." It is using the whole of the relationship that you already have that provides the springboard into quadrant two.

The key to finding your growth zone is to discover the ways your existing customers are using your products, and develop those opportunities ahead of your competition. When you find out how the

most innovative customers are applying your products, there's a good chance that the majority of your customers will be right behind them.

To do this, we need a crystal clear, real-time image of who our customer is and what they're facing.

When we can see the whole picture of our customer's experience, then it becomes almost obvious where to look for the next successful product — in fact your customers may have already found it for you. With some simple, targeted research, you can find out how your existing customers are already finding new uses for the tools you're giving

them.

Next, we'll learn how following the golden rule of product development will help us do two things. First, it will help us bring the customer into sharp focus and second it will reveal the messages our customers are already sending us.



The Golden Rule of Product Development

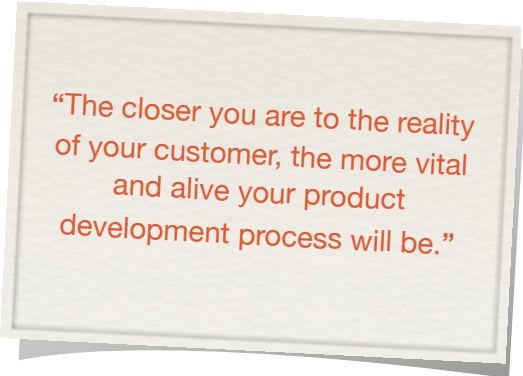
Remember the snapshot problem — working with an out of date image of our customer? We can't very well uncover the new applications our customers have found for our technology if we don't really grasp their most pressing problems or notice the relevant data. Which is why the Golden Rule of Product Development is thus:

Vitality starts with reality.

This is a clever way of stating the principle that the closer you are to the reality of your customer, the more vital and alive your product development process will be.

Let's double click on this a minute. If you asked your product management team if they understand their customer's current reality, they will say "of course" and in fact be offended that you asked. What I'm suggesting is that the conventional stage gate product development system does not typically enable the real "gestalt" of the current customer reality to be considered in the portfolio tradeoff discussion.

Here's another way of looking at it: no matter how sophisticated and accurate a calculator you have, the only way to solve your problem correctly is to input the right numbers, right? The results of your product development process will only be as good as scope of the information you feed it. The more rooted in your customer's reality, the better that information will be.



"The closer you are to the reality of your customer, the more vital and alive your product development process will be."

When we fix the snapshot problem — when we input the right numbers into our calculator — we get closer to reality and get straight to the Growth Zone.

Figuring out how to detect and feed your product development process the best and most relevant information will not only increase your success, it will reduce your risks. This is because with a well-rounded collection of information, you will be more able to assess potential threats to your business, areas where you're open to the competition.

Reality Seeking

So how do we find get the clearest sense of our customers' reality? How do we input the information that will lead us to the Growth Zone? We do this by putting systems in place to make sure we have a live-updating image of who the customer is and the problems they're facing. It's time to ask yourself and your organization some tough process questions:

- How would you know your customers' requirements have shifted?
- What kind of systems do you have in place to pick up these shifts? What is the clock cycle?
- Is there anyone in your company whose job it is to watch for and integrate this?
- If there is, who do they tell (what level and function) and how does that information get used in your product development process?

When asked this question most teams will respond conventionally with what we all have been taught while doing our MBA work:

Traditional Product Targeting Indicators

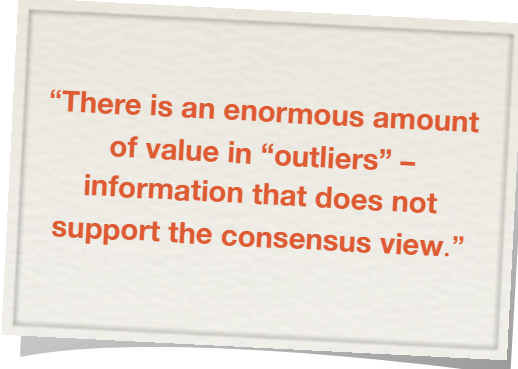
- Market profile
- Customer profile
- Feature performance
- Business cases / Pricing models
- Quality metrics
- Market share

These are necessary and a fine place to start, but they're not enough. As I'll describe below, there is some gold slipping through the mesh of the pan. By finding and mapping all the touch points between your organization and customer and integrating them you can add rocket fuel to your development process.

Beyond Traditional Measurements

I have long thought that one of the toughest and most leveraged positions in any organization is the product line manager. They are largely charged with the downstream success of any organization, and they do it with tools that are slow to respond and frequently contradictory.

Making good decisions in this domain requires insight and intuition, and unfortunately there is tremendous internal pressure to make “safe” or consensus decisions. It is this tendency to bend to consensus that sets up the gap that disruptive entrants exploit.



“There is an enormous amount of value in “outliers” – information that does not support the consensus view.”

The quality revolution has taught us there is an enormous amount of value in “outliers” – information that does not support the consensus view.

When you equip your decision team with some of the nontraditional data streams I describe below, you set them up for a richer decision dialogue and significantly improved risk / reward ratios on those decisions.

Hidden gold: Nontraditional sources of information to feed your decision-making process.

Social Data

It's amazing how many companies still don't have systems in place for gathering data on what's being said about their organization. This is not just a PR concern, there is valuable information out there to feed your planning processes, and there are new analytical tools emerging all the time to help you mine it. There are user forums for many products where innovative users gather and foreshadow key industry moves. Do you know how to get to this goldmine of insight? What is your company adding to the conversation?

