

The Leading Reference for technology-based products

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Propositions

How to build sharper
propositions that really work

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Welcome

Leading the way for Product Managers

Why should I buy from you? If a customer asks this question, are you confident that you have a convincing answer? The answer is your proposition – a clear statement of the benefits a customer gets from your ‘complete’ solution.

Your proposition is more than just your product; it’s all the pricing, services, processes, and 3rd party elements that create the complete solution experienced by your customers. Any one of these elements might be key to a customer deciding to buy from you.

So it’s important to know what they care about so you can focus your efforts. If you’re not sure what to do or how to clearly articulate your proposition to customers and internal teams, then you need to read on.



Who’s who?

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The founders continue to deliver many of Product Focus’ training courses and reviews alongside their team of senior consultants.

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Valuing needs

How to develop the best propositions

Every product is part of a proposition your business presents to its customers, even if you haven't been through the process of analyzing what it is. A proposition should be a clear statement of the benefits a specific group of customers gets from your solution. It should focus on how the benefits address what customers want and what differentiates you from the competition.

Case Study Avoiding mistakes with propositions

"A few years ago I worked for a large software company as VP of Product Management," says Malcolm Lewis, currently working as a Senior Product Strategy Consultant at Vodafone. "We had just released a major new version of our flagship billing product, and I was confidently talking through the proposition with a customer. They asked if the product supported direct debit, which is a fundamental requirement in Europe. I immediately said yes, but promised to double check."

"When I spoke to my development team in India, where the product was created, I discovered it didn't actually support direct debit. I learnt that customers in India commonly pay by cash and direct debit was then almost non-existent. Although this is an extreme example, it reminded me of the danger of guessing the proposition based on your own set of reference points rather than getting out and asking the target market."

Malcolm Lewis, Senior Product Strategy Consultant, Vodafone

As a product manager, you'll find propositions extremely useful throughout the product lifecycle. In the early stages, they force you to think about why you are developing a product and why customers will buy it. During development, they help you to paint a vision that the development team can understand and work towards. At launch, they provide high-quality content for marketing to develop brochures and other collateral. And in-life, they provide the key arguments to help your sales channels sell your product (see Table 1 on p. 8).

Step 1: Gain insight

Proposition development starts with a full understanding of your product, what target customers value, and what competitors offer. Only then is it possible to develop clearly differentiated, customer-oriented propositions. At this stage, you are trying to build an understanding of the target market, competitors, and the potential offers that you could bring to the market.

PROPOSITIONS

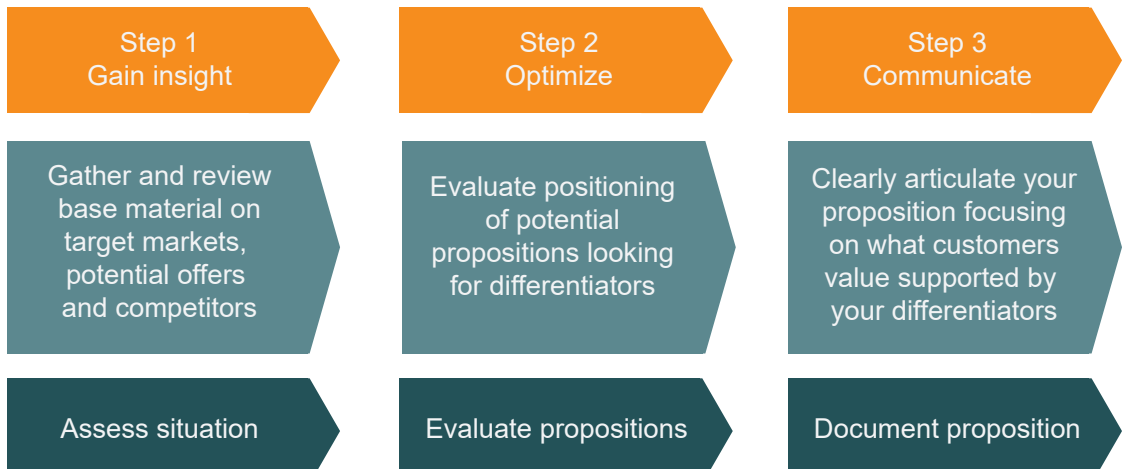


Fig.1 Three steps to creating and using propositions

Target market: Who are the target customers? What will they value? What problems are they having that you might be able to help resolve?

Competition: Which segments are being targeted? What positioning has the competition adopted? What do they promote as their differentiators? What are their real capabilities? Are there alternate solutions, as well as direct competitors?

Potential offers: What are the features, advantages, and benefits of your product? What else could you include in a customer offer? What partnerships do you have, or could have, that might enhance the offer?

When you have limited time and information, it can be difficult to gain sufficient insights to develop worthwhile propositions. However, the reality in most cases is that you're not starting from a blank sheet but basing your research on numerous past customer meetings, years of market experience, and feedback from the sales team.

At the end of this stage you should have developed several draft propositions that could be offered to the same or different target markets. Bear in mind that the same base product can underpin many propositions.

