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# Deliver Customer Value with Product Thinking

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INSPIRE INNOVATION CONFERENCE
& JPIM RESEARCH FORUM

What do
**Zoom, Shopify, Pinterest**
have in common?

What do
**Zoom, Shopify, Pinterest**
have in common?

- They are product-led companies

The **product** is the primary driver of growth and customer acquisition.

The product is doing marketing for you.

Examples:
Zoom, Shopify, Pinterest, Fitbit, Tesla, Apple, etc.

# Characteristics of a product-led company

Incredible product that delivers on the **value promised**, with a relentless focus on the **needs and desires** of their users.

Product-led organizations **move fast**, with a culture of collecting contextual feedback for **rapid validation**.

Companies use **metrics and analytics** to measure product performance and make informed decisions about product development and strategy.

For product-led companies

# Product is everything.

And it starts with

# Product Thinking

# 3 steps to support Product Thinking

## 1.

Focus on customer **retention and referrals** with a great product experience

## 2.

Measure **valuable metrics** based on customer outcomes

## 3.

**Rapidly validate** outcomes delivered by new features and solutions

PRODUCT THINKING

# 1. Customer retention

# Retention

**Customer retention** is a company's ability to keep customers over time.

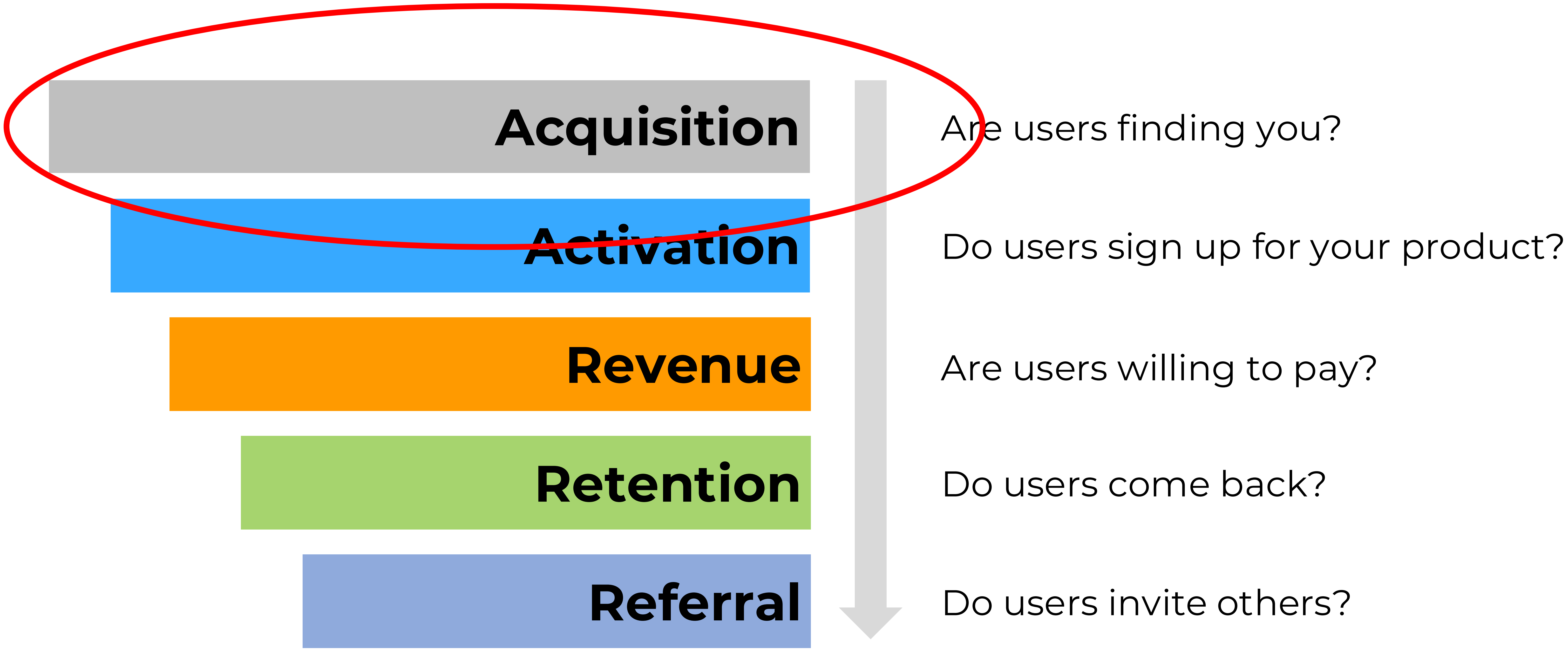
High customer retention means that customers tend to return to purchase or continue using a product or service.

It indicates whether a company's product and service quality pleases existing customers.

