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Business Cases

How to create outstanding business cases
that deliver results

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Welcome

Leading the way for product managers/marketers

Do you know how your business makes decisions on where to invest? Do resources go to the person shouting loudest, the one with the best political connections or is there a structured approach to making decisions?

Product management is where the trade-off decisions are made between what's commercially desirable, technically possible and operationally efficient. Business cases provide a structured approach that sits at the heart of major decisions. They enable your company's leaders to make the best investment decisions. Writing them well is key to getting investment in your product. Which is why we've dedicated this Journal to exploring them in detail.

The Journal proposes a structured approach to developing business cases that really delivers results, and highlights the pitfalls that can trip up the unwary.

All our Journals aim to provide useful information on relevant topics – tips and insights to help you do your job – we hope you enjoy reading it.



Who's who?

The *Product Management Journal* is published by Product Focus as an independent publication for product managers with technology-based products. Product Focus was founded and is run by Ian Lunn (top) and Andrew Dickenson.

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

To get all our previous journals, and receive the latest copy, sign-up at www.productfocus.com



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How to build a business

Opening Excel is only a small part of the process...

The prime objective of a business case is to persuade senior management to invest the company's money, time and resources in your investment project rather than in a competing one. Business cases come in all shapes and sizes, whether you're developing a new product, justifying the next version of an existing IT system, or aiming to explain the rationale for buying up another company. Some are mostly words, others mostly numbers. However, most business cases that



Fig. 1 The 4 stages of building a business case

product managers create aim to persuade their company to develop or enhance a product.

A business case is a fundamental part of the

product development process. It is normal for business cases to go through a series of iterations of increasing rigour throughout the product innovation stage. A 'high-level' business case is often further refined in the leadup to development as assumptions and costs become clearer.

When you set out you may not know whether your business case will 'stack up'. However, by the time you finish, you should have a detailed understanding of the business opportunities and risks for your product.

Understand the objectives

Most business cases start as a business idea validated with some

"In my view, high-quality business cases are absolutely vital for the long-term health of an organisation. They prioritise investment decisions and the products that are delivered create the profits that are needed to keep the business going in the future."

Andrew Spence, Head of Wholesale Products, O₂

market research, anecdotal customer evidence or your gut feel. The first step is to find an executive sponsor who cares about your success and who can provide guidance and support throughout the project. Your next step is to find out

case

what has to be done by when, the scope and constraints you have to work within and the process to follow. The output of this stage should be a plan that shows how you will develop and deliver the final business case. You may have to do this yourself or, if you are lucky, you may have a project manager to support you.

To build the plan you need to be able to answer the following questions:

- Who needs to be involved in the team to produce the business case, e.g. Finance?
- Is there a prescribed process or template to follow?
- Are there any key dates for which the business case must be ready, e.g. a gate meeting?
- Who are the key decision makers and what's important to them?
- What deliverables need to be produced and by when?
- Are there any generally understood criteria that must be met, e.g. all products need to pay-back within 2 years?

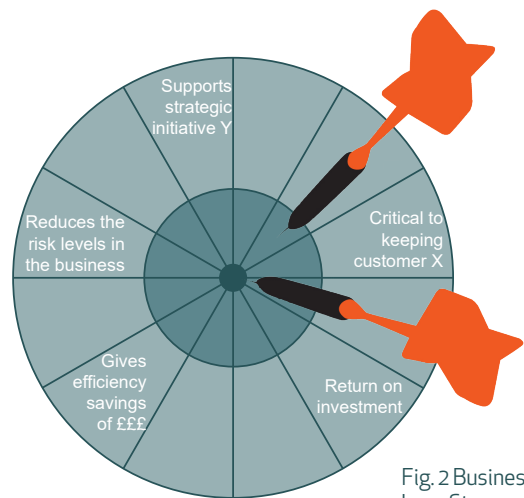


Fig. 2 Business benefits dartboard

Understanding how the people who judge your business case will make their decisions is vital. If you don't know what their criteria are, it's like playing darts on a board without numbers. There are different business benefits to aim at, but you don't know which ones to target. It's unlikely that you'll ever get a perfect view of the relative importance of each business benefit, but the more you know, the more you can craft your

"In my experience producing a business case is like a 'hunting licence' in that it gives you permission to talk to all areas of the business about your project and get their time, expertise and buy-in."