Features, Advantages, and Benefits (FAB)

A feature is a characteristic of your product or service. An advantage is what the feature does, and the benefit is the value it brings to the customer. Customers value these benefits in different ways. The chances are that less than half of most features will be really important to any one customer.

In the case of a pencil, it may not matter to you that it is lead-filled (feature), doesn't leak (advantage), and doesn't stain your clothes (benefit) because you never carry one in your suit! In a school, however, that they are hexagonal (feature), don't roll (advantage), and don't constantly end up on the floor (benefit) is a significant issue for teachers!

FEATURE

Step 2: Optimize

This next stage often missed compares the draft propositions against our understanding of what the competition offers. Each of the draft propositions has a set of features intended to appeal to a particular target market – it might be specific functionality, a specific aspect of performance, or a price option.

What we do at this stage is to start building the differentiation story by taking features and mapping ourselves and our competitors on positioning maps. In the case of MP3 players in the late 1990s, manufacturers were focusing their efforts on compatibility, battery life, and size. A product manager in that field might also have considered price, memory size, ease of use, sound recording features, display

quality, and so on. They will have been looking for features that gave 'clear water' differentiation compared to their competitors.

In the case of MP3 players (Fig. 2), product B has the best battery life and widest range of support for music formats – supporting key market messages about their customers' ability to play anything, anywhere, for longer. The size of the circle represents the size of the device: the bigger the circle, the smaller

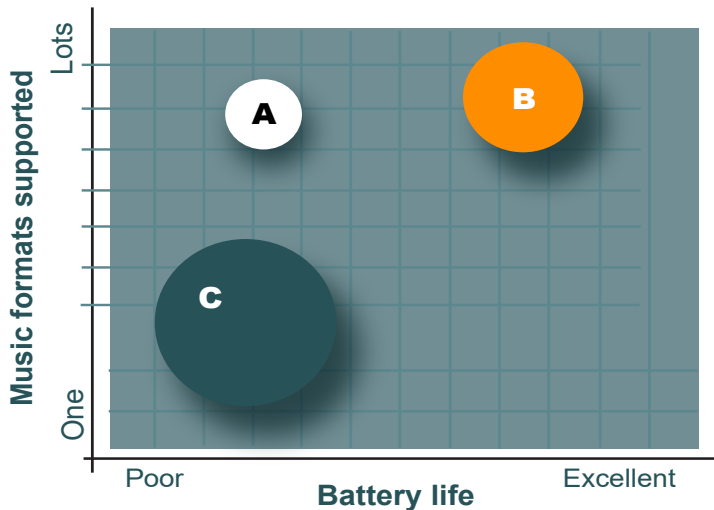


Fig. 2 How different MP3 players compared by battery life, music formats supported and physical size

the device. Product C supports a different proposition based on its smaller size with no particular strength in either battery life or ability to play different music formats.

The features that give us differentiation are now going to be evaluated through customers' eyes. We may be differentiated from our competitors, but will our target customers care about the features that distinguish us, or will they say, "So what?"

It is salient to reveal at this point that MP3 player C was in fact, the Apple iPod. Apple's understanding of what the customers valued meant a completely different proposition map. They recognized better than most what really mattered.

Customers didn't really value small size; it was the thinness of the device that made it easier to carry. They didn't want lots of features and buttons, but the ease of the click wheel. Support for multiple formats creates headaches for most customers; the simplicity of quickly copying all your music onto your device from a PC makes it attractive. Apple saw these features as the battleground on which they would compete (Fig. 3). Circle size, in this case, represents ease of getting your music on the device (iTunes).

With regard to the other attributes, Apple provided a relatively poor offering compared to many of their competitors: a poorer display, shorter battery life, and incompatibility with many of the prevalent music formats. These trade-offs could only be taken because they had an understanding of customer needs and a focus on meeting those that mattered.

While we can't all perform like Apple, we should always be aware that most customers couldn't care less about our product or service. They want to know what it can do for them, how it will solve some problems, or help them achieve some career or business objective.

Carrying out this analysis into the importance that target customers place on the different benefits of the whole product offering is certainly not easy. It requires an in-depth understanding of what drives and motivates customers and what they value.

Not all features have the same value to all prospective customers, so this may be the point at which it becomes apparent that you need to segment and target specific groups of customers with different value propositions.

