About Business and Product Development

UW CSE 403

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But First a Story

- First meeting after my promotion from product development manager for All-IN-1 to Director of Office Automation Products:
  - US Group Vice President:
    - What business are we in?
    - Who is our customer?
    - Why do our customers value what we do?
- Boy was I in the wrong place if the VPs didn't know the answer to these simple questions. Little did I know.

Exercise

- Break into groups and come up with a one paragraph description of the value that the Cab project will provide to the *customer*.

Levels of Capability Maturity

- Junior Software Engineer:
  - What's inside the system?
  - Focus is on the How
- Senior Software Engineer:
  - What does this application do for the user?
  - Focus is on the What
- Consulting Software Engineer
  - Why is this software being asked to perform in this context or environment?
  - Focus is on the Why
- Business people are all about the WHY

Influencers, Purchasers, Users

- Marketing of Colleges Story
- Customer Does Not Compute
- Walter's Second Law:
  - Words mean something but rarely the same thing to different people.
- Definitions
  - Influencer
  - Purchaser
  - User

Exercise

- Define the Influencers, Purchasers and Users for Evergreen Cab Company Project
- Define the Influencers, Purchasers, and Users for the Product Rollout of the Project

Positioning / Value Proposition

- For *(target customer)*
- who *(statement of need or opportunity)*
- the *(product or company name)*
- is a *(product or company category)*
- that *(statement of key benefit / compelling reason to buy .*
- Unlike *(primary "competitive" alternative)* ,
- our product *(statement of primary differentiation)* .

· From Geoffrey Moore, *Crossing the Chasm*

An Example

- ***For*** <u>PC users</u> ***who*** <u>want the advantages of a Macintosh-style graphical user interface, Microsoft Windows 3.0</u> ***is an*** <u>industry-standard operating environment</u> ***that*** <u>provides the ease of use and consistency of a Mac on a PC platform.</u> ***Unlike*** <u>other attempts to implement this type of interface,</u> ***Windows 3.0*** <u>is supported by every major PC application software package.</u>

Adapted from Geoffrey Moore, *Crossing the Chasm*

Another Example

For <u>web users</u> ***who*** <u>want an easy way to find the right information fast</u>, <u>Google</u> ***is a*** <u>simple yet highly discerning search engine</u> ***that*** <u>turns content on the web's 1.3 billion sites into just what you wanted to find</u>. ***Unlike*** <u>other search engines</u>, ***Google*** <u>delivers only the most relevant results in less than a second, without the delay and distraction of downloading a page full of advertising or useless links</u>.

Exercise

- Reformulate your value statement into two value propositions
  - One for the purchaser
  - One for the user

What's the Goal of a Business?

- Get and keep a profitable customer – Peter Drucker
- Create a growth partner – Mack Hanan
- Make money - Goldratt
- Create Intellectual Capital – Stewart
- Create economic value while supporting user values – John Heskett
- Prize global intellectual captial and the people that provide it; build diverse teams to mazimize it.- General Electric
- Get and keep a profitable growth partner while optimizing risk and reward – Skip Walter

Goal of Business
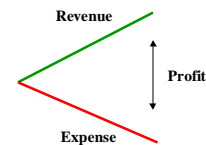
Goal of Business

- The goal of any business should be that revenue - expenses is a positive number called profit.
- The problem with most businesses is that the CEO is the only person where these three concepts come together.
- Marketing and sales people worry about the revenue side.
- Engineering, manufacturing, distribution, admin, and operations folks worry about the expense line.
- Business interventions rarely cross the boundary between the revenue and expense sides of an operation.
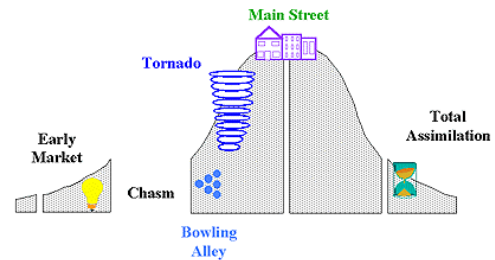
Objective Functions

- When we are evaluating business interventions there are really only three generic intervention categories:
  - Increase revenue
  - Decrease expenses
  - Decrease time
- Note designing and building a new product is one form of business intervention
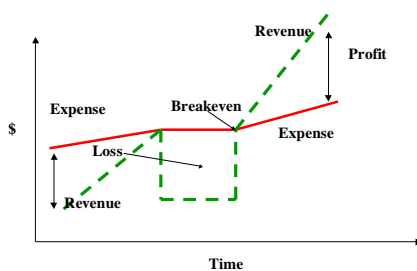
Advanced Version of 10 minute business diagram
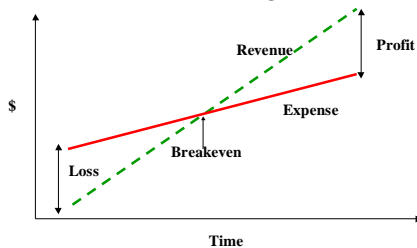
The Entrepreneur's Chasm

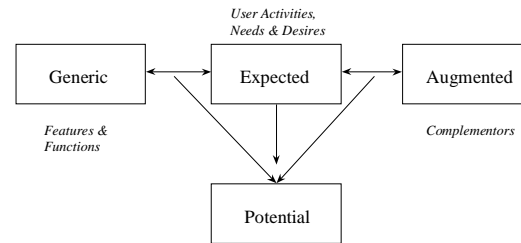*The Good Book Says . . .*

Business View of Chasm

Whole Product Concept

- Generic - what a company actually delivers to a customer
- Expected - what activity the user hopes the product will benefit
- Augmented - who else complements the generic product
- Potential - what are ways and directions that the product can be further enhanced.

Amazon.Com Example

- Generic - Books search and database, CD search and database, Video search and database, Recommended Books, Book Reviews, Book ordering and delivery, Amazon Associates, Customer Database, etc.
- Expected - Book browsing, book ordering, book sampling, MetaBook, Personal Book Inventory
- Augmented - Amazon Associates, Multi-media Computers, ISPs, Browsers, RealNetworks, Book Distributors
- Potential - Digital Book Ordering and Delivery, Meta Book Commentaries, "People like me" Communities

Innovation Strategies

User Activities, Needs & Desires

| Generic | Expected | Augmented |

Features & Functions

Complementors

Potential

Exercise

- Define the Whole Product for the Evergreen Cab Company Project

Business Model

- Narrative Test
  - Who your customers are
  - What they value
  - How you'll make money providing them that value
  - Making something that satisfies an unmet need
  - Selling something in innovative ways
- Numbers test
  - Costs:
  - Revenue for you
  - Revenue for your growth partner

Exercise

- What is the narrative and numbers test for you Evergreen Cab Project?

Exercise

- What's a product functionality decision that you recently made in relation to the functionality of the project?
- Would you change your decision based on what we've learned today?
  - If so, what would you change your decision to?
  - If not, why would you keep the decision the same?