Andrew Spence,
Head of Wholesale
Products, O₂

business case towards them. You may be able to find out what's important by talking to decision makers directly, by talking with your stakeholders or the business case process owners. Equally, they may not want to reveal anything and bias your case, which doesn't mean you shouldn't dig anyway! If all else fails, speak to your executive sponsor to understand their perception on stakeholders' drivers.

Gather the inputs

The second stage is about gathering the inputs you need to prepare the business case. This is the data you will use to construct your financial model and word-based justification. Some of this will be known, but the rest of it may need to be assumed. In a small business, you must do much of this yourself; in larger businesses, there are lots of other people to talk to. This is your opportunity to gather evidence from within and outside the business to support the assumptions that are made. This evidence must convince people that any assumptions are realistic, credible and objective.

Tiger's Nest Monastery, Bhutan



Not everything should be reduced to £s and pence. Whilst the numbers always have to add up, they are rarely the sole criteria against which business cases are judged.

The success of a country is often measured using economic measures such as Gross National Product (GNP). However, in Bhutan, they use the concept of Gross National Happiness (GNH). This is an attempt to define the country's success in more than just a monetary way using factors such as quality of life. It serves as a unifying vision for Bhutan's 5-year planning process and guides the development of the country.

For business strategy and market input you will need to talk to:

- Anyone with access to market forecasts or research reports.
- Anyone with access to competitor info (or research this yourself).
- The strategy team (or whoever owns the business strategy).
- Product Marketing, to learn how your product will be positioned against other products and propositions.
- Marketing, to learn about any other planned launches or promotions that might compete for resources. (This may provide you opportunities to align and grab some of their resources.)
- Business development, sales and channel managers.

For sales and revenue input you will need to talk to:

- Relevant sales channels to get a view of the sales they believe they could make.
- Finance to get a view on factors such as churn or ARPU (Average monthly Revenue Per User).
- Other product managers to get their experience of take-up rates and also the assumptions they have used in their previous business cases.

For cost input you must talk to:

- Development and/or suppliers.
- Marketing to understand the cost of marketing activities such as launching and promotions.
- Support functions to understand the cost of providing support e.g. any recruitment required, any necessary IT system updates.

If your data and assumptions come from experts across the company or independent research, they become much more credible than facts and figures you 'pull out of the air'.

In the best companies, you will be provided with an input pack from Finance that includes a set of data and assumptions already validated by the business and to be used in all business cases. Alternatively, there may be someone assigned from Finance to work with you on the business case.

In many business development processes, there is a domain representative assigned to all new product developments whose function is to provide expertise and input from their area, e.g. someone from Customer Services who understands their cost model, training needs, system requirements, utilisation levels etc... The key objective of this stage is to gather the data you will need to construct the business case, document any assumptions and show buy-in from relevant teams.

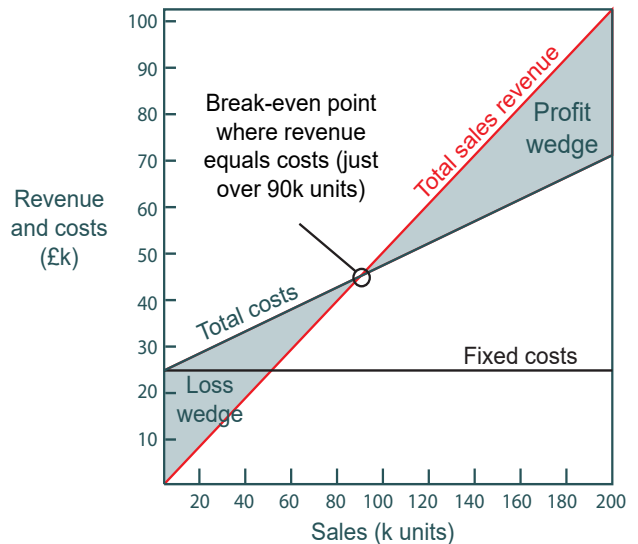


Fig. 3 This is a good graphical way to show how profitable your product is when you tell your story. The wider the profit wedge the better. A thin profit wedge means there is a danger the product will never break even. Source: International Dictionary of Management, BCA, 1992

Business Case

Title page (with approvals sign-off)	p1
Contents	p2
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Project Plan	p16
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Do the analysis

During the analysis stage, you study the inputs you've now gathered to build a detailed model of your product and your development project. The contents of a typical business case are shown in Fig. 4. You will need to build a spreadsheet which will allow you to model various scenarios and understand sensitivity analysis. A typical business case financial model is broken down into a section on assumptions, a section on income (revenue), a section on costs and then a section that calculates the project value in terms of profit or payback.

Tell the story

The final stage of the business case process is to present or deliver the business case to the appropriate decision maker(s). This may be through a presentation where you have the chance to explain your business case in detail or through the delivery of a document for review. The challenge is to keep the story clear, objective and believable. If a decision maker doesn't

understand it, they may not publicly admit this, but are unlikely to believe it. If you can, it is often worth lobbying decision makers before a meeting to understand if they are on-board, if they have any concerns and if they believe that input from their areas has been adequately represented.

Fundamentally, a business case is a tool to sell your investment project (e.g. your new product) to the business. No one can predict the future, so your success rests on the credibility of the case you make – the assumptions you use, the evidence you can gather, the support you lineup, the rigour of your analysis and your personal credibility.

[illegible]

10 Top Tips when using Excel for Business Cases

- 1. Use one spreadsheet**

A single spreadsheet makes it easy to keep track of the overall model. If you've got lots of data, graphs or scenarios, use separate worksheets and link them together. Building a spreadsheet model always results in numerous iterations; make sure you have a clear system for version control.
- 2. Take lots of backups**

It's very easy to make some updates and find later on that everything has gone wrong. Be scrupulous about taking regular backups – we promise at some point this will save you hours of re-work.
- 3. Spend time on layout**

If you've ever had to look through someone else's spreadsheet or you've come back to your own after a couple of months, you'll know that time spent on layout, labelling and structure is critical. Give the spreadsheet a sensible name. Label worksheets (Sheet 1 is no good). Use headings, subheadings and explanations. Have a section that explains the different worksheets and how they link together.
- 4. Re-use structure if possible**

Try and use the same structure in different parts of the worksheet so you can cut and paste things easily, e.g. stick to monthly columns, use common ways of totalling cumulative figures.
- 5. Separate out key inputs**

When it comes to the key inputs and parameters that affect your model (e.g. % growth) keep all the cells in one section or use a different colour to highlight them. This makes it easy to model different scenarios rather than hunting through the spreadsheet to find all the places that changes need to be made.
- 6. If you get help, know what's been done**

You need to understand and be able to defend every part of your model. If someone helps you and uses an Excel function or formulae that you don't understand – how do you know if the answer is right? Using things like the LOOKUP function and Pivot Tables can be very effective, but you have to know how to use them.
- 7. Use colour, borders and shading**

This is easy to do and makes following what's going on much easier. Using colour, shading and borders helps you and others to more quickly grasp what's going on when looking at a spreadsheet.
- 8. Ensure each worksheet prints out neatly**

If you or someone else has to understand a spreadsheet, it's often best to print it out where you can see everything on a single page rather than small parts on a PC screen. Make it easy by using 'Set Print Area', 'Print Preview' and 'Page Setup' to make sure everything prints neatly on a small number of pages.
- 9. Don't overwrite formulas with values**

It is very easy to forget about these once done – they can be difficult to spot and ruin future calculations.
- 10. Document every assumption**

This helps you to defend any input and makes the business case auditable. You may want to use the cell 'comment' function or provide a table of notes.

FEATURE

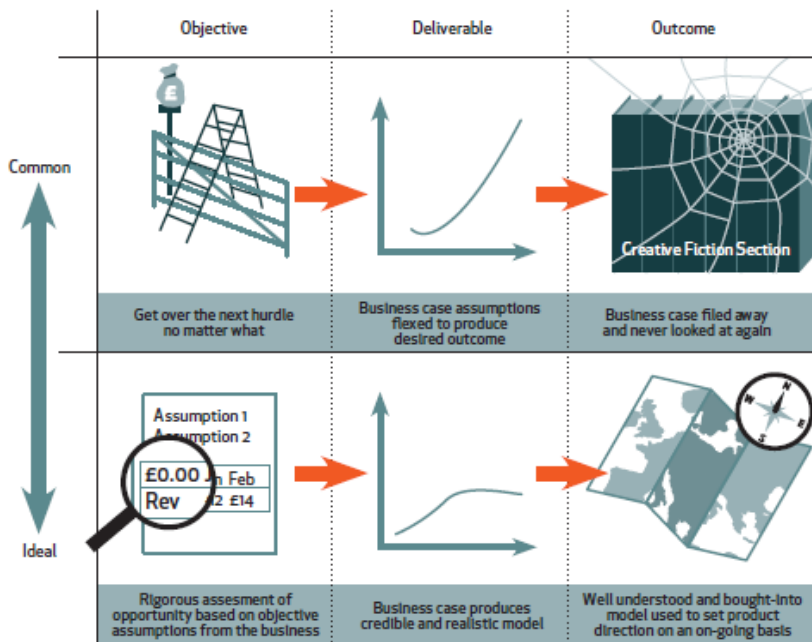


Fig. 5 Comparing different approaches to producing business cases

process and so force a level of investigation and analysis that should ensure (as far as is possible) the product is a success.

In an ideal world, the financial model, its assumptions and sensitivities become a tool that can be used to manage the product through its lifecycle. This is the ideal approach shown in Fig. 5, however in our

experience the more common approach is often taken.

"In my experience a business case is like a court case where the facts are documented but the final presentation is critical. Less experienced product managers often fail to clearly state their case and assumptions. They then get dragged off track into avoidable and damaging debates that unpick their underlying assumptions."

Jonathan Wright, Director of Wholesale Products, Interoute

In conclusion

There are always many ways to spend the company's money so most businesses have a standard process to produce business cases – with the aim of being able to compare one against the other and make it easy to say 'yes' to the right ones and 'no' to the wrong ones.

However, the true value of business cases is that they are the most rigorous assessment of a new product that is done during the development

7 common mistakes

How to spot the warning signs

Improving your skills in writing business cases will be helped by seeing best practice. A useful complement is to see examples of bad practice that can slow down your business case or even cause it to be rejected. We've seen all of the following!

1. Building on shaky foundations

Business cases are built from a solid understanding of the market opportunity matched to a differentiated proposition. Poor business cases contain sweeping assumptions and claims based on gut feel, unjustified extrapolations and preference.

Getting the fundamentals right takes time, which is in short supply, so it's easy to skimp effort on market analysis. However, a more significant time-waster is to produce a business case written with pages of assumptions and details built on shaky foundations – it will get exposed during the approval process and waste the time of anyone involved in the assessment – as well as damaging your reputation.

Our recommendation: Tap into all your market 'listening posts' and company contacts to ensure the market fundamentals are well understood.



Fig. 6 Don't build on shaky foundations!

2. Losing the big picture

We've seen business cases include endless pages of detail, but fail to deliver a compelling message about the potential of the product. Your business case must clearly and persuasively articulate who are the target customers and why they'll value your product. If you cannot

BAD PRACTICE

convince internal teams of the value of your product then they will, rightly, consider that prospective customers are unlikely to be persuaded. Although the detail is ultimately important, it won't get read if the proposition is not compelling.

Our recommendation: Your company and prospective customers have many different ways to spend their money. Concisely articulate why your customers should value your proposition and be clear why your company should invest its money on your proposal.

3. Failing to get buy-in

The end result of your business case is likely to be a presentation to senior management where your case is presented along with your recommendation for funding. We've seen cases where the business case falls apart at this point: the business development manager highlights concerns on your forecast; Customer Support raise the spectre of massively increased costs or Development highlight unconsidered areas needed to complete the product build.

Whatever the real cause of the dissension, a subtle claim for additional resources or a positive criticism of your case, it's your job to pre-empt these problems and ensure that all the teams are aligned.

Our recommendation: Engage relevant groups early in your creation of the business case, request buy-in and document them as co-authors.

4. Rigorously following the template

When writing a business case you will commonly be provided with a standard template or a favoured example of a successful business case on which to base your work.

There's a good reason for templates, they save thinking time and ensure that documents are well structured and cover all the common elements that might be needed.

However, they can also lure the unwary into a false sense of

"The most successful business cases are those that are well socialised in advance of their final presentation. Questionable points and assumptions are already debated and agreed and final approval is smoothly concluded."

Jonathan Wright, Director of Wholesale Products, Interoute

security and time wasting. Does your particular product really need you to complete 'Section 10.3.2.1 Technical options for billing solutions'?

Our recommendation: Before you start, take a look at the template, decide what is and is not needed, and create a structure that's relevant for your product.

5. Risk mis-management

Every business case is a gamble – your role in writing the business case is to articulate what's at stake (the cost), the payback (revenue) and the odds (risks). When it comes to documenting risks, we've seen business cases with page after page of risks, others with none and still others with a standard set of risks copied off an old business case but with no recommendations on what to do about them (known as mitigation).

Your business case should confidently state your expectations for the likely outcome, but the reality is that whilst your product is in development there may be massive market changes such as recessions and competitor activity that impact your ultimate success. Your management team know this and they expect a mature appraisal of what might go wrong.

Our recommendation: Highlight those risks over which your business has some measure of control and only flag a small number of risks that could have the greatest impact. It's not enough just to state the risks – you must go one stage further to highlight what mitigation you recommend.



Fig. 7 Don't forget to identify the risks

6. Platforms and products – comparing apples and oranges

All businesses with mature product lines have to balance the development of products with the ongoing development of the underlying platforms on which these products are built.

Platforms are typically fundamental building blocks that are part of marketable products but which can't be sold directly to customers e.g. the graphics engine in an Xbox 360 game or the platform on which billing for a

BAD PRACTICE

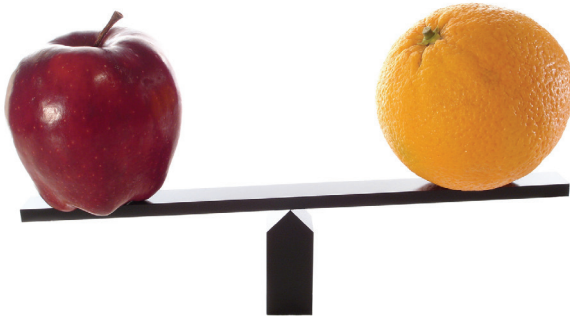


Fig. 8 Don't compare apples with oranges

Telco is built. A business case for a platform may, for example, deliver a more resilient architecture providing less downtime, and this benefit is inherited by any product built on the platform.

Some businesses attempt to have a single business case template and process that deals identically with each type of investment. Doing this can create a confusing picture as the platform product manager attempts to 'claim' all the revenue for products built on their platform.

Platform investment often loses out as the investment is considered less urgent and is less likely to have committed sales forecasts. However, failing to invest in platforms will undermine the revenue forecasts for all products that use them.

Our recommendation: Platform and product business cases should not be considered on a level playing field, and the business case evaluation process should reflect this.

7. Getting too attached

A final problem with business cases is that despite your best efforts, outside factors can cause them to be rejected. Your management may have a bigger picture in view and your business case simply may not align with their strategic drivers.

Our recommendation: Don't take it personally, and check if a re-work is a viable option. It may be possible to combine with another initiative or change focus to align better with the company's strategic direction.

"A business case is only as good as the assumptions it is based on. We track what's best practice for market development in the mobile telecoms sector for more than 70 operators world wide. Given our unique focus we're regularly called upon to provide specialist input to support the assumptions made in our client's business cases."

Ciaran Coburn, MD, Mobile Market Development

Scenarios

Scenario planning and sensitivity analysis

How much time elapses between starting to write a business case and your product being launched? How long until it achieves payback? In rare cases these timescales might be measured in days and months; more typically the duration will be measured in months and years.

During this time, it is almost certain that some of the assumptions used to carefully craft the business case will be proven invalid.

The question then becomes how do you deal with and communicate this uncertainty? Depending on the time you have available, your company's view on risk, and the scale of your business case, there will need to be an appropriate level of analysis applied to your financial model. Several approaches of increasing sophistication are available. As a guide, keep to the simplest form acceptable to the business and in which you have confidence.

Simple business case analysis

The simplest business case analysis summarises the resources needed and the revenue that will accrue as a result of bringing a product to market. The financial metrics required by your business case, such as NPV, ROI or the payback period, can then be calculated and reported.

Metric	Scenario			Calculation	Most likely case
	Worst case	Forecast	Best case		
NPV (£m)	10	30	40	$(10 \times 20\%) + (30 \times 60\%) + (40 \times 20\%)$	28
ROI (%)	0%	15%	17%	$(0 \times 20\%) + (15 \times 60\%) + (17 \times 20\%)$	12%
Payback period (mths)	36	18	11	$(36 \times 20\%) + (18 \times 60\%) + (11 \times 20\%)$	20.2
Weighting	20%	60%	20%		

Fig.9 Basic Scenario planning – 'most likely' case

Basic scenario planning – 'most likely' case

A more sophisticated approach recognises uncertainty in the business case. This approach uses the same Excel model but adds two other scenarios to the forecast scenario created in the business case, i.e. a worst and best case. To establish these scenarios, any parameter

SCENARIOS

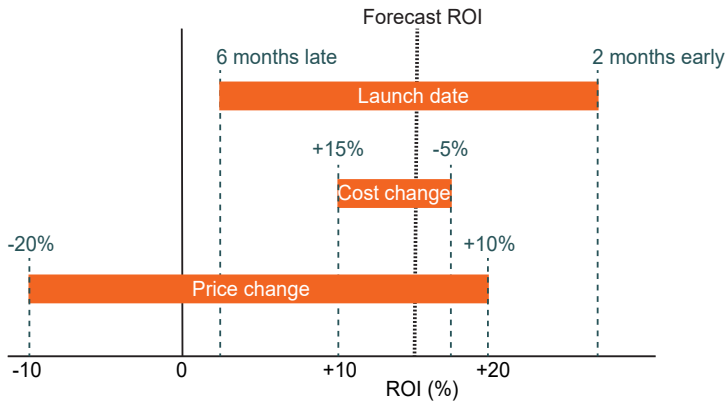


Fig. 10 Sensitivity analysis

can be adjusted. Typically, worst case will show the impact of modest cost increases coupled with delayed launch. Best case might assume early delivery and improved sales.

author in valueless analysis. Spending time on nitty-gritty detail (in the 'spreadsheet-factory') can distract product managers from the critical need to understand the fundamental drivers for their product's success or failure.

For example what if: sales channels come on stream 6 months later than forecast; a key cost changes significantly; your product exceeds

expectations and you double your projected volume? Sensitivity analysis provides insight to the business case in each of these situations. Every change will not have an equal impact on the business case and sensitivity analysis allows the product manager to identify those areas that would be most significant. Presenting the results of sensitivity analysis can be done using a simple

graph, annotated to show the boundary conditions that were assumed.

The example in Fig. 10 highlights the need for management attention on discounting rather than concern over costs – lowering the price has a much bigger affect on ROI than changing costs.

Detailed scenario planning

Detailed scenario planning goes one step beyond sensitivity analysis as

"When our FD reviews a business case it's about stress-testing the numbers. We know that down the line the actual numbers will probably be wrong, but what's important is the order of magnitude; do they feel about right and do we understand the sensitivities and what may need to change in the organisation to support this case?"

Jason Ellis, Head of Data Product Management, Orange

it takes into account the likelihood of different future environments, enabling more reliable decision making and allowing you to set up targeted monitoring to identify emerging issues.

Rigorous scenario planning consumes more resources than are reasonable for most business cases. Regardless of this, a limited amount of effort spent on scenario planning can provide useful insight and give a more robust plan of action.

Based on sensitivity analysis, the product manager will have been able to identify key areas for investigation. Within each area, scenario planning requires the product manager to estimate the most probable spread of values for that area.

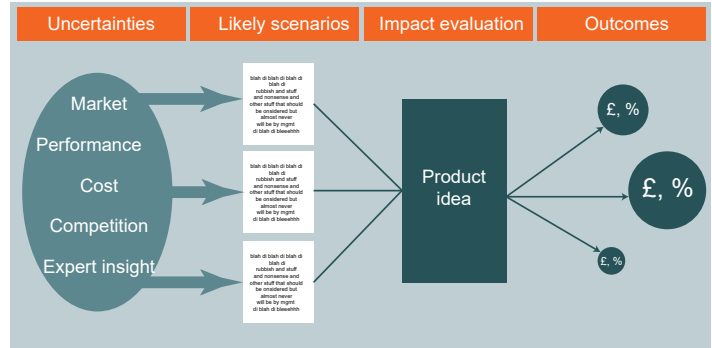


Fig.11 Detailed scenario planning

Approaches that can be used to research these include:

- Market trends (e.g. market research reports).
- Cost and performance trends (e.g. suppliers discussions).
- Market and competitive context, e.g. PEST (Political, Economic, Social, Technological) analysis, or Porter 5-forces competitor analysis.
- Expert insight (e.g. based on discussions with topical leaders).

A set of likely scenarios are determined based on this situation and trend analysis and these scenarios are applied to the product idea to determine likely outcomes.

The ideal outcome of scenario planning is a business plan in which all probable scenarios meet the financial targets established by the business.

“Product managers should understand the politics behind revenue forecasts. Sales teams always welcome new products and enhancements that give them something extra to sell if it doesn’t affect their target. What level of buy-in do you get from the sales channel if the business case results in their targets being raised? That’s the acid test for revenue forecasts.”

Jonathan Wright, Director of Wholesale Products, Interoute

Idiots guide to finance

Key financial jargon and terminology explained

Most product managers only come across financial terminology when writing business cases. The acronyms can cause problems for those unfamiliar with their use. The table on the following page explains key terms to give you the confidence to carry out business case analysis and to handle discussions with your finance team.

A key concept to understand is the time value of money. This

recognises that money received or spent today, has a higher value than cash received or spent in the future. This is because cash invested today would earn interest over a period of time and it also reflects the effect of inflation where typically each unit of currency buys fewer goods and services in the future. The way this is typically handled in business cases is to discount cash received in future years using a calculation

Year	Cash flow	Multiplier		NPV Calculation	Cumulative profit
Year 1	-£1,500	$1/(1 + 5\%)^1$	95.2%	- £1,428	- £1,500
Year 2	£200	$1/(1 + 5\%)^2$	90.7%	£181	-£1,300
Year 3	£1,300	$1/(1 + 5\%)^3$	86.4%	£1,123	£0
Year 4	£2,000	$1/(1 + 5\%)^4$	82.3%	£1,646	£2,000
Totals	£2,000			£1,523	

Annual Discount Rate = 5% NPV Payback period = 3 years

Fig. 12 Net Present Value (NPV) and Payback period

called Net Present Value (NPV).

This calculates the size of the payback by discounting each cashflow back to the present time. In the example above the total (or cumulative) cashflows over 4 years is £2,000, however, the NPV using a 5% annual discount rate is only £1,519.

Another handy measure to compare business cases is the Payback period. This is the time until a project achieves its break-even point. Whilst this doesn't make use of the time value of money, it does provide a useful comparison between projects. A long payback period significantly increases the risk in any project as market forecasts and costs can shift dramatically away from what has been assumed in the business case.

Wise Words
“Whenever people agree with me I always feel I must be wrong.”
Oscar Wilde, Irish poet

Financial Terms

Apportioned costs Most businesses have operating costs that cannot be attributed to a specific product line, e.g. MD's salary, insurance and rental. To ensure that the business is able to fund these costs they are apportioned to each business case, often as a fixed percentage of revenue.

Break even point The point where revenues coming in are equal to the costs for a product in a particular month or quarter. It does not take account of any previous investment.

Capex Capital expenditure is the cost to develop or buy a product/asset, e.g. the purchase of a photocopier is Capex, but buying the paper it uses is Opex. Capitalised assets are depreciated over time.

Depreciation The costs of assets bought by a company, e.g. equipment, buildings, are spread out over a number of years in accounts and business cases. For example: a production line for your product may cost £10m up-front but is depreciated over 5 years giving a cost in your business case of £2m per year. Your finance team will set the depreciation time period for different assets.

Direct costs Direct costs for a product are those costs that are directly attributable to the production of the product. Sometimes known as Cost of Goods Sold (COGS), these are very often variable costs and vice versa.

Discounted cash flow (DCF) DCF measures the value of cash flow over time. It recognises the fact that money received or spent today has a higher value than cash received or spent in the future (because cash invested today would earn interest). To do this it discounts future cash flows.

EBITDA Earnings Before Interest, Tax, Depreciation and Ammortisation. This is sometimes used as a measure of profitability as it excludes the impact of any accounting or financing decisions.

Fixed costs Fixed costs are those that do not change with the level of sales. If sales increase or decrease but nothing else changes then fixed costs remain the same. Common examples of fixed costs are rents, head-office salaries and depreciation.

Gross profit This is calculated as revenue minus direct costs.

Indirect costs Indirect costs are costs that cannot be directly attributed to your product. Indirect costs may be either fixed or variable and include things such as taxes, salaries and office rental.

Internal Rate of Return (IRR) Reflects the payback on an investment and is used to compare projects competing for investment funds. The business case IRR will normally need to be higher than bank interest together with an appropriate premium for the risk in the project. IRR is the discounting rate that would give an NPV of £0. There is a formula in Excel to calculate this.

Net Present Value (NPV) This represents the view, today, of the future lifetime value of a product. It uses discounted cash flow to establish the value of future income and costs. There is a formula in Excel that you can use to calculate this.

Net profit Calculated as revenue minus all fixed, variable and apportioned costs.

Opex Operational Expenditure is the on-going cost of running a product or business and includes things like materials or wages.

Payback period Defines how long it takes for a product to pay back all the investment and running costs so far. From that point on you're making clear profit.

Peak negative cash flow The flow of money in and out of the business on a monthly basis is known as cash flow. The peak negative cash flow is the maximum cash that the company will need to invest in a product and usually occurs just before launch.

Profit margin This is calculated as gross profit divided by revenue – gross or net profit can be used to give gross or net profit margin.

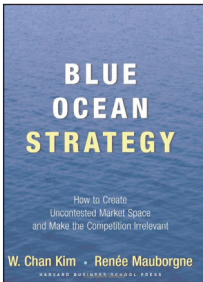
Return on Investment (RoI) This is calculated as pre-tax profit divided by investment and shown as a percentage.

Variable costs The cost of labour, materials or overheads that change according to the change in production volume.

The Review

Reviews and feedback for product managers

Book Review



Blue Ocean Strategy by
W.Chan Kim and
Renée Mauborgne
Business Review
(Harvard Press,
2014)

Wise Words

"I never think of the future. It comes soon enough."

Albert Einstein,
German theoretical
physicist

Do you work in a competitive market? Would you consider that supply exceeds demand? Are you constantly scrapping with the same competitors for a bigger piece of pie?

There are many books on creating differentiated offers to improve your competitive position. One of our favourites, which combines the authors' Harvard Business Review articles together with earlier concepts, is *Blue Ocean Strategy*. The book demonstrates a systematic framework and toolset to identify and evaluate options for differentiation that help companies stand out to their customers. Doing so moves companies to a 'blue ocean' where they have no direct competitors unlike the 'red ocean' where intense competition bloodies all participants.

Whilst it does not focus on business cases, it does focus on the area that is often most difficult and important to any business case: the identification of opportunity and creation of a credible proposition to address that opportunity.

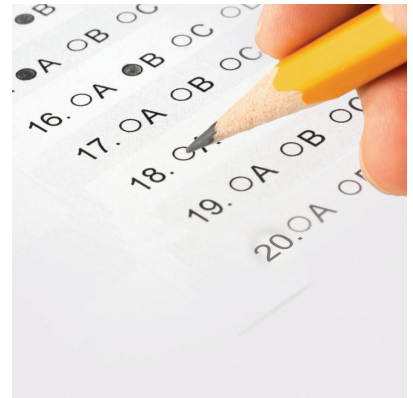
As traditional marketing thinking goes, there are two primary strategic approaches open to companies: become the cost leader and use lower prices to win business or focus on differentiation and carve out a lucrative niche market. There can only be one cost leader of a particular product category in a specific market, so most companies claim a differentiation focus.

Blue Ocean Strategy presents a method for companies to differentiate by creating 'uncontested market space'. One example is Cirque du Soleil. Traditional circuses tended to focus on star performers, headline acts and aisle concessions. Cirque du Soleil successfully changed the game, dropping expensive star performers and intrusive aisle concessions, focusing instead on a unique venue with show themes and artistic music and dance.

We think this is a book worth reading.

Have your view

Every year Product Focus runs a survey to measure the state of product management in technology-based products. This gives us insights into industry norms, trends and best practice. We've listed some of the comments from this year's survey. These answer the question: 'What do you see as the biggest issues with product management in your current role?'



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.

"Product management should be the General Manager of their product with P&L responsible and have the last say in matters, but often Engineering has the real power."

"Not enough resource – company is downsizing."

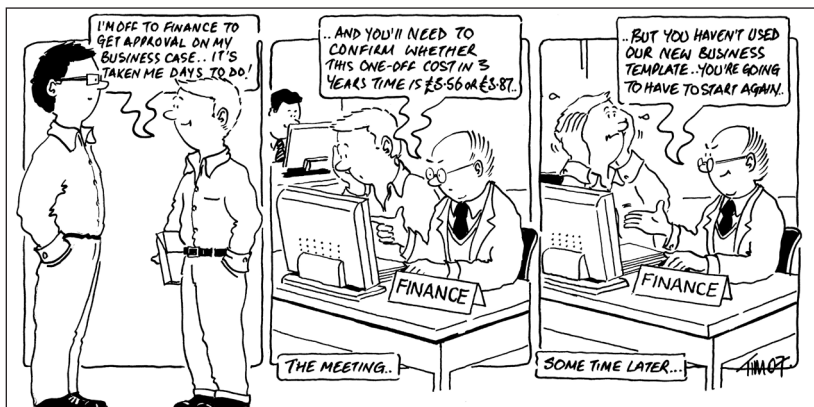
"Lack of direction. No master roadmap. No strategy."

"We have an extremely diverse portfolio with a high number of priority product issues, lack of formal training and little executive support."

"Our biggest issue is access to high quality data, whether it's relevant Market Intelligence reports, or getting info out of our systems."

"Fire-fighting day-to-day questions from the field takes up an inordinate amount of time