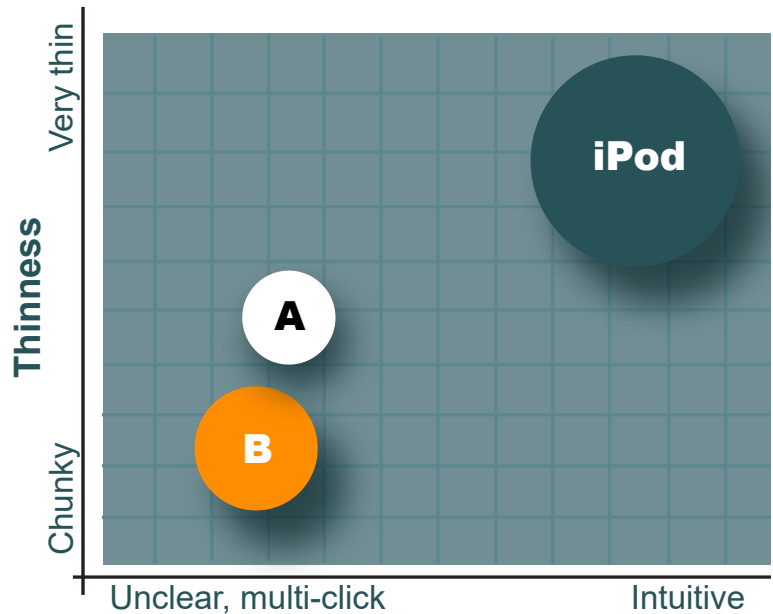


Fig. 3 The iPod has come to dominate the MP3 market because Apple realized that thinness and ease of use were the critical factors. Circle size represents ease of getting your music onto the device

Step 3: Communicate

The final step is to create a document or presentation that describes how the proposition meets the needs of a specific set of target customers.

How do you represent value in a proposition? One approach is to construct a model that quantifies the value to a customer of features based on £££s. Ideally, your model will show how your unique features save or make money for the customer compared to the competition. Of course, it's often very difficult to develop a believable scenario because of all the assumptions you have to make, so it's important to test your assumptions with customers to ensure you build a credible model.

Table 1
Example Proposition Crib Sheet/Battlecard
This sheet has been created for a mythical email solution provided as a hosted service run by 'us' for the customer. Target customers are small professional businesses of 2-5 employees.

Competitor X provides an email solution that is installed at the customer's site and is run by the customer.

Competitor Y provides a similar hosted email solution to 'our' own.

Example Proposition Crib Sheet/Battlecard		
Feature	Advantage to the customer	Benefit to the customer
Email system hosted and run by us for the customer	No complicated software to install, set up and run	Makes life very easy for the customer as they don't need to find and pay for technical resource to help them set up and run the service
Highly reliable service with Service Level Agreements (SLAs)	No backup processes to organize and no reliability issues to worry about	Gives customers who rely on their email peace of mind
Accessed using standard email applications	Users can keep their existing email application and do not need to install new software	Makes life easy as there is nothing new to learn
Regular monthly fees	Makes it easy for customers to budget	Pricing structure reduces cash flow risk for the customer
High price level	None: our price levels are typically higher than the competition	None

Another approach is to compare and present product features against the next best alternative. In most markets, products are pretty similar, so this is a way of teasing out key differences. The trick is to link the feature differences to the 1 or 2 key benefits that you believe are most important to the customer and support these with as many proof points as possible. The Example Proposition Crib Sheet/Battlecard is based on a mythical hosted email service. It's a powerful tool to give to your sales teams and channels.

Value to the customer	Compared to Competitor X & Y	Questions to ask
Based on our customer research, this is by far the most important issue for customers in this target segment	Better than X and same as Y	Attack: "Do you rely on your email, and would you like someone else to do all the worrying about running your solution? Would you like a company that specializes in running business-critical email solutions to run yours?"
Based on the Acme Research Report 2018, over 75% of small businesses say that email is the critical IT system in their business	Not sure with X and better than Y	Attack: "What would you do if your email system went down? We've had a number of customers come over to us because of reliability issues with Competitor Y's service. We are the only company that provides service performance guarantees."
Customers expect this, so it is a 'hygiene factor' rather than added value	Same as X, same as Y	Attack: "All today's email solutions use standard email applications, but how important is it that your email solution is reliable?"
Our customer research has shown that less than 10% of customers care about this	Better than X, same as Y, but not important	Attack: "Although we provide regular monthly charges so you can easily manage your costs, we find that most customers value the reliability and simplicity our service offers."
Our customer research shows that the majority of customers are not particularly price-sensitive	Worse than X and worse than Y	Defense: "While it's true Competitor X offers slightly better pricing than us, we find that most customers are more interested in a solution they can run without technical expertise. While it's true that Competitor Y offers slightly better prices than us, we've had a number of customers come over to us because of reliability issues with their service."

PROPOSITIONS

Improving your proposition

At each point in the customer lifecycle, you have an opportunity to provide value to your customers through the touchpoints they have with your organization. A good exercise is to go through the customer lifecycle to understand all the customer touchpoints you have and to identify potential activities that could add to your proposition. You should then check which will be the most valued by customers and therefore provide the biggest improvement to your overall proposition (ask some customers).