# Retention is at the bottom of the customer acquisition funnel

| | |
|---|---|
| **Acquisition** | Are users finding you? |
| **Activation** | Do users sign up for your product? |
| **Revenue** | Are users willing to pay? |
| **Retention** | Do users come back? |
| **Referral** | Do users invite others? |

# Most teams focus at the top



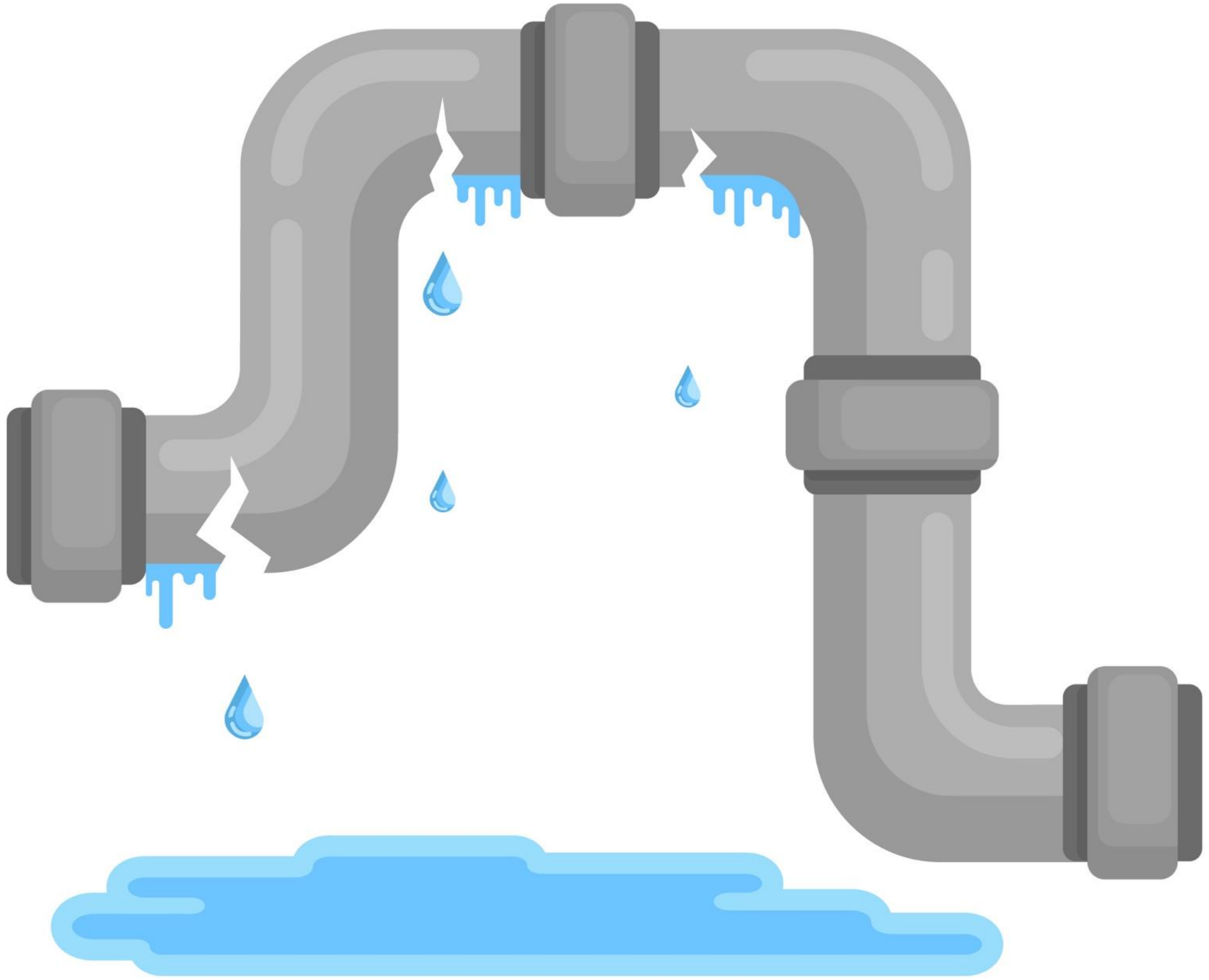
The more customers come into the funnel

The more $$$ we make ☺

The problem is churn.

If churn > customer acquisition,
we have a problem.

Product is not sustainable.



