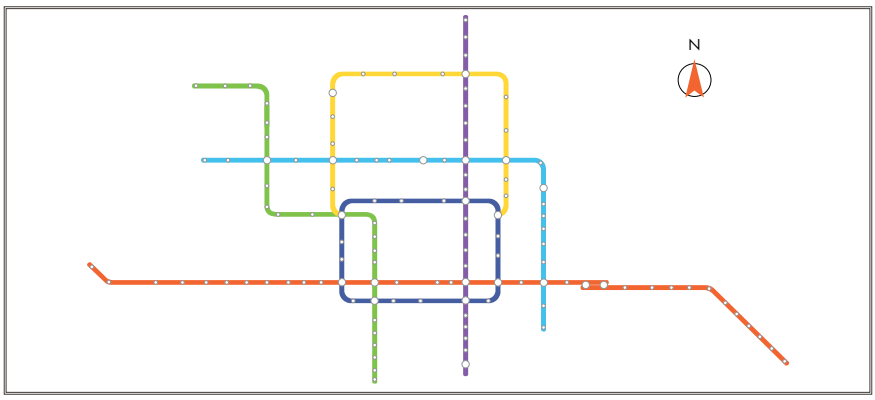
the
Customer
Your #1 Resource for
Innovation
cmo's agenda™
CMG Partners