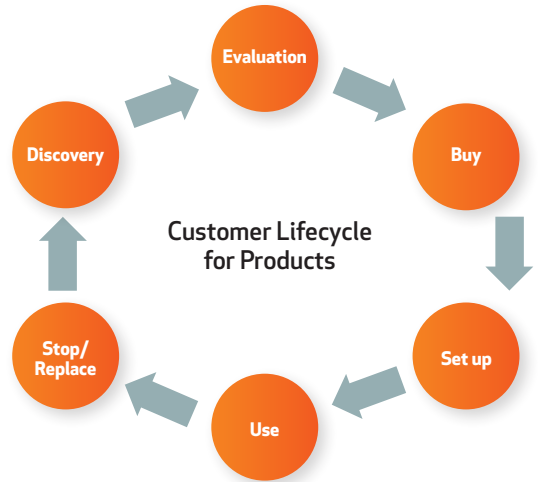


Fig. 4 Customer Lifecycle for Products

Wise Words

"Change is the law of life. And those who look only to the past or present are certain to miss the future."

John F. Kennedy,
35th US president

Evaluation Stage: Provide trials to allow customers to evaluate your product and thereby reduce the risk to them of choosing the wrong solution. This may give you a significant increase in sales.

Set up and Use Stage: Provide proactive support at these stages to make sure customers get the best from your product. This validates the decision to buy and minimizes returns.

Stop/Replace Stage: Have a program for customers who may be thinking of churning to make it easy for them to upgrade to another of your products. This may also win you business that would otherwise be lost.

Conclusion

Developing propositions is not rocket science, but it takes dedicated time and resources to do well. However, we believe it's worth the investment. Having a well-developed proposition puts you in the driving seat within your business by providing a vision of what needs to be developed, what's important, and what's not.

It also clearly articulates why customers should buy from you and not from the competition, significantly reducing the chances of your product failing in the marketplace.

Persona profiling

Why profiling customers is so valuable

How do you get into the mind of a customer and understand what they really value? Easy, you go and ask them. "Ahh, but it's not that easy," I hear you say: do they trust you, will they talk to you, will they give you a straight answer?

All you want to do is understand what customers value in your proposition and if they are typical of a significant market segment.

When you gather and analyze customer data, you need a model against which to test propositions; you need something that brings the whole thing to life. This is especially true if you're working with others and trying to evolve a common vision. What you need are personas.

Personas are made-up characters created to represent a group of customers or users and were first popularized in the book *The Inmates are Running the Asylum* by Alan Cooper, published in 1999. They have a key role to play in user-centered design where the goals, needs, and limitations of the user are considered part of the product design.

Personas put a human face on the otherwise abstract data we collect about customers. They give us greater ability to 'guesstimate' how a customer segment will react to different

Case Study Political persona profiles

The UK political parties use personas to create a common shared vision for their party of the key people to target in the run-up to the next election. These are the 'swing voters' who will probably decide the result. Some examples below:

The Jams

In 2016, Phillip Hammond, the UK Chancellor, talked about the "Just About Managing," who were the six million working-age households on low to middle incomes.

Mondeo Man

The term was created when Tony Blair spotted a man polishing his Ford Mondeo and decided he was the kind of 30-something middle-income homeowner whom Labour needed to win over from the Conservatives in 1997.

Bacardi Breezer Generation

In 2004, Stephen Byers urged Labour to get in touch with 18–25 year-olds who were in danger of being lost to the democratic process.



PERSONAS

propositions by putting you, the product manager, in the shoes of your customers. See Table 2 (right) for an example of personas for a mobile phone company.

Stereotypes vs. archetypes vs. personas

A stereotype is a caricature which emphasizes key features for comic effect, e.g., all Scotsmen wear kilts. In contrast, an archetype emphasizes typical, relevant, and defining features, exactly what we need to know about a customer segment. Personas bring archetypes to life by giving us someone we can identify with, someone that represents the archetype.

Ideally, personas are developed from data collected in interviews with real customers. The output is a short description covering key customer data, from goals and attitudes to values, needs, and skills. Add environmental and behavior patterns, and mix in some interesting fictional details to bring the persona to life.

Case Study Online personas

Buyer personas can be used as a powerful way of communicating propositions to customers. Product Education, an online marketing and education agency with a heritage in product training, develops e-learning that promotes propositions on a customer's website.

"Facts are smooth, stories are sticky," says MD Ryan Jennings. "Developing stories to personalize propositions to a targeted audience makes product messages resonate more strongly, and we're seeing growing demand from companies moving away from fact sheets and PDFs."

Ryan Jennings, MD, Product Education

Using personas every day




One organization we've worked with creates an area with a noticeboard of pictures and artifacts for each persona. There might be tickets for events they'd go to or pictures of where they might live and their family and friends – they even ask staff to bring in things that the person would be associated with, like a cool T-shirt for Lauren or a golf ball for Ben (See Table 2).

It's all part of building a rich picture of the persona that allows you to get inside their mind and understand what they would do and what they would value.

Building up a picture of potential customers can be difficult, and you need to use any sources of information you can find. However, it doesn't have to be expensive market research. Any contact you have with customers is a chance to build up a richer picture and identify common patterns.

Once you've completed your personas, you have an excellent tool to help develop and evaluate propositions.