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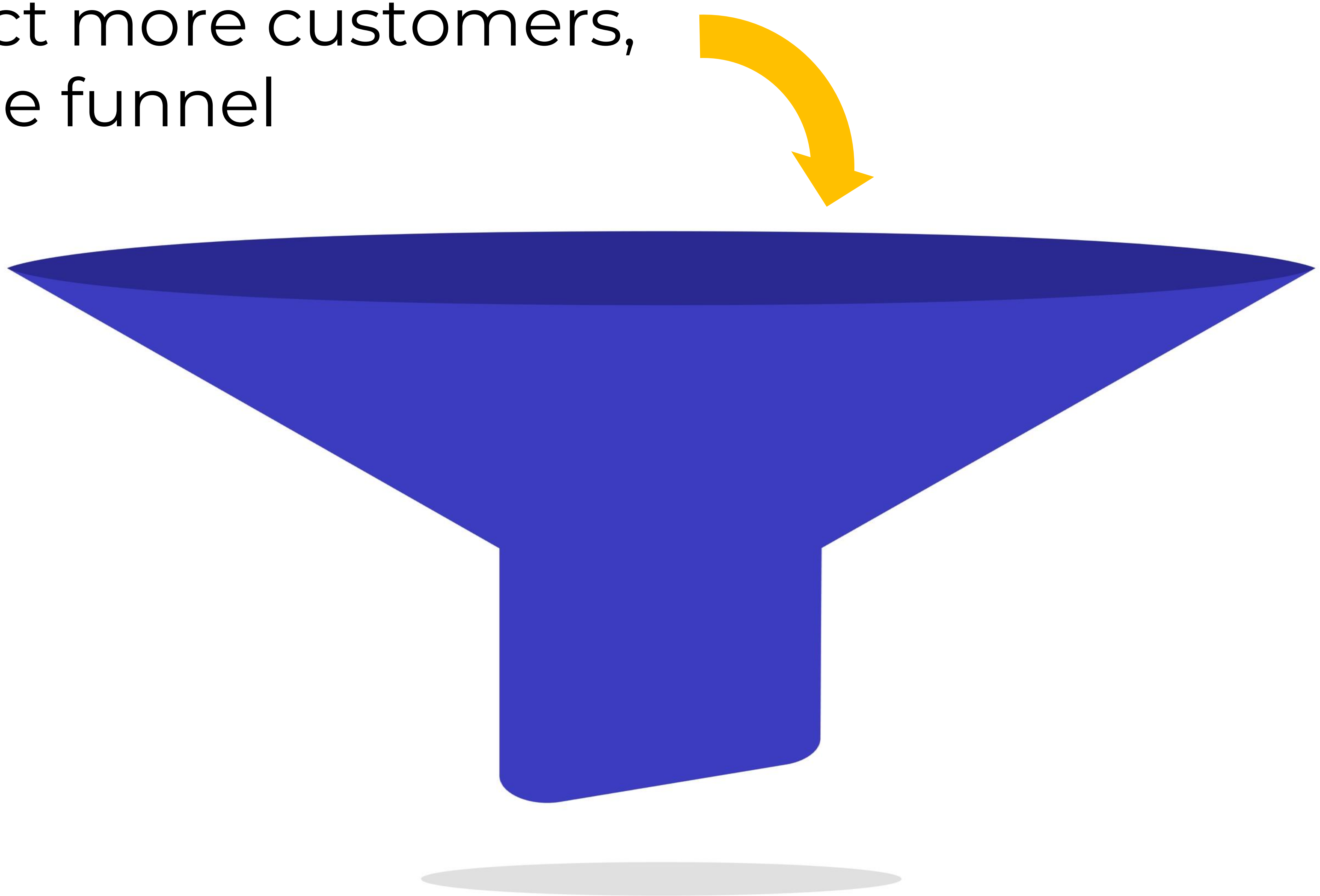
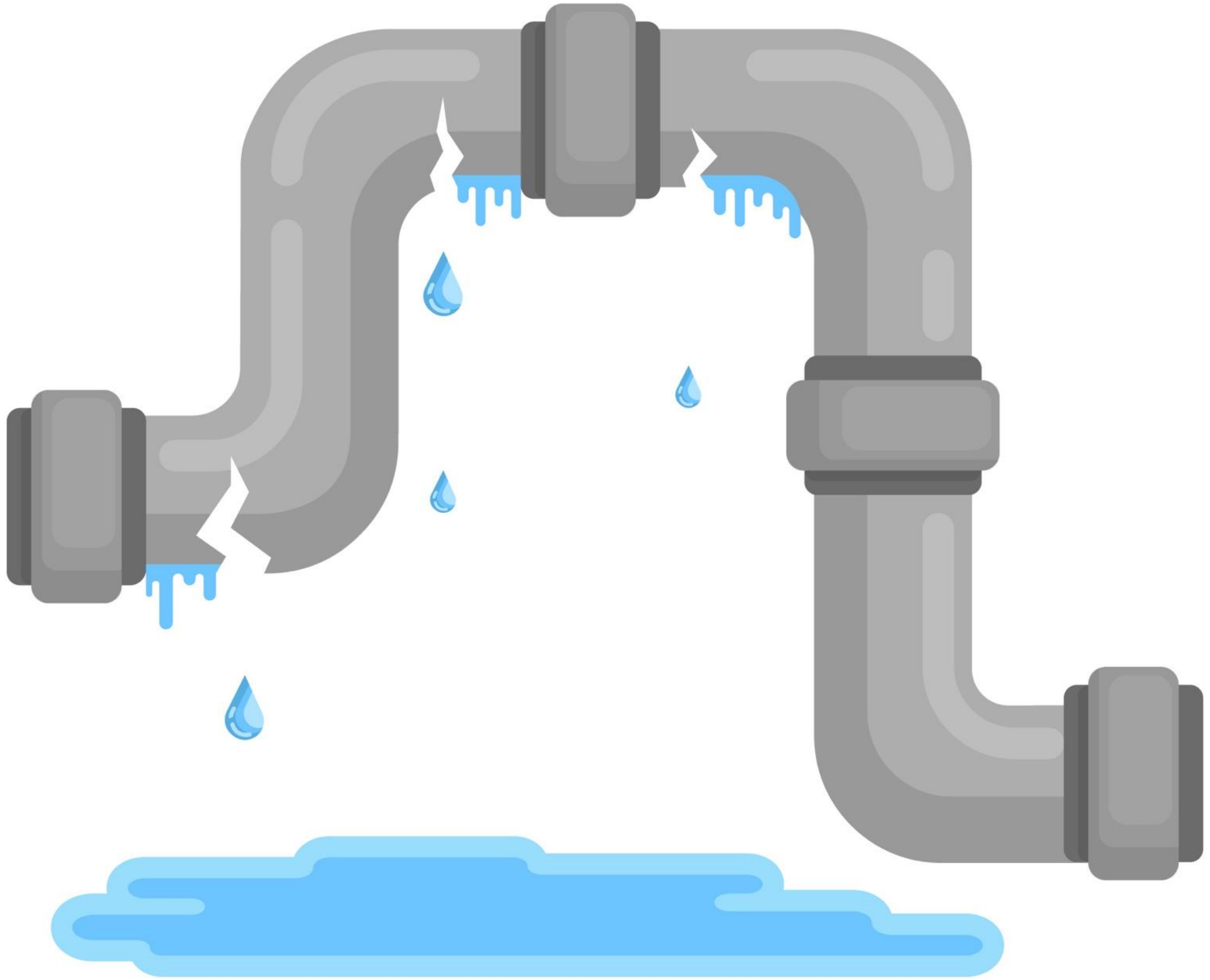
We need to attract more customers, that is, enlarge the funnel