Table Of Contents



1
YOUR #1 RESOURCE FOR INNOVATION

3
A MODEL FOR INVESTIGATION

4
GETTING THE BALANCE RIGHT

7
INNOVATIVE CUSTOMER ENGAGEMENT

14
START FROM THE OUTSIDE IN

17
THE RIGHT PERSPECTIVE

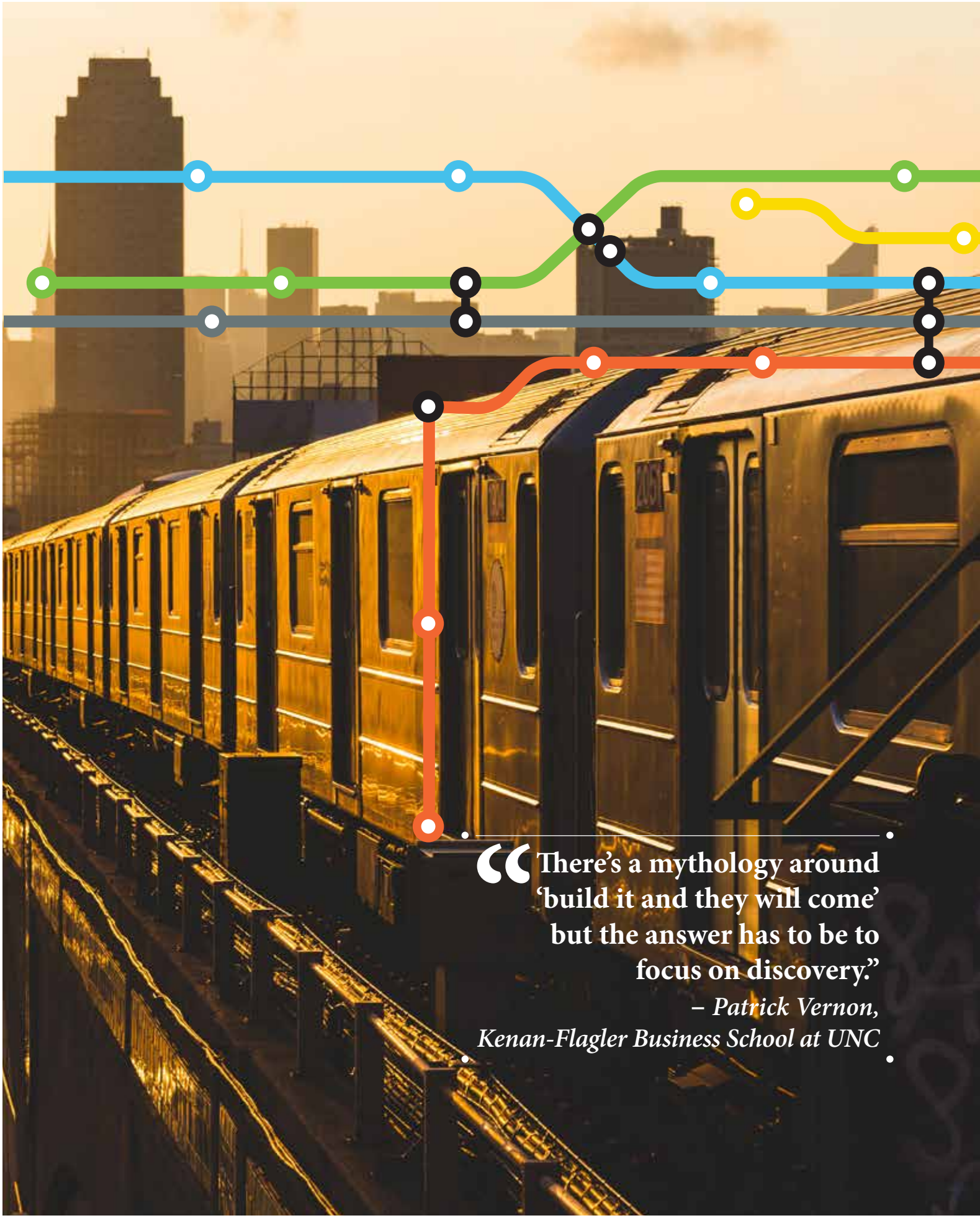
18
ACKNOWLEDGMENTS

The CMO's Agenda™
Started in 2009, the CMO's Agenda from CMG Partners is our ongoing examination of the role and responsibilities of the chief marketing officer (CMO). For this addition, CMG Partners conducted qualitative in-depth interviews with CMO's, senior marketing executives and new product development experts between August and December of 2014.
© 2015 CMG Partners

YOUR #1 RESOURCE FOR INNOVATION: The Customer

Today customers are more informed and more demanding. As new product marketers, we must demand more from our portfolio of customer input, feedback and insights than ever before. In just the past five years, most chief marketing officers (CMOs) have experienced a radical shift in their marketing focus from traditional methods to mobile, social and digital channels. Far from an exception, a state of continual disruption is the status quo. To gain an understanding of how we can face these turbulent external forces, we interviewed several CMOs, product marketing VPs and innovation experts about how they address the shifting market.

CMG Partners helps guide marketing teams to adapt to contemporary customer behavior with new approaches to commercialization and marketing. This paper takes a look at how several leading marketers caught our eye by applying innovative methods to new product development—methods that address both the new landscape and the voice of the customer. The market recognizes that traditional approaches to marketing and product development are ripe for advancement; with this in mind, the task still remains for marketing leaders to choose the approach that best suits their needs and how to implement it. In this paper, we'll outline some new models that embrace a more collaborative, customer-centric, agile way of bringing new products to market and discuss ways leaders have put them into practice.



“There’s a mythology around ‘build it and they will come’ but the answer has to be to focus on discovery.”

– Patrick Vernon, Kenan-Flagler Business School at UNC

A MODEL FOR INVESTIGATION

M C C C

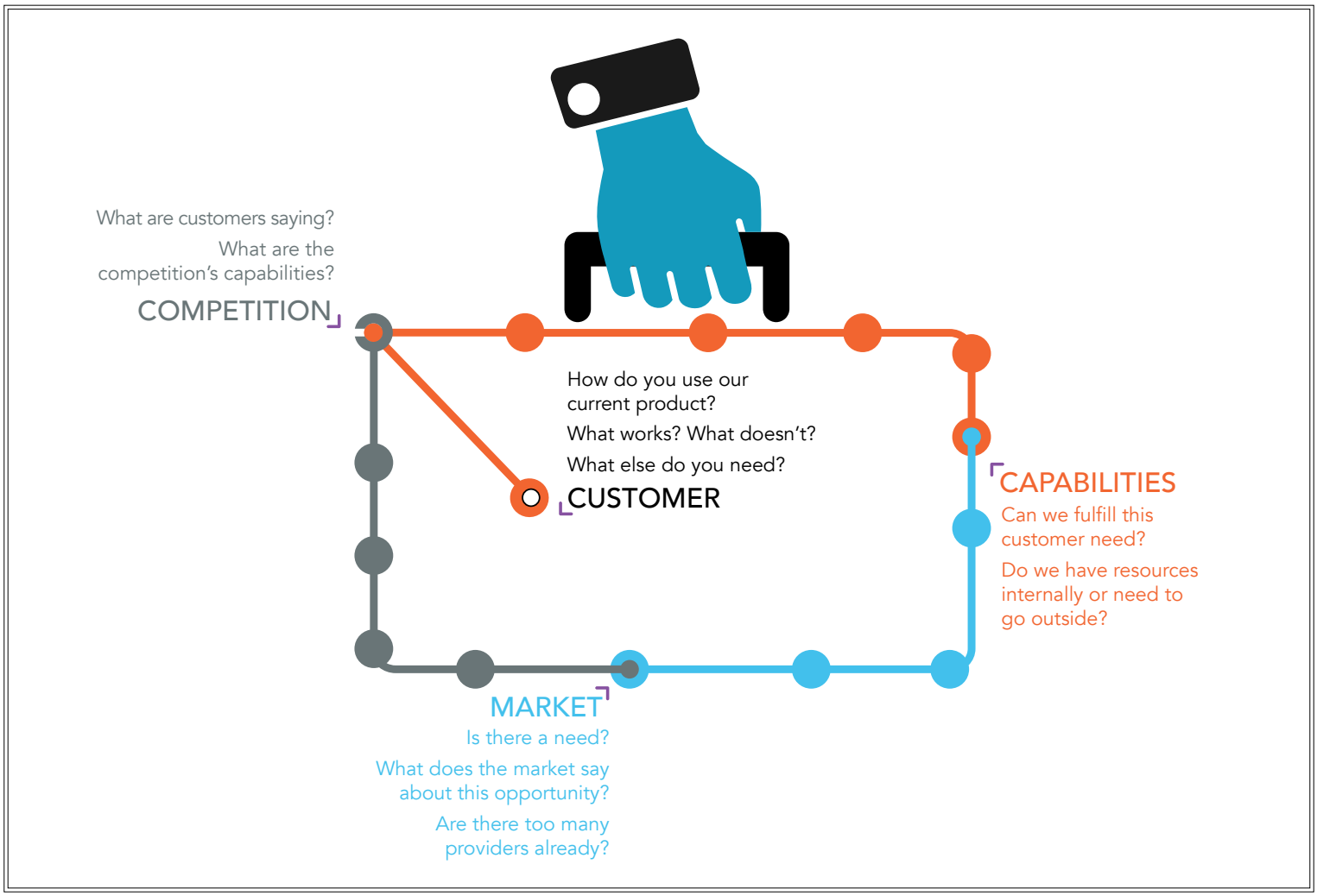
Product developers and marketers typically touch on four critical areas of investigation for new product development: Market, Customer, Capabilities and Competition (a framework we refer to as "M&3Cs"). Of these four, the customer is emerging as the central and most fruitful area of focus. In our discussions with product marketing executives, we found that, while not ignoring the other drivers, they consistently called out the unique value of understanding the customer as the linchpin to winning share with new products.

Investment in consumer insight and contextual intelligence naturally contributes rich knowledge to the other M&3Cs areas as well. The borders between these areas are not solid; there is a wealth of information and insights that flow between them and serve to illuminate the big picture.

When researching with customers, you can also investigate:

- What those customers are experiencing in the market
- Their opinion on market trends
- Primary indicators of potential new opportunities and product categories
- Perceptions of the competition and current offerings

Before we gained unprecedented access to rich customer data via mobile, social and digital channels, you may have had fewer options for easy, regular consultation with customers. In a pre-social, pre-digital marketplace, we relied more on internal factors like capabilities and external realities such as competitors and market dynamics to compensate for lack of deep customer insights. However, today's information-enabled class of insights has sparked innovation in customer engagement that is transforming new product development.



GETTING THE BALANCE RIGHT

M C C C

Getting the right balance among the M&3Cs is important, and if you focus too much on one area, or look only inside or only outside your organization you may run into obstacles. Patrick Vernon, Director of Venture Initiatives and Clinical Assistant Professor of Entrepreneurial Studies at the Kenan-Flagler Business School at University of North Carolina, still sees many companies, startups in particular, who are enamored of their capabilities without looking outside at the market, customers and competition. He warns, "You end up with a list—not of best practices—but of 'worst practices' to avoid. One of these worst practices is a focus on the art of innovation for its own sake versus a focus on the customer. As a practice, it's too insular, too inward-looking. There's a mythology around 'build it and they will come,' but the answer for startups has to be to focus on discovery, not planning."

PLANNING HAS ITS PLACE BUT DON'T UNDERESTIMATE THE POWER OF DISCOVERY

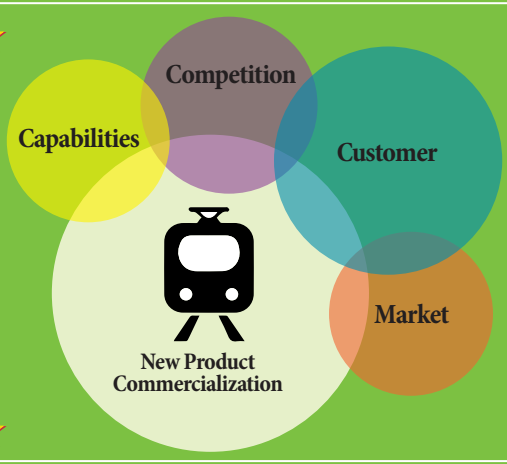
PLANNING

New Product Strategy → Idea Generation → Screening & Evaluation → Business Analysis → Design & Development → Testing → Commercial-ization

Working toward an internally developed goal with a static set of linear phases and actions designed to achieve that goal. Sometimes called the waterfall method, one step follows the other to achieve a predetermined, unchanging goal.

DISCOVERY

Actively and frequently researching customer views, market dynamics and the competition to identify opportunities for fulfilling a need. A more agile, iterative process that allows new or changing input to feed design, development and commercialization.



AGILE:
FROM SOFTWARE DEVELOPMENT TO MARKETING

Far from just a buzzword, "Agile" is a methodology created and embraced by the software industry to combat delays due to over-planning and fixed, heavy requirements. In 2001, a group of leading developers designed the Agile Manifesto, laying out a framework for software development that fosters collaboration over silos, empowerment over hierarchies, and rapid response to change over following an inflexible plan.

Over 85 percent of companies surveyed in the 8th annual "State of Agile" report practice Agile development.* In the last few years, the Agile approach has migrated to marketing, with teams adopting Agile principles to be more responsive and nimble in their approach to the market.

For over two years, CMG has been researching, consulting and coaching the Agile for Marketing (A4M™) approach. As a result of the A4M mindset and methodology, our clients have experienced gains in performance, collaboration and speed to market among other benefits.

* © 2014, VersionOne
"State of Agile Survey"

GETTING THE BALANCE RIGHT

M C C C

This is not to say that planning doesn't have a place, but you should keep a flexible attitude throughout the new product development process so you are receptive to research and feedback. Conducting new product development with a mindset of discovery is easier today with real-time customer access via online interaction and data analytics.

So what is the message for product leaders and marketers? Don't come to the table with a fixed notion of what you want to build (no matter how cool it may be). Come with an open mind, curious to explore customers' interests and how that desire fits with market dynamics, competition and your company's capabilities.

Bob Ewald, managing director at Codec Consulting, describes different types of product development and how the discovery process fits each, "My experience has been that certain products lend themselves more to an agile development or a fail-fast type development process, and other products are really much more suited for a traditional waterfall type development process. The processes that you have to go through for product development also tend to dictate how specific and how detailed your requirements need to be."

Informatica's Ravi Shankar explains how his team applies the M&3Cs. "The first driver is our current customer base. We have hundreds of customers using our product, and it's enterprise-level software so they have certain requirements. We invite them to come to us and say 'I need X, Y and Z to be done on the product so that I can take it to the next level.' We take this input to incorporate that into the product." Shankar continues, "The second driver we need to understand is the company perspective in terms of where the company is going, what kind of features we are talking about releasing and how that may impact the sales cycle. The third driver is market movement. I need to know where the market is moving from a trend perspective."

When you explore the market and the customer, it does not always mean you will receive a fully articulated need or motivation. Advances in music delivery during the last 15 years—from the iPod to satellite radio to streaming music services—are just a few of the many examples of fulfilling a heretofore unknown, or "un-emoted" need. Identifying product opportunities where no competitive reference exists can be one of the more challenging, and exciting, areas of product development.

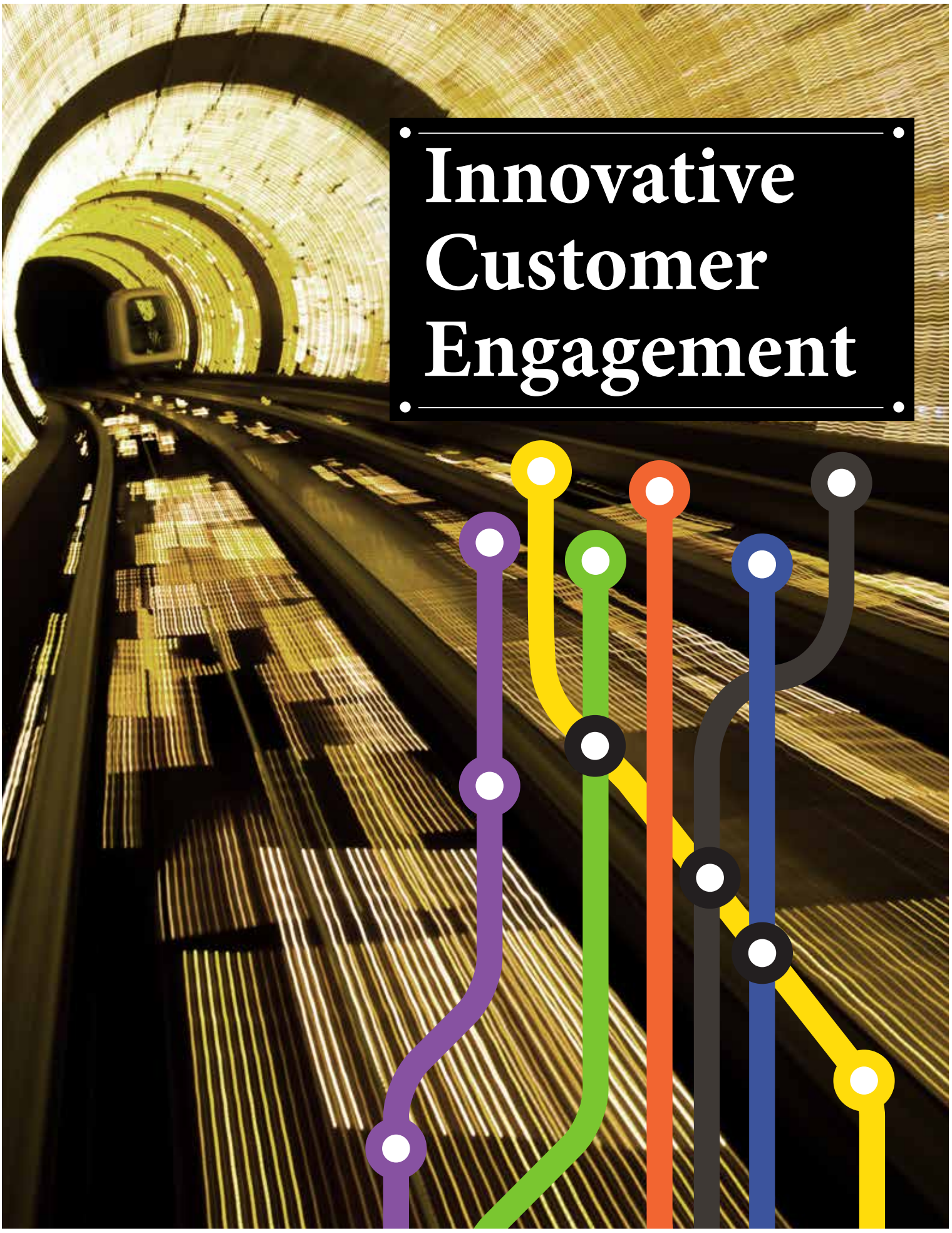
As a consultant, Jeffrey Phillips, VP of marketing and co-founder of OVO Innovation, operates discovery activities for his clients with an eye toward new product categories and probing customers' un-emoted needs, "We typically work with a cross-functional team that involves product development, product management, marketing, and sometimes R&D. What we're looking for are specific needs or opportunities that are going unfilled in the market and trying to relate those back to a set of capabilities the business has."

The state of competition or market trends may also drive the discovery process toward a certain product. With enough knowledge about market trends and competition, a firm can begin to anticipate the market. As Ravi Shankar put it, "Cloud is a big disrupter for us. Does that mean that I need to get a product on the cloud and enable it, even though many customers might not be asking for it now? That surely is the direction the market will be heading, and customers will be going in that direction, so I need to anticipate that and factor it into my product development."

Working with the M&3Cs approach is going to give you a comprehensive picture of a product's chances in the market, but it's important to keep the four categories in balance with each other to be sure your perspective on the opportunity is clearly focused.

> **"Gathering customer insights does not have to slow you down. When you have a continuous conversation with the customer, it becomes an omnipresent part of your business. The flip side of this is creating an agile internal approach that enables you to react and adapt to the feedback from that conversation."**
>
> *- Mark Chinn, CMG Partners*

Innovative Customer Engagement



INNOVATIVE CUSTOMER ENGAGEMENT

Today, in order to win in an increasingly informed and competitive marketplace, lead marketers and product executives are adopting innovative ways to assess customer needs through a continuous conversation with customers. Whether unlocking unstated needs for new product categories, interacting directly with customers and prospects, or accessing influencers and market movers, we found a number of creative approaches used to understand customer needs and motivations.

The following section outlines several ways that companies have formalized models to gather input and feedback from customers for new product development and beyond. From posting iterations on Twitter to engaging formal customer groups, let's look at how some companies achieve an ongoing and evolving dialogue with their customers . . .

Product Advisory Councils

Informatica

Product councils can be an effective method of harnessing the know-how of a firm's power users and most engaged customers for new product development. To work, a B2B or B2C firm must be able to identify and recruit its top users. The approach is optimal when the council promotes a regular cadence of engagement but doesn't overwhelm or fatigue contributors with an overly ambitious schedule.

Informatica, a leading database management provider, has formed a set of select customer groups called product advisory councils. The councils are made up of customers the company feels are exemplary users of Informatica solutions. They are invited to participate all the way along the product development cycle, from prioritizing updates to beta testing new releases.

> **"When we conduct our product advisory councils, we get a sense for how the customers are moving in a particular direction related to trends."**
>
> *- Ravi Shankar, Informatica*

Ravi Shankar, VP of product marketing for Informatica, describes the approach, "Last year we ran about five different product advisory councils. These are key customers who are leveraging our product in a very successful manner. Today, the mega trends that we have identified are big data, mobile, social and cloud. When we conduct our product advisory councils, we get a sense for how the customers are moving in a particular direction related to those trends."

Informatica presents their product capabilities and roadmap, while these B2B customers share their company goals and explain how Informatica's products contribute to achieving those goals. The product advisory councils are held across various verticals and regions to capture a diversity of input. The results have led to a superior product. Shankar believes this close communication with key customers helps Informatica maintain their position as a leader in data management as evaluated by such analyst firms as Gartner, Forrester and The Information Difference.

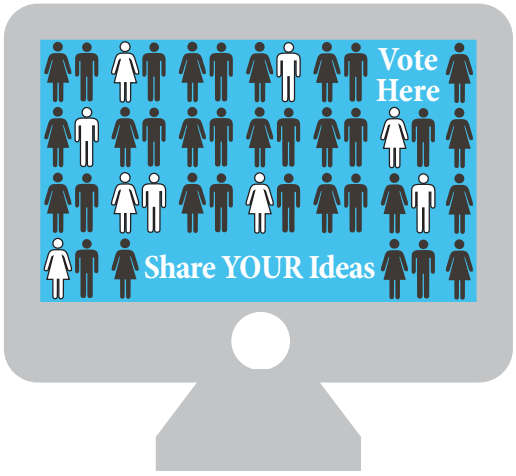
Crowd Sourcing

Wiremold

Crowd sourcing can be spontaneous or deliberate. With crowd sourcing, companies take advantage of broad interaction with the public, usually over social and digital media. Companies like Lego and Dell are renown for their specialized websites that elicit votes and comments en masse for product usage and new product ideas. Through wide-open crowd sourcing, they can gather input from all comers.

Wiremold is a branded product line of Legrand, a $5.9 billion global specialist in electrical and digital building infrastructures. As a critical component of their product development process, the Wiremold team has adapted the concept of crowd sourcing to a more targeted approach. The company has gathered an online panel of 200 individuals comprised of decision-makers for commercial buildings and higher education campuses including owners, architects and electrical engineers. In this case, Wiremold sought input in a specific area that would be an expansion outside its usual product line. The panel was paid an honorarium and given homework assignments to capture ideas and feedback and leverage "ah-ha" moments occurring outside of the scheduled meetings. The results? Two marketable concepts under development in preparation for commercialization.

Don Torrant, Wiremold's director of Electrical Wiring Systems (EWS) marketing development and channel strategy, values how his company considers research and input from customers to be as important as the input from engineers and business owners, "What attracted me to the process at Wiremold and Legrand was that they invest significantly in the engineering resources, the research, the assimilation of customer requests and data into new product concepts."



Crowd Sourcing:
You can read more about crowd sourcing on Wikipedia, a crowd sourced encyclopedia.

Key Opinion Leaders

K2M

Key opinion leaders can be customer experts, industry gurus, or writers and media personalities. Most often their independence is key to their level of influence, so their endorsement must be earned. However, as passionate industry experts they often desire to foster successful new products, and this passion makes them important shapers of new products and services as well as potential advocates.

K2M is a manufacturer of specialized spinal correction devices inserted during spinal surgeries. Their products are highly sensitive so product precision within the areas of design, manufacture, and surgery is critically important. To make sure they are on the right track, K2M works very closely with select surgeons who will be using their products. They have identified a panel of key opinion leaders made up of a cross-section of five to ten leading spinal surgeons from private practices and community hospitals. They work with these surgeons to gather practical and conceptual feedback on their ideas, concepts, designs and prototypes. Lane Major, K2M's senior VP of global marketing and product development, explains, "At the end of the day it's the surgeon who says the balance is right, that we haven't over-engineered it and they can get in and out of surgery resulting in less blood loss, shorter operative times and the patient can leave the hospital earlier."

Put another way, K2M is getting critical input at the front-end of its product development cycle from influencers with a mutual interest in developing successful products and devices. When K2M launches a new device, its influencer community is already well educated and bought in, accentuating their dual roles as customers and advocates.

Major also outlines how the key opinion leaders create an advantage over the competition, "Because we're focused in this area of complex spines and those are our key opinion leaders, we have a little bit of a head start or an attention grabber for those surgeons who work with us, and it works well." The involvement of the top surgeons in the key opinion leaders group gives K2M an advantage when it comes to generating awareness and fulfilling customer needs.

Social Listening

Social listening can be an efficient tool to capture real-time feedback for a new product or service. To maximize effectiveness, it helps to have a popular e-commerce presence that prompts customer interactions and nurtures an engaged social media customer base. These ingredients provide a recipe not only for capturing quick feedback, but also for the ability to run real-time iterations and refinements to optimize learnings.

University of North Carolina's Patrick Vernon described a very agile approach presented to his class, "A visiting CEO once outlined their approach to social listening. After launching a release at 1:00 AM, they watched Twitter and people would either complain about it or love it, and based on that input, the company would iterate. By the time the rest of the world woke up, this company would already have something like the fifth iteration of its product. With Twitter, Facebook, email, online surveys, and all of the other social media and interactive tools; there are just so many ways to quickly get input and iterate on it."

Many companies monitor and actively contribute to a dialog with their social media networks, but social media can also be a powerful product development tool that maximizes fast feedback through rapid iterations with customers.

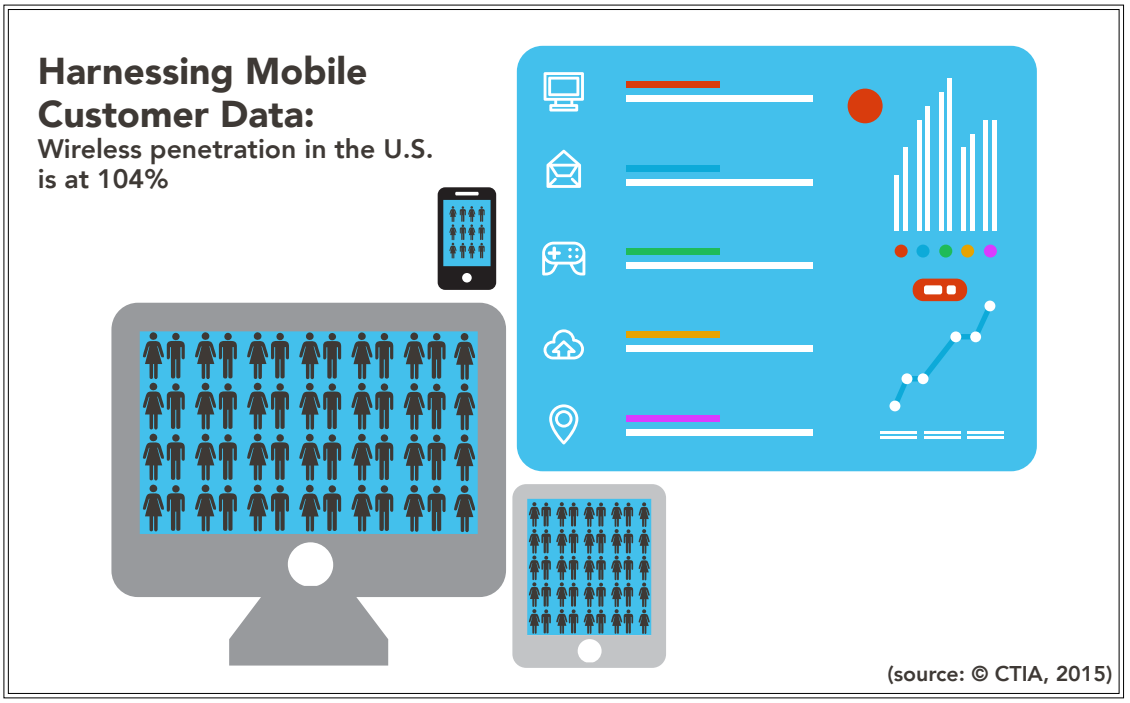
Harnessing Mobile Customer Data

Samsung

For enterprises with a vast customer base and large volume of digital interactions, big data and data mining come to the forefront. Information technology has changed market research and an increasing number of analysts use big data to gain intelligence about consumer motivations and buying habits. Marketers can turn to the customers' interaction with a mobile device, website or other digital interface to collect valuable input about product usage. If done well, the company can then iterate on products based on cumulative or individual feedback.

At Samsung Mobile, managers can rely on actual customer interactions to inform their new releases and products because they have multiple direct interfaces with their mobile customers. Chris Jo, general manager and head of global services, says his team leverages data and interactions with customers in multiple ways, "We sometimes form a community base to open a communication channel with the Samsung customer. We also use a lot of social media in an interactive way to communicate back and forth with customers. And, we have a unique channel, the Samsung app store, where people can comment on our product and we can actually engage with them through comments. It's not just one-way. We strive for two-way communication so we make sure that we really understand what our customers want—whether they are complaining or complimenting."

Perhaps the biggest challenge of big data is how to make sense of, and more importantly to make use of, the overwhelming amount of customer data companies now capture. Those firms that find ways to pair or combine different data sources to develop practical customer insights are demonstrating the promise of big data in very real ways.



Customer Forums

Thomson Reuters, Tax & Accounting

Customer forums and focus groups can deliver benefits for both product development and customer experience. Getting input from the 'horse's mouth' works wonders towards creating realistic, customer-centered plans and strategies. A forum can also be a powerful tool for building stronger, more profitable relationships with a firm's best customers. Done well, forums will engage target customers and enable rich dialogues on critical subjects with both prospects and customers.

> **"At the end of the day, we're striving to tell a compelling and clear story to the market about what our value proposition is to tax and accounting professionals."**
>
> ***– Tobias Lee, Thomson Reuters, Tax & Accounting***

Thomson Reuters Tax & Accounting has recently gone through a transformation in the way it goes to market. The main change was to collaborate more closely across functions, but the company is also becoming more proactive about capturing early customer and industry feedback. CMO Tobias Lee explains, "To build specific forums geared to our customer base, we partner with professional associations. For one association, we planned a strategic sponsorship of their event with a session around the tax executive. We hosted that forum and used it as a launch pad for a new product called Checkpoint Catalyst™. It was a hybrid of a controlled release and a show-and-tell. We also asked for beta participants based on what we presented. We hosted a series of these forums to gauge reaction and interest, but also to validate whether we were directionally correct with our approach. We also gathered input via our PR team by talking to analysts and publications. We gave them an early briefing and asked if they thought the product was heading in the right direction."

Industry association events and tradeshows can be more than a medium to drive overall awareness or new sales leads. Events and organizations that provide a concentration of customers can be an excellent way to gather feedback for new products, or launch those products in an interactive way. With more executive scrutiny focused on the return of industry events and tradeshows, Thomson Reuters has illustrated another way to maximize event investment.

Start from the Outside In

START FROM THE OUTSIDE IN

M C C C

Understanding the M&3Cs is less a point-in-time and more an evolution occurring across time that establishes continuous engagement with customers to spot shifts in attitudes, needs and behaviors. What we've found is that responsibility for understanding the customer—traditionally marketing's role—may fall to different teams within an organization, or be shared among them. The placement, or the "where" in the organization appears to be less important than the capabilities, skillsets and experiences of the "who" in this regard. Dispersing talent and responsibility for customer insight and understanding also encourages collaboration and information sharing across teams to better deliver on a customer's evolving needs.