Table 2 Example Personas for a Mobile Phone Company

			
Name , Age	Lauren, 16	Ben, 43	Mike, 70
Home	Lauren lives with her parents in a semi-detached house in the suburbs. She has a brother and a cat (she likes the cat) and escapes to her bedroom for peace.	Ben lives in a converted terraced house in a rather nice part of the city. His wife works too, and they don't have any kids. Their home is full of expensive designer furniture.	Mike lives in a bungalow on the outskirts of a village. His wife died a few years ago, but he now has a 65-year-old girlfriend he met at a local tea dance.
Work life	Lauren is still at school. She quite enjoys it and has a big circle of girlfriends.	Ben is the Financial Director of a small design company.	Mike is retired but helps out at the local garden center from time to time.
Social life	Lauren's social life is very busy. She's always popping into town with her friends to go shopping or to see a film. And there's usually some new topic to gossip about.	Ben prefers a nice meal with his wife in a restaurant than a night out with the boys. He rarely goes off duty and always wants to be in touch with what's going on at work.	Mike's social life revolves around the local pub. He drives into the country with his girlfriend and to local tea dances.
Goals	Lauren believes that always being in touch with her friends is important. She wants to look cool, and she wants to be the center of attention.	Ben aims to retire at 50 for a life of golf and cruises. So now he needs to make his fortune with the design company. He's always working.	Mike wants to be able to stay in touch with his girlfriend (otherwise, the young thing might run off) and get in touch with his family in emergencies.
Current mobile	Lauren currently has a pink phone. You can change the cover, and it's got a camera. Her dad pays the bill, and so far, she's got away with a couple of whoppers.	Ben has a mobile he bought 3 years ago. It's a trusted friend, but it's now starting to look a little threadbare.	He doesn't have a phone because he can't get on with them. But nagging from his girlfriend and family has persuaded him to buy one.
Future phones	A future phone has got to be cool. It's got to be the latest thing and let her do as much texting as possible on the limited budget her parents will impose.	Ben would like to keep in touch with his emails, so he needs a phone that can handle that. It also has to look good, or the 'creatives' in the office will laugh at him.	It needs to have big keys as his dexterity, sight, and hearing aren't what they used to be.

Thinking big

Large product propositions

In mass markets, a key skill for product management and delivery teams is to standardize, keeping the products and service as consistent as possible across the customer base to maximize economies of scale. Such companies embrace a fully 'productized' approach to minimize the cost per sale and drive profitability through sales volume.

In the case of 'big-ticket' items, standardization is often not possible. These are typically high-priced software products sold in a B2B marketplace. Regardless of the scale, a common aspect of big-ticket

propositions (and a key difference to mass market offers) is that the proposition must offer flexibility to meet complex customer requirements. The ultimate solution is a project to develop a bespoke, custom-built solution. However, most 'big ticket' products fall somewhere on the project/product continuum (see Fig. 5) with a core

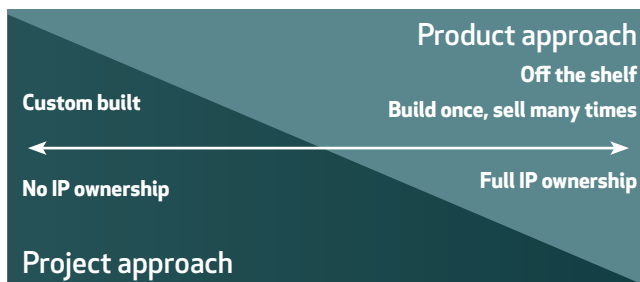


Fig. 5 Project/Product Continuum. Most big ticket products fall somewhere on this line

product and additional custom development to give the customer the flexibility they want.

Mike Beech is VP for Product Management and Marketing at Acision, leaders in messaging products, which was until recently part of Logica. He considers propositions essential to any size of product or service. "They are absolutely critical," he says, "we sell propositions, we don't sell products. Whenever we try to sell products, we fail. Customers want solutions to problems, which is the whole proposition, not just the product features."

"And when it comes to big-ticket sales, there is a proposition per customer, which makes it even harder because the proposition has to



be subtly different in each case. We try to strike a balance by creating propositions per market segment, mapping out elements, and giving the salesforce key materials to create a proposition on the fly."

The first big sale

Imagine the scenario. A company is pitching for its first high-value sale. Such a sale is often won on the back of a strong product-based proposition, but to close the deal, the company has to deliver further features with some custom development.

Salespeople, under pressure and rewarded on revenue and customer satisfaction, love this approach. The 'cost of sale' may have been high, but their customer has been well supported, and all their valued requirements have been met.

The company aspires to deliver the scalability of a product business, but the seduction of a big sale distracts them into pitching custom solutions like this time and time again. Consequently, you get a sales-driven organization repeatedly responding to customers and a product that is increasingly pulled in conflicting directions. Customization becomes an increasing element of the sale, and the business costs to develop, support, and keep track of the variants spiral out of control.

"Customization is one of our biggest problem areas as a business," says Mike Beech of Acision. "The goal of the product manager is for the proposition to be productized but easily customized. The customer wants a bespoke solution for themselves but at product prices."

