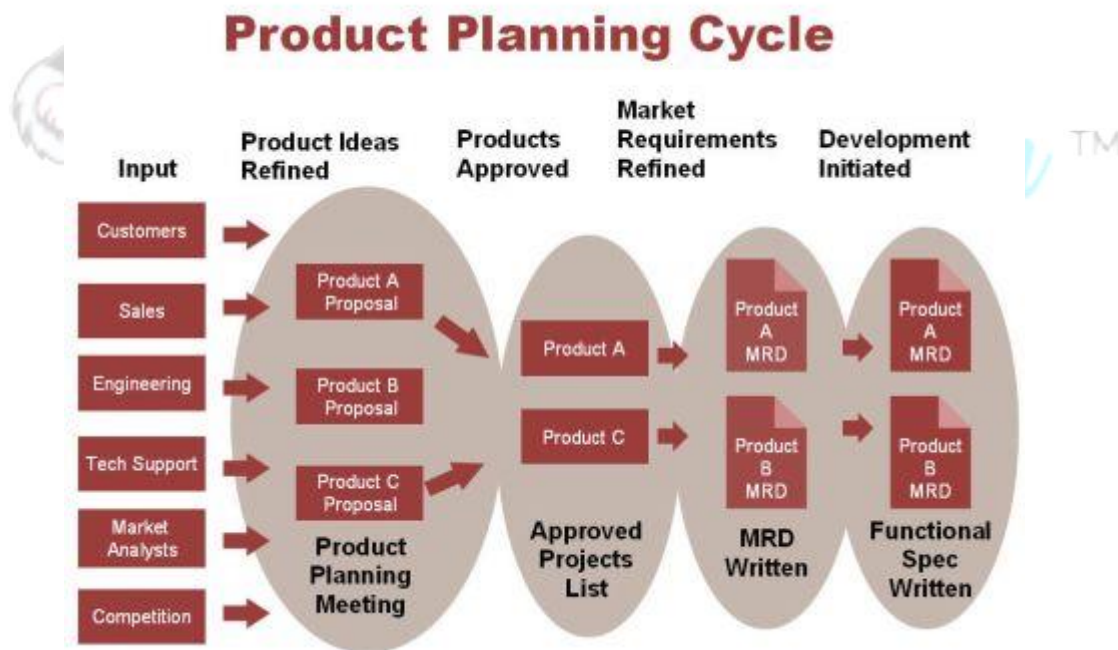


Product Planning System

The Traditional Approaches to Product Planning

Product Planning is the ongoing process of identifying and articulating market requirements that define a product's feature set. Many people in the organization may be interested to have contributions that will make a new product successful. With all these interested parties, there must be a system to help Product Manager (PM) through the product planning process and a way to decide which ideas have the most merit. This system also needs to incorporate customer feedback, assure that important new product ideas are approved, and that development of them initiated immediately. What follows is a product planning system that works well for most companies.



The above diagram outlines the phases in the product planning cycle. In any given company, these steps may be condensed or combined. For example, some companies may use a single document to cover both the Market Requirements Document and the Functional Specification.

The steps are important because they allow PM to gather input from all possible resources, evaluate the potential of each idea and gather input from all involved parties about which ideas will work and their ease of implementation.

Input

There should be no shortage of new product ideas. If PM is doing regular customer councils and customer surveys, PM should have a long list. PM will also have ideas from sales, engineering, technical support, and management. The biggest job is narrowing down the list. A regular poll of sales, tech support, engineering, and customers for product ideas may help PM prioritize.

PM should also understand the current products, what is selling, what isn't, and why. Finance should be able to provide PM with a breakdown of sales by product. A couple of phone calls to key sales people should provide PM with an earful of information on why certain products are selling well and why others are not. Product managers are also called upon to do customer presentations to major accounts. These presentations should be open communication sessions. It is an excellent opportunity to learn first-hand what the customer needs and how they are using the product.

Competitive analysis is also an important part of product planning. The customers, sales channels, and prospects evaluating the product (s) will tell PM where PM falls short competitively. Additionally listening to the prospects when they are asking about the product features and directions may help PM to have an idea. Internet is also an excellent place to gather competitive information. Often, competitors will publish their strategic directions and, for software companies, actually have beta versions of their new software releases available.

Market analysis is also important. Trends in the industry need to be factored into the product plans. Professional market analysts can help if PM wants a third-party perspective. The engineering department will also provide some good ideas in this area.

It's also important not to forget the possibility of discontinuing a current product. Discontinuing a product is a tough decision, but many companies have failed because they have spent too much of their resource trying to maintain a product with old, difficult technology.

PM needs to narrow down the list to a handful of ideas that s/he may want to investigate further. Since the most important criteria for any company is return on investment, the top ideas that PM selects must either have broad market appeal or enable to tap a new market.