$$$ spent for marketing, sales, etc.

The $$$ spent need to make acquisition rate > churn rate.

Product is not sustainable.



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In Product Thinking,

We focus on customer **Retention**
as a driver for growth.

**Retention** extends LTV (Life Time Value), reduces churn rate, increases **referrals**.

**Referrals** drive acquisition, reducing $$$ spend in marketing / sales.

They act as an accelerator.

Product is sustainable.

What drives retention?

It's not the number of features!

What drives retention?

- The product delivers customer outcomes
- Customer experience is A+
- **Value received** > perceived cost of acquisition

# Outside-in thinking

Customers don’t buy
a product.

They buy a **solution to their needs and desires**.

# Inside-out thinking

Most of our thinking is

We start with an issue as we or others see it at first and then explore solutions within that initial mental frame.

# Outside-in thinking

We see the issue always from multiple perspectives, starting with the end user's.

Product Managers should shift their thinking

# What is value?

“

We define **value** as the benefits a customer receives less the total cost of ownership. We identify and quantify value based on the tangible and intangible benefits a solution provides to customers.

“

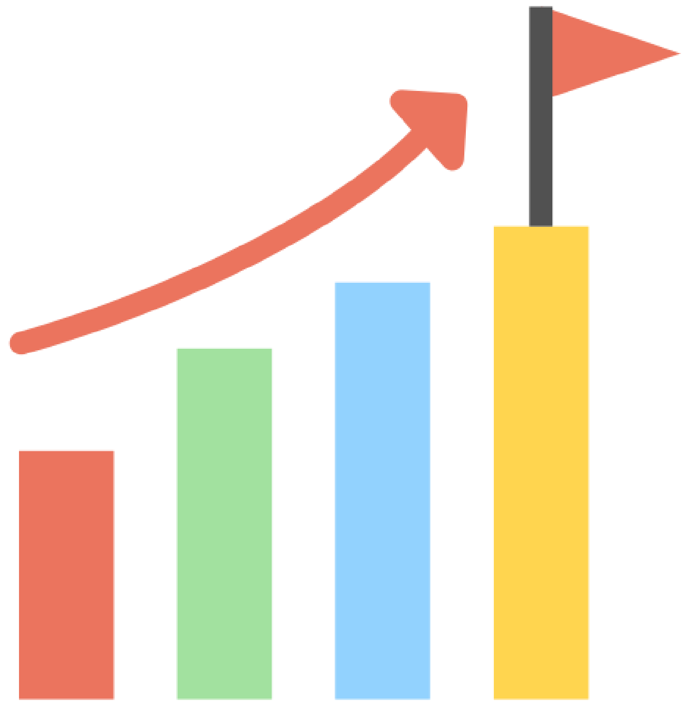
Jason Tanner, Luke Hohmann
Authors of “Software Profit Streams”, 2023

What is an outcome?