"Customization is also a challenge when it comes to presenting our propositions. We try to get them all onto one slide, with one top-level benefit for the product, and then 3/4 further features and benefits." If we distill the proposition too far, it becomes generic, but if it is too customer-focused, the proposition may work perfectly for one client but not for another."

Case Study Maintaining credibility

"It's very important to gain customer feedback on your proposition from a wide range of users," says Annette Stimpson, currently working as a Senior Consultant at Nokia.

"It's particularly important for products with multiple types of users who may have different demands on the product and place different importance on the product features. In my experience, understanding customer needs is vital. If you're communicating to your customers something that's just not relevant, you lose both credibility and any future business."

Annette Stimpson, Senior Consultant, Nokia

All about rights

A key aspect of big ticket propositions is the battle for ownership of Intellectual Property Rights (IP). It is vital for a product-based company to hang on to the IP of what is built so that it can be re-used and offered as part of the product to future customers.

BIG TICKET DEALS

Managing projects

When big-ticket items move towards a project delivery model, what becomes of the product manager? At the core of such offerings should be standard product architecture, features, and capabilities. Beyond these are modules of functionality from which different propositions can be created, and further on customer-specific elements of professional service configuration and custom development.

The product manager has a clear role at the core of this proposition. He or she is the voice of the customer, ensuring the core capabilities

meet the key valued needs of customers and target prospects. Similarly, the product manager helps direct the set of features and feature packages to be offered as optional add-ons to the core product.

There can be a bewildering number of complex and conflicting requirements from 'strategically important' customers vying for the attention of the product manager. Where customization and configuration are used to meet the needs of important clients, we may well ask where the role of the product manager ends and that of the professional services and development begins?

In fact, the product manager has a key role to play. Their role, as always, is to direct and drive a product towards profitably delivering capabilities valued by the target segment. Given this simple aim, product managers can provide valuable insights.

They must look for commonality between the customer requirements that are driving configuration and customized software effort so that standardized, off-the-shelf features can be delivered more cost-effectively to future customers.

They must make decisions on product areas where configuration and customization should be avoided, so that product direction doesn't 'drift' away from the planned strategy.

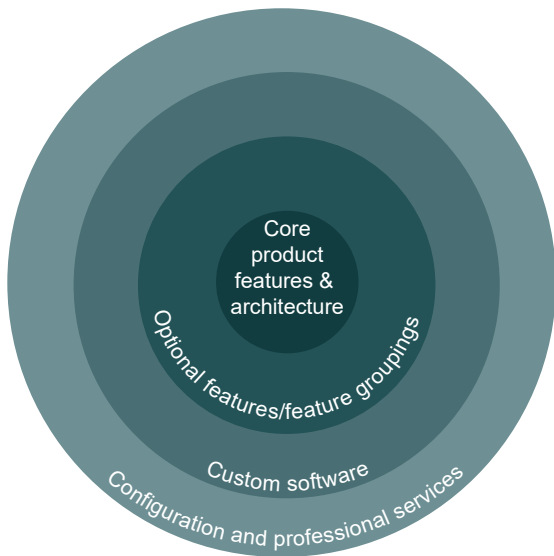


Fig. 6 Proposition structure for 'big ticket' products



Managing the proposition

All product managers, regardless of the per-sale value of their product, must manage the on-going roadmap. However, Mike Beech at Acision believes that the more complex the proposition, the greater the need is for product managers to get involved. "Amongst other things, the software may take time to develop. We developed a proposition for a complex rating plan once, but a year down the line, the conditions had changed, customers didn't want 100s of plans, and we needed to develop a new type of architecture." It is the product manager's role to ensure the proposition is still relevant and is fine-tuned as the circumstances of the market and customers change.

Conclusion

Product managers must take the lead in understanding which capabilities are most highly valued in their target segments. These can then become part of the basic proposition to boost profitability, speed to market, and customer satisfaction. The 'high value' product manager will get a lead on their competitors if they make the right choices about what should get productized and what should be left for customization.

Case Study Managing big ticket propositions

According to Mike Beech, VP of Product Management at Acision, the development of a proposition can confuse some people in the sales channel. "We once made a big push to talk about propositions. One day the sales team were selling boxes and the next a 'solution cloud' that they didn't understand. It took us 18 months to establish the idea."

The value of a proposition, Mike Beech explains, is that it helps businesses understand the value of their products. "Every company knows what their products do, but some aren't sure why, and don't understand their value. It's a question of interpreting needs and values, what my first mentor called *Imaginative Understanding*."

"For big ticket items, that can be a challenge if you are dealing with a number of people within one customer organization who have different needs and wants. You have to know the structure: who are the blockers, who are the supporters, who is the budget holder and what they all want"

Mike Beech, VP Product Management, Acision

Listen and Learn

Effective feedback drives the best propositions

One of the biggest challenges when developing good customer propositions is getting real and high-quality customer insights to help you develop the proposition. It's doubly difficult if you are trying to persuade your company to spend good money on finding this information through market research and they just aren't interested. It's easy to sit back in the office, in our comfort zone, and assume (shut our eyes and hope) that we know all about our customers.