Product Ideas Refined

After narrowing down the list of potential new products or features enhancements for an existing product, PM will want to refine some of the more promising ideas. Before a product idea is funded, some basic information needs to be gathered about who is going to buy the product, how much they will buy, and how much it will cost to develop it. This is the information that will eventually be expanded upon in the MRD (Market Requirements Document) but should be gathered and presented in summarized form to seek product approval. Here is the type of information PM will need:

- **Product Description:** PM needs enough information so that the product can be easily described in one or two sentences to customers or other people within the company. Also the product needs to be positioned. The important questions which need to be answered are:
 - Who buys the product?
 - Why is the product of value to the buyer?
 - Why is it better than the competition?
 - Is it possible to sell the product idea to potential customers as quickly as a captive audience on an elevator? (known as "elevator test")
- **Market Justification:** Including market numbers and real sales projections will help PM determine the size and the viability of the market. These will initially be very rough estimates until PM has time to determine competing products' market share.
- **Resource Projection:** Working with the technical people is imperative to get an initial rough estimate on what it will take to build the product in terms of people-years. PM will need to assure everybody involved in this process that no product will be defined until management can be assured of the return on investment and PM can't figure out ROI without having an estimation of the investment.

Products Approved

Once PM has gathered the above information for product proposals, s/he needs to get the project approved. Holding a product planning meeting is recommended for this since it may allow PM to present all the appropriate information to everyone at once. It is also a great forum for discussion of the merits of the product. In some companies, PM may need a full market requirements document before the project is approved, although this is not the most effective method of product planning for the following reasons:

- At this point, the PM's time is best used looking at the broad picture and narrowing down the most promising product ideas. To do the research work required for a full MRD would waste time before the project gets approved.
- Projects are better refined by all parties involved. There should be an open discussion of the project's viability before a detailed MRD is generated.

The company should have an "Approved Projects List" (some companies call this a Plan of Record or POR) that is either published regularly or located centrally where everyone can access it. If the company doesn't have one, then PM needs to create one. This is a list of all projects that are approved and currently being developed in the company or division. Having one central list will provide a point of focus and clarify the priorities for all involved. Ideally the list should be updated regularly and posted in a central location. When a project is added to the list, it should be funded with development resources.

Market Requirements Refined

Once the product is approved PM can refine the market requirements, adding more details on the desired features of the product and the probable usage pattern of the customers. There will be two types of MRDs, one for new products and a second for new releases of a current product.

Development Initiated

Once the MRD is complete, the developers can start to work on a functional specification and prototypes. Some companies combine the MRD and Functional Specification into one

document to help them decrease time to market. To do this, PM must work very closely with engineering to make sure that the functional design of the product will indeed meet customer requirements.

Running a Successful Product Planning Meeting

Product Planning Meeting is needed because time-to-market is the key to success in product management. Anything that delays time-to-market would hurt the company. Time-to-market can be significantly decreased if PM can gather everyone in a room and get them to agree that the new product must be funded and development started immediately. The meeting also gives PM a forum to formally add and remove products and projects to the approved projects list and to make sure that everyone involved is clear on the priorities. It also gives them visibility to why the priorities are what they are.

The Preparation

The outline below helps PM to understand what information should be included on the product planning slides for each product. PM needs to prepare all the slides in advance of the meeting. PM must also schedule some time with engineering department to review the slides before they are finalized. This is necessary for the following reasons:

- Engineering department needs to provide resource estimates.
- Engineers may have great ideas on a particular implementation of a product or even a good target market for the product.
- Engineers may have strong opinions on a given project. It is best to understand those before trying to get the project approved.

For the meeting PM will want to have the room set up in a round table format to encourage discussion. Have copies of the slides and back-up documentation for everyone involved. New products are controversial and anything PM can do to make the meeting run smoother is important to the overall objective of the company working on projects with the best return on investment.

The Decision

Getting a decision from the meeting is crucial even if the decision is that more information is needed. The ultimate decision generally falls into one of four categories:

- **Approved:** If there is sufficient information to approve a product, then it is added to the list of approved products and the next step, whether it is writing a market requirements document, or writing a functional specification, is started.
- **Canceled:** If there is not sufficient justification for a product, or it does not fit into the company strategy then it should be canceled and removed from the list of approved projects (if it was there to begin with).
- **Hold pending further investigation:** No matter how much research PM does on a project, questions may come up that PM doesn't have ready answers for. Sometimes a decision will need to be delayed pending further market research information or an investigation from development. In any case, the additional information should be gathered and the project should be discussed at the next product planning meeting.
- **Hold for future:** If the product fits into the company strategy, but the resources are unavailable to work on it, it may be a good idea to put it on hold until some determined future time.

The decision should take into account the following criteria:

- Does the project fit into the company's long term strategy?
- Does the target market for the project align with the company strategy?
- Will there be sufficient revenue from the product to justify the work required?
- If there is not sufficient revenue, are there other highly compelling reasons to justify the work?
- Are the resources available to do the work?
- If the resources are not available, should this project take precedence over another?

The person who ultimately makes the decision should be determined in advance of the meeting. This is generally the CEO, President, or CTO of the company. The forum should allow adequate discussion before the decision is reached.