Failure data

Sometimes you discover your customers doing new things with your products when your customer's factory or process sends products back as having "failed." Probably six out of ten times, it means that something changed in their production process and that's all it means, but every so often customers will try to do something new that your product wasn't designed to do. When that happens, what looks like failure data is really a marker for a new application and if you aren't watching for it, you might miss it. Most of the time this data goes to the quality manager who

has nothing to do with product line decision making. So if you don't set up a flag for this, you won't see it. Hint: Be especially aware of returns that test as "no trouble found." This means that your test does not look for what ever the customer deemed important, i.e. you are double blind to what they are up to. An uptick here is always worth a deep dive.

Requests for unmeasured data

Sometimes you'll get a request for a specification that you don't measure or put on your data sheets. For example, years ago I was building components for a product line and someone started asking for sensitivity data. It was something we never measured before. I started to ask questions about it and all of a sudden I discovered what they were trying to do — it was the seed of a completely new product line. We made a lot of money on that new product line just by being able to change a couple of things that made the parameter they wanted really predictable. The new application for the customer was so lucrative that I was able to negotiate a substantially stronger price for this "new part" that was a true win/win for both our organizations.

Hidden gold: Nontraditional sources of information (cont.)

Changes in Demand

Any kind of substantial change in run-rate is always worth a look by the product team. Is the change reflective of end-user demand changes? A reflection of a new preference for a particular performance level or type of package can sometimes be picked up in factory orders before it shows in marketing data. If there is a change in leadership or representation on the customer side, it can signal an upgrade or downgrade of the importance of your product. Do your operations planning people routinely talk to your product line managers?

Literature requests

Another indicator I have seen is literature requests from seemingly unrelated industries that aren't usually in your wheelhouse. Too often the sales and marketing largely ignore these requests because they don't perceive them to be important, but if you pick up the phone and give these people a call and ask them what they are doing, you usually learn something. These kinds of things can fall right off the bottom of the chart, so make sure you find a way to log and monitor them. Because your competition is not selling to them yet, they can become a great information stream to your product team and an early win.

Signs that it's working.

A note to senior leaders

Making good product decisions has a self-reinforcing beneficial effect on your company. These two criteria — attracting both press and top talent — are relative indicators of how the company is viewed from the outside. These are second-order effects of fueling product development with the best information and the best people.

Attracting Top Talent

Keep your eye on whether or not your company can attract the top candidates in your field. Ask yourself if the people you're getting on your team are really the "top ten" performers. I find that when a business is starting to lose its responsiveness to their market and not finding the Growth Zone on a regular basis, very quickly it becomes difficult to get top talent. If that's happening, you'll need to very specifically take control of the hiring process. This B-player hiring can be like a fungus that spreads really quickly, so as soon as you see it make sure it stops.

Attracting Press

When you've got something new and unique and momentum and motion in the market, you'll get publications chasing you. Journalists exist to find the new and interesting, and since you want to be on the profitable leading edge, in the Growth Zone, it's a good sign if they're calling. This isn't the only measure of organizational health, of course, but it's a good one. Many teams keep great metrics on press mentions, attributions and white paper down loads. Unfortunately many times this data does not make it from the marketing team to the product team analyst.

So now you know what you're looking for. Now, let's put it all together.

Finding the Growth Zone: a checklist

- ❑ **Design a system to collect social data.** Have someone who is monitoring the river of social input. What happens to the information you discover and how can it be analyzed and aggregated into your process? Figure out who speaks for your company on platforms like Facebook and Twitter or decide who it will be. Are they empowered to respond in real time?
- ❑ **Search out and ask for your by-product return on investment data.** Make sure to examine the methodology of the accounting, particularly the allocation algorithms. What are the trends telling you?
- ❑ **Talk to an industry analyst in your line of business.** Find out who has the buzz, and why. Ask about what kind of inquiries they are seeing – especially quirky applications. Extra Credit: Talk to an industry analyst in an adjacent part of the ecosystem and ask the same questions – i.e. do the semiconductor equipment makers have the same viewpoint as a chip supplier?
- ❑ **Talk to a top industry recruiter** – what’s the hottest ticket talent they are currently filling? What does this say about how your industry is shifting? How well are you staffed to support the area where your customer is making these investments?
- ❑ **Seek out your top couple of sales team members and partners,** the ones that proudly carry the label of “hunters” (the ones who knock down the big new customers and partners). Spend a half-hour on the phone and listen – they have lots to share. Even better – offer to come to the field for a day, tell them you’d like to talk to their most innovative customer.
- ❑ **Find your most intuitive product line manager and have a one-to-one.** Get a sense of how deep and wide their input filter is. Consider creating an analyst role for the team that looks over traditional and non-traditional data sources for gaps and insights.
- ❑ **Insist that all internal and external newsletters contain a successful example of how your team located the Growth Zone.** Recognize the sales and applications people that make it happen.
- ❑ **When someone connects the dots and finds new customer insight, make it a big deal.** Make sure they get recognition regardless of what function they are in. In this way you will multiply your core development resources with non-traditional insight.

Are you ready to lead your team to the Growth Zone?

The tone of the responsiveness of an organization begins at the top. If there is interest in constantly improving the customer avatar from the corner office, it will pervade the whole organization.

Great organizations have excellent team members with the decision making processes and tools that place them consistently ahead of their peers – yet what truly matters is that the information is **acted on**.

You can be that organization that is being sought out, not doing the seeking.

**Make a decision to go after the
Growth Zone today.**



About Scott Propp

Scott Propp is an Innovation Catalyst and Management Consultant who connects vision to implementation for global technology leaders – helping them realize their market potential and overcome obstacles to growth and success. Visit his website and blog at scottpropp.com.

What problems, pitfalls and successes have you experienced getting to, and staying in, the Growth Zone? We'd love to hear. Give us your feedback, share your story and/or send us your questions to scott@scottpropp.com.