Let's make a distinction between customer information and customer insights. You may be able to find lots of facts and figures about potential customers and segments on the web, but what's essential are the insights into what drives customers, what their

problems are, and what benefits they are looking for from your product. This qualitative rather than quantitative data is key to developing propositions.

Case Study Product blogs

Mark Maciw of Clearswift says that a really valuable source of information is online 'self-help' customer forums or blogs about your products. "Clearswift cover the minimal costs of hosting and then let customers have their say!"

"Customers can freely exchange comments and discuss issues they are having. Although we contribute answers from time to time, most of the discussion is directly between customers. However, the biggest benefits to us are the insights we gain into how our customers are thinking."

Mark Maciw, Clearswift

Gathering market information

There are a number of different ways of gathering market information (see Fig. 7, opposite). A key concept is the idea of listening posts, places, and opportunities to take soundings from customers and the market. Many of these exist already, and not all of them cost money or take up lots of your time. However, insights are usually needed by a deadline, and getting the listening posts in place and building the relationships is best done in advance.

The direct sales force, out meeting customers day-in-day-out, are an excellent source of information. The problem can be that salespeople know what one customer wants to buy (usually the last one they

visited). Product managers must determine if that represents a single customer or a market full of customers.

Searching the web and regularly scanning the trade press is a good source of information but rarely gives the exact insights you're after. The parts of your organization that support your existing customers (the phone support desk or field support) are excellent sources of feedback. They usually have a good insight across your customer base into what customers care about, and of course, what's going wrong with your current product. They often have good relationships with the users of your product but bear in mind that it is the needs, wants, and motivations of the person that is buying that really count.

It's worth talking to suppliers – they should be trying to work out what the best proposition is to you and should therefore have some insights into what your customers want. They are also talking to your competitors so you may pick up useful pieces of information.

Searching for leaders

The best quality information comes directly from the horse's mouth. Visiting customers takes time, and you have to set expectations correctly so that it's not just seen as an opportunity for them to lobby for the features they want or an opportunity for you to sell. A really valuable listening post is feedback from visionary customers – customers who are thought leaders in their area.

As a product manager, you should be aiming to do a regular trawl of listening posts and establish relationships that you can call upon when you need them for proposition work.

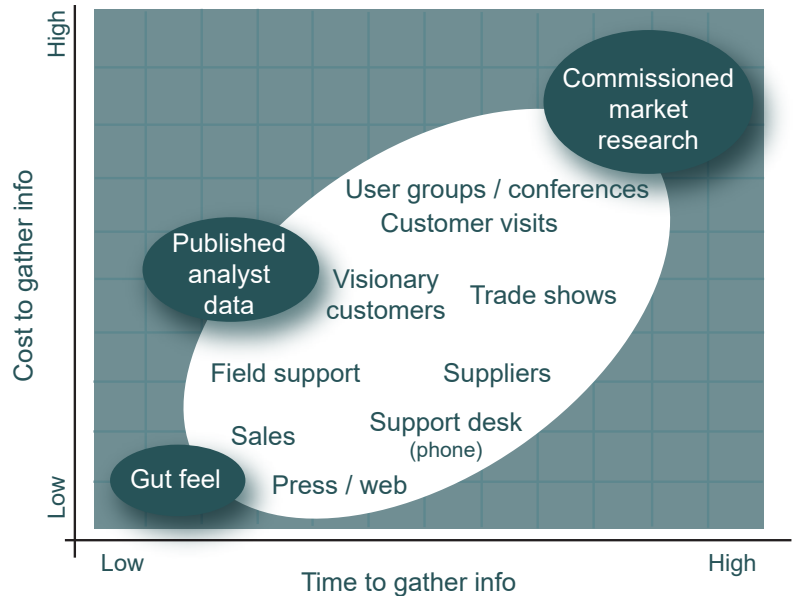


Fig. 7 How to gather customer feedback based on original research by Bob Martin

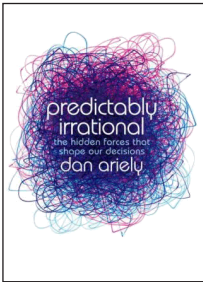
Comments

If you have any comments or questions, email them to journal@productfocus.com

The Review

Reviews and feedback for product managers

Book Review



Predictably Irrational, The hidden forces that shape our decisions
Dan Ariely (Harper, 2009)

Wise Words

"The dread of criticism is the death of genius."
William G. Simms, poet

This book is a fascinating read for product managers. The author is a behavioral economist, studying how people make decisions when they buy, sell, and make real-life choices. He concludes that the decisions you, I, and customers make may often seem irrational, but they are predictable. Instead of assessing all the options and making a straightforward logical decision, all sorts of other factors are at play, such as emotions, comparison against what we already know, and social norms – and these all affect our choices.

In his research, he runs all sorts of interesting experiments – mainly on his students at MIT. Looking at pricing, he zapped volunteers with painful electric shocks and then offered them painkillers costing either \$2.50 or 10 cents prior to a second round. All the pills were identical and fake, but the \$2.50 pills proved to be twice as effective as the 10 cent pills in dulling pain. Pay more, and not only do you think you get a better deal, but your brain convinces you that you have!