It's marketing's role in new product development to continually view the opportunity from an outside-in perspective. This means understanding external factors first (including customers, market dynamics and the competition) and then determining how to align internally to the opportunity (sales, marketing, operations, customer support). OVO Innovation's Jeffery Phillips believes that it's important to determine in advance how to organize responsibilities for internal and external dimensions of new product development, and then communicate these responsibilities to all impacted stakeholders. He advises, "You can't decide that, 'okay I have this great new idea' and then start understanding the implications from a marketing perspective. What if this

new idea requires a new channel? That would require us to revamp the way we talk about our products or whom we talk to. It would require us to change our segmentation. I need to think about that all the way up to that decision process—not merely making marketing aware 'okay guys you need to change now' when they haven't been part of the process."

With so much disruption in the marketplace, most companies simply don't have time to leave marketing out of the equation. The pressure to move quickly and increase speed-to-market is simply too great, explains Tempy Wright, VP of marketing communications at Cyveillance, a cyber-security services provider, "In my experience, the timeline for product launches has shrunk in the last five years, just because of the nature of how quickly business must move now to stay competitive and meet customer demands, how fast markets are evolving and how quickly other companies are bringing products to market."

Wright also has responsibility over product and marketing for Cyveillance and recommends that the discovery phase include marketing (either functionally or formally) so that from early in the new product development process, you understand how to position your product, "I believe the sooner you get marketing involved and educated about what you're trying to achieve, the better. This gives marketing the ability to provide feedback early on and to really be a partner to product management. It also gives you more time to research potential competitors and how they are positioning their products and services—so you can take that into consideration."

> **"I believe the sooner you get marketing involved and educated about what you're trying to achieve, the better."**
> *- Tempy Wright, Cyveillance*

THE RIGHT PERSPECTIVE

M C C C

By creating and fostering a continual conversation with the customer, marketers and product developers can conquer the challenges of today's evolving market. However, finding the best way to accomplish this customer dialogue is a complex undertaking, based on a number of dimensions that vary with business model, product attributes, and organizational capabilities. This CMO's Agenda outlined a number of models for customer feedback that have proved successful in the marketplace for our interviewees. The balance of our M&3Cs model and the approach you pursue will depend on your product flexibility both before and after launch. To be sure, a company should always try to take their perspective from the outside in to avoid being too insular and to ensure your products fulfill a real market need – whether that need be articulated or not.

ACKNOWLEDGMENTS

The CMO's Agenda™ is CMG Partners' ongoing examination of the role and responsibilities of the chief marketing officer. We are deeply grateful to the following individuals and organizations for sharing their time and unique insights for this report:

BOB EWALD
Managing Director
Codec Consulting

CHRIS JO
General Manager,
Head of Global Services
Samsung

TOBIAS LEE
Chief Marketing Officer
Thomson Reuters
Tax & Accounting

LANE MAJOR
SVP, Global Marketing and
Product Development
K2M

JEFFREY PHILLIPS
VP of Marketing & Co-Founder
OVO Innovation

RAVI SHANKAR
VP, Product Marketing
Informatica

DON TORRANT
Director, EWS Marketing
Development & Channel Strategy
Wiremold, a LeGrand Company

PATRICK VERNON
Director of Venture Initiatives
and Clinical Assistant Professor
of Entrepreneurial Studies
University of North Carolina,
Kenan-Flagler Business School

TEMPY WRIGHT
Vice President, Marketing
Communications
Cyveillance

ABOUT CMG PARTNERS

CMG Partners is a unique marketing consultancy headquartered at the American Tobacco Campus in Durham, North Carolina. Over the past 17 years, CMG Partners has helped its clients create more than $1 billion in new revenue through results-driven strategies.

CMG Partners, with 50 consultants, works with FORTUNE 500 corporations and emerging companies to execute across the entire growth curve:

- **Finding new opportunities**
- **Building brand strategies**
- **Generating and capturing demand**
- **Increasing customer base and value**
- **Driving greater performance**

Recently, CMG Partners has been a leading voice in the introduction of Agile for Marketing (A4M™). A4M is a marketing-focused adaptation of the iterative software development methodology known as Agile. A4M embraces change as an asset—helping marketing teams anticipate market shifts, respond quickly to disruptions, and capitalize on real-time marketing.

CMG Partners would like to thank its CMO's Agenda research and production team:
Mark Chinn, Partner
Sumeyya Khan, Manager
Mary Edwards, Creative Business Writer
Lillie Lancaster, Designer
Andrea Batey, Marketing Manager

For more information on the CMO's Agenda, please contact Mark Chinn at mark.chinn@cmgpartners.com.

To learn more about our team and our work, please visit cmgpartners.com.

For media inquiries, please contact PR@cmgpartners.com.