An **outcome** is a measurable result or benefit that your product or service delivers to your customers and business.

# Two types of outcomes

## Business outcomes



Examples:

ROI, Stock price,

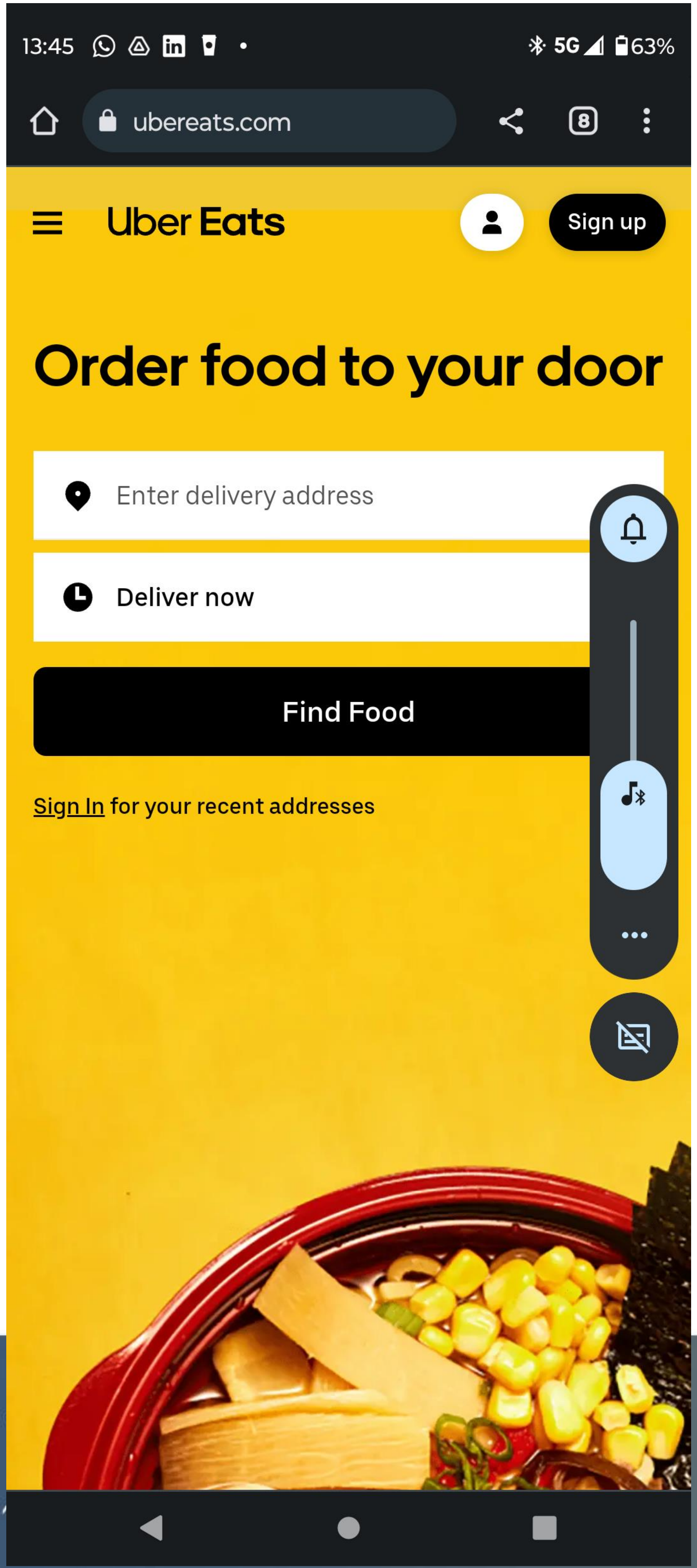
Market share, Profitability

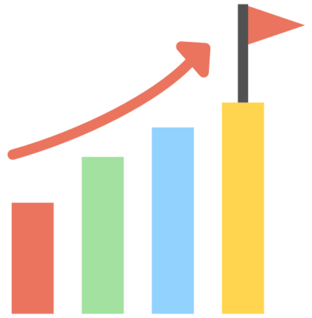
## Customer outcomes

Examples:

Customer needs, Solve a problem,

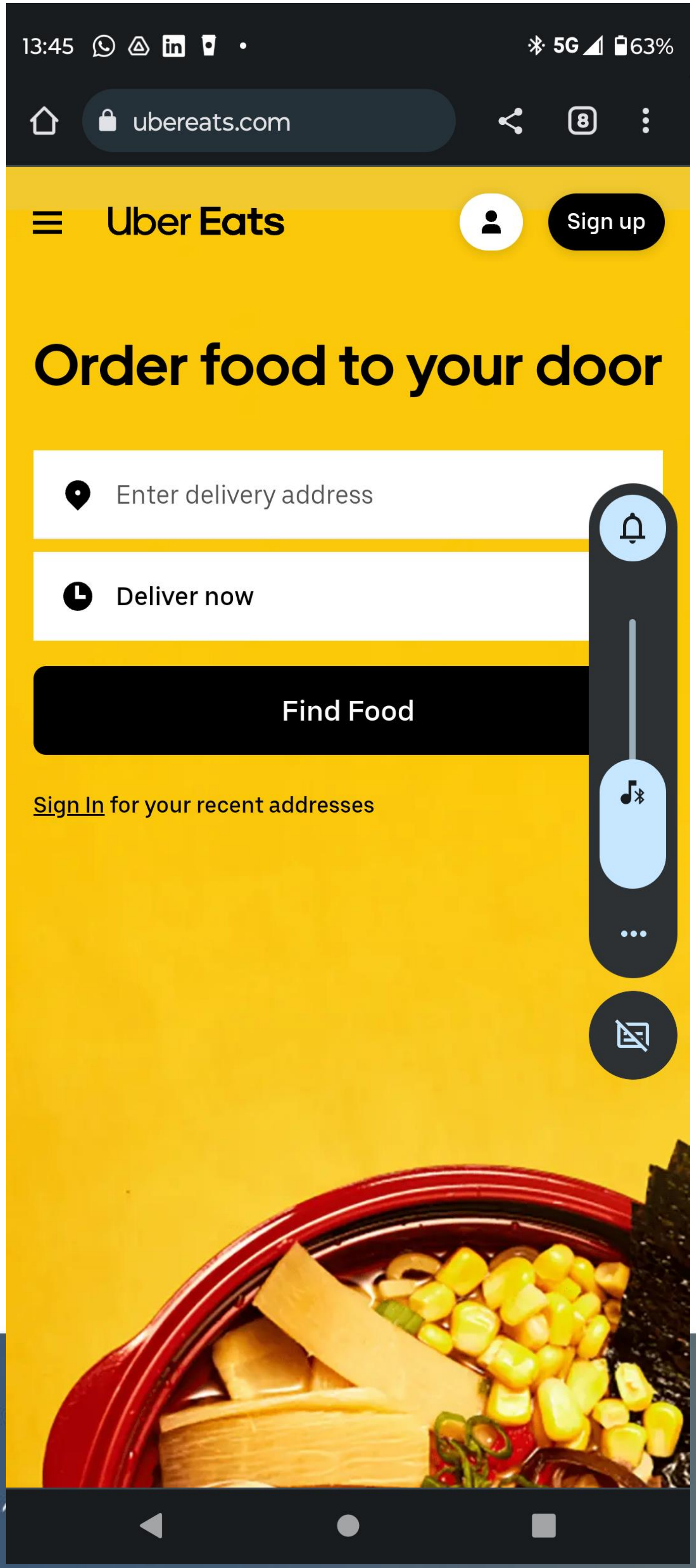
Deliver an experience

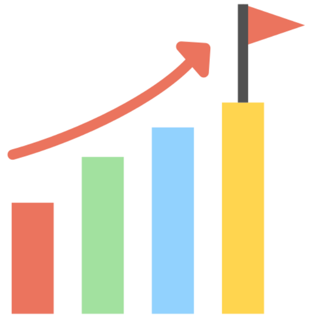


# Business outcomes

- Expand in an adjacent market
- Increase market cap / stock value
- Prevent competition
- Leverage existing business to scale



## Business outcomes

- Expand in an adjacent market
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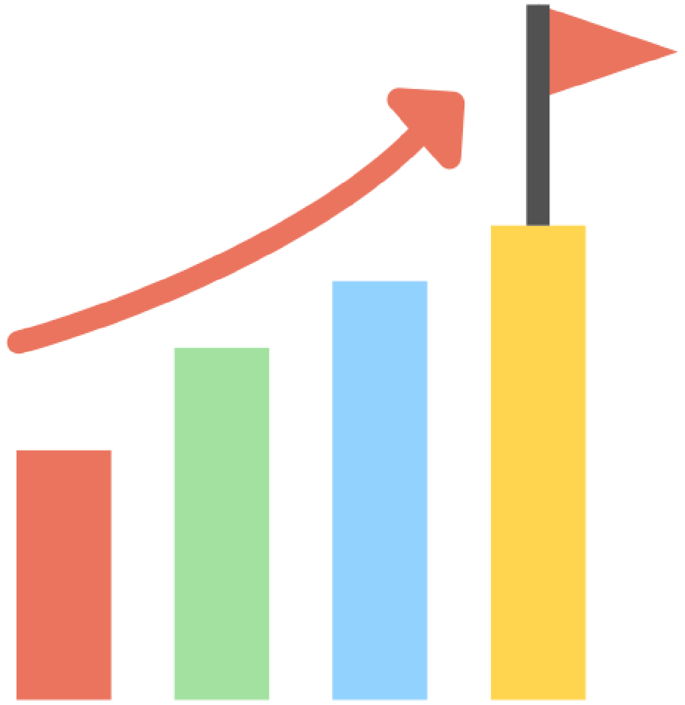
- Prevent competition
- Leverage existing business to scale

## Customer outcomes

- Get food delivered at my location, when I need it
- Increase earning potential [for Uber drivers]
- Expand number of available food delivery options
- Get delivery from restaurants that don’t offer it

## Business outcomes



## Customer outcomes

**Which type of outcome is more important?**

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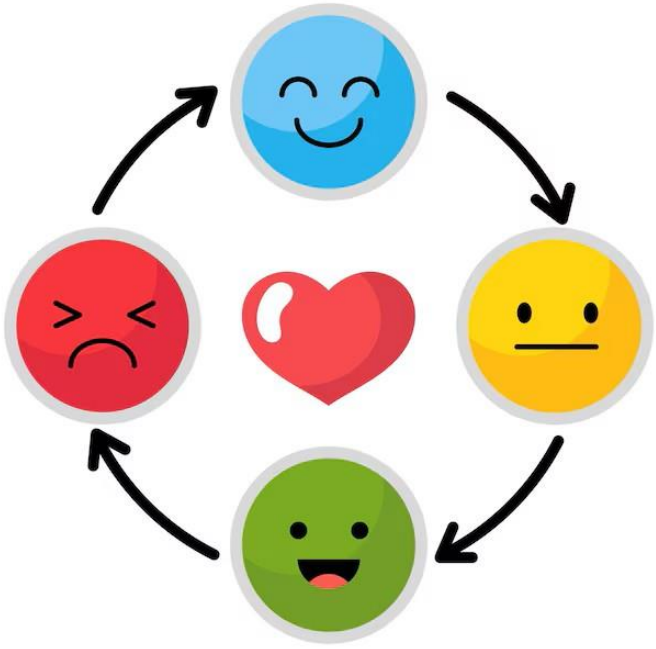
# Three types of customer outcomes

**1.**

**Functional** outcomes

**2.**

**Emotional** outcomes



**3.**

**Social** outcomes

PRODUCT THINKING

# 2. Valuable metrics

| Rank | Country | Gold | Silver | Bronze | Total |
|---|---|---|---|---|---|
| 1 | United States | 40 | 44 | 42 | 126 |
| 2 | China | 40 | 27 | 24 | 91 |
| 3 | Japan | 20 | 12 | 13 | 45 |
| 4 | Australia | 18 | 19 | 16 | 53 |
| 5 | France | 16 | 26 | 22 | 64 |
| 6 | Netherlands | 15 | 7 | 12 | 34 |
| 7 | Great Britain | 14 | 22 | 29 | 65 |
| 8 | Republic of Korea | 13 | 9 | 10 | 32 |
| 9 | Italy | 12 | 13 | 15 | 40 |
| 10 | Germany | 12 | 13 | 8 | 33 |

**Italy #9** based on number of gold medals

| Rank | Country | Gold | Silver | Bronze | Total |
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| 1 | United States | 40 | 44 | 42 | 126 |
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**Italy #9** based on number of gold medals

**Italy #7** based on total number of medals

| | TEAM | | | | TOTAL |
|---|---|---|---|---|---|
| 1. | USA | 40 | 44 | 42 | 126 |
| 2. | CHN | 40 | 27 | 24 | 91 |
| 3. | GBR | 14 | 22 | 29 | 65 |
| 4. | FRA | 16 | 26 | 22 | 64 |
| 5. | AUS | 18 | 19 | 16 | 53 |
| 6. | JPN | 20 | 12 | 13 | 45 |
| 7. | ITA | 12 | 13 | 15 | 40 |
| 8. | NED | 15 | 7 | 12 | 34 |
| 9. | GER | 12 | 13 | 8 | 33 |
| 10. | KOR | 13 | 9 | 10 | 32 |
| 11. | CAN | 9 | 7 | 11 | 27 |
| 12. | NZL | 10 | 7 | 3 | 20 |
| 13. | BRA | 3 | 7 | 10 | 20 |
| 14. | HUN | 6 | 7 | 6 | 19 |
| 15. | ESP | 5 | 4 | 9 | 18 |


TOM FISH BURNE
OUR NEW DASHBOARD HAS ALL OF THE DIFFERENT KPI'S WE CAN TRACK NOW.
WHAT'S THAT KPI TRENDING TO ZERO?
IT MEASURES HOW WELL WE UNDERSTAND THEM ALL.
© marketoonist.com

"A metric is a recurring measurement that has informational, diagnostic, motivational, or predictive power of some kind."

David Nicolette
Author "Software Development Metrics"

How do we establish the **right type of metrics** to measure the product's performance?

# Metrics

- Fewer is better
- Linked to the factors needed for success
- Be based around needs of customers
- Be adjusted as the environment and your strategy changes
- Have targets or goals established, based on research and not on arbitrary numbers

> "It is worse to measure too many things, than it is to not measure anything at all."

Mark Graham Brown
Author: "Keeping Score"

Adapted from "Keeping Score", by Mark Graham Brown

# Vanity Metrics vs Value Metrics

**Vanity**: easy and may feel good, but not helping the business

**Value metric**: moves the business forward and measures impact

Book: "The Lean Startup" – Eric Ries

# Not all value metrics are **valuable**

Only **valuable metrics** drive product decisions.

(the others may be vanity metrics)

Example:
Monthly revenue is a value metric (it measures value generated by the business).
However, it may not be valuable if I cannot use it to drive change.

# Metrics drive behavior, not necessarily value

**Chicken Efficiency** is a ratio of how many pieces of chicken are sold to how many are thrown away.

This measure tries to optimize profitability in a fast-food restaurant.

Is it a valuable metric?

A **valuable metric** is a quantifiable measurement that provides **insights** into the value that a product or service delivers.

# What makes a metric valuable? (IOGA)

## Impact

Changes to this metric can significantly affect your product's success

## Outcome-based

It measures value delivered to your customers

## Goal-aligned

It directly relates to your business objectives and Product Goal

## Actionable

It directly influences your ability to make decisions and take steps to improve your product

PRODUCT THINKING

# 3. Rapid Validation

# The traditional way of measuring metrics

**Build a new feature** → **Metrics** → **Outcomes**

What do we build next?

Is it working?

What result are we observing?

# Product Thinking starts from the outcomes

| Outcome | → | Metrics | → | New features |
|---|---|---|---|---|
| What (customer) outcome do we want to drive? | | What do we need to measure? | | What do we build to deliver that outcome? |

# Product Thinking starts from the outcomes

~~New features~~

**Outcome** → **Metrics** → **Hypothesis of a new feature**

**Outcome**

What (customer) outcome do we want to drive?

**Metrics**

What do we need to measure?

**Hypothesis of a new feature**

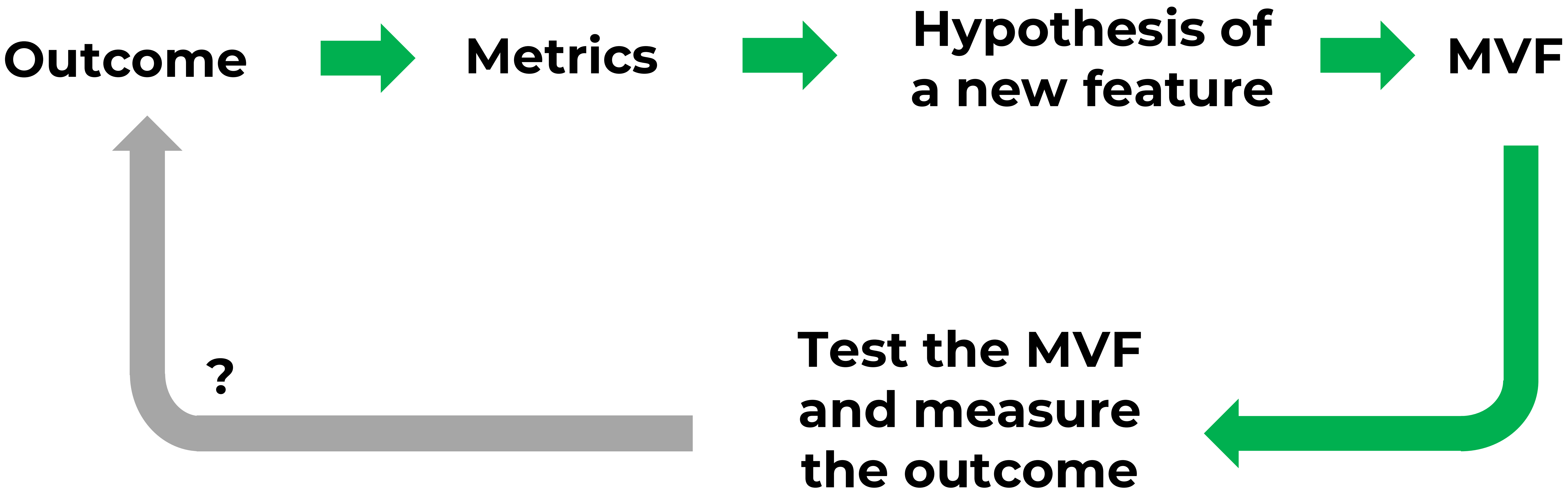
What do we think is the best way to deliver that outcome?

# Hypothesis statement

**If we allow people to** [XYZ Feature]
**then we will observe** [Expected result*]

(*) Expected result:
A specific customer outcome, benefit delivered, or change in customer behavior

# Features become MVF / MVP



Planning is no longer based on Features to deliver.

Planning is based on **Objectives** (Outcomes) to achieve.

For example, OKRs and Objective-based roadmaps.

Then determine what features to build using rapid validation with MVF/MVP.

# 3 steps to support Product Thinking

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# Connect with me

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