Another example is the powerful effect the word 'free' has on us. Ariely quotes an example from Amazon, where they offered free shipping if you ordered 2 books rather than 1. This created a huge increase in sales, even though some of the purchasers probably didn't really want a second book. However, in France, where Amazon reduced it to a bargain price of only 1 Franc (about 10p), instead of free shipping, there was no difference in sales. Once this was spotted, and the offer was changed to free shipping, France joined everywhere else with a dramatic sales increase. The author contends that this is just one more example of irrational but predictable behavior.

With interesting chapters, like why dealing with cash makes us more honest, it's a great read as well as providing pearls of wisdom to help you develop your propositions and pricing strategy.

Have your view

Every year Product Focus runs an industry survey to gauge the state of product management in Europe. It gives us a real insight into industry norms, trends, and best practice.

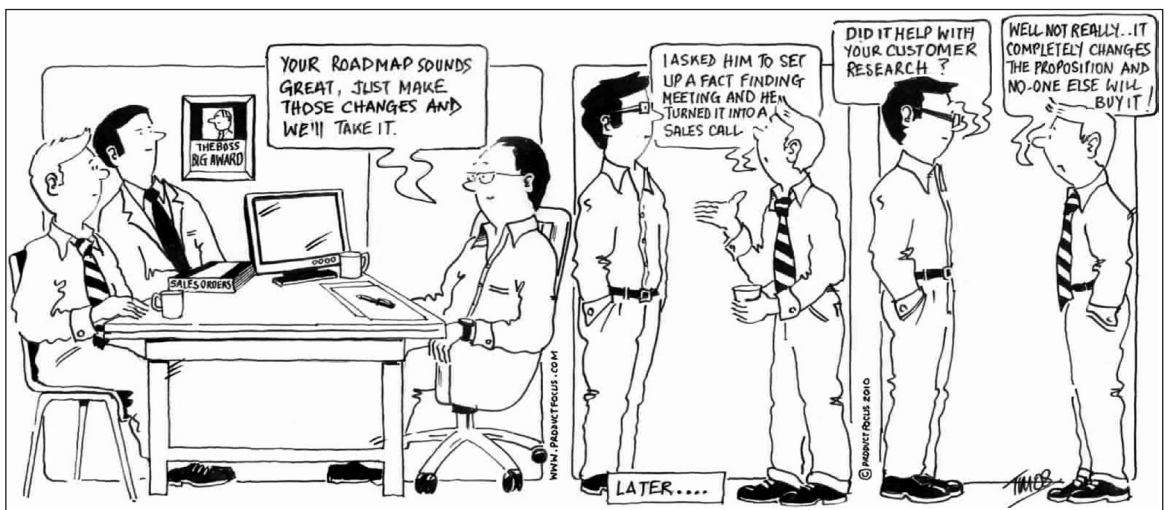
Working in product management can be exciting and exhilarating, taking businesses forward and helping develop and implement strategy. But, as a profession, it lacks definition, and this can lead to recruitment issues, frustration in the role, and problems in upskilling through relevant training. Every company views product management differently, and the skills and competencies to excel in the role change from company to company.

Within this variable landscape, the results of our annual product management survey provide a point of reference. The survey questions hundreds of professionals on their skills and experience in product management, enabling us to build a picture of current practice and perceived skills gaps. Each participant receives personalized feedback on how they compare to their peers. Heads of product management can ask for an aggregated view of how their teams compare to industry averages. To see how you compare, email us at info@productfocus.com, and we'll take it from there.



Annual Survey

We use our survey to benchmark product management each year. Let us know if you'd like to take part. You can **download the latest results** from our website.



The Insight

The power of a proposition

Wise Words

"The future belongs to those who believe in the beauty of their dreams."

Eleanor Roosevelt,
Former US 1st Lady
and activist

As a product manager, you can't do everything you'd like. Just like revising for an exam, there is always more you could do and the nagging feeling that perhaps you've been working on the wrong things. One of the challenges in most companies is that you tend to get sucked into only working within the business – it's always easier to stay in the office and talk to people you know. The danger of spending all your time talking to colleagues about customers rather than using other sources is that your views become disproportionately shaped by internal conversations, and urban myths spring up.

The truth is that most of us don't have the time nor the money to do all the customer research we would like, and we have to guess at some of the answers. Using your gut feel is OK, but remember, bona fide customer research always trumps opinion when it comes to convincing your management.

One priority not to forget, and a key part of the product management role, is strategic product management. In essence, this is understanding customer needs, identifying solutions that your company can deliver, and clearly articulating the solutions for development, marketing, and sales. This is what the task of developing propositions is all about.

Product management is set up in different ways in every organization, but we think this essential part of the role is often fudged, split between marketing and sales, or missed altogether. Done well, it's a very powerful position – and one we think product managers should actively embrace.

So ... if you're not developing product propositions for your business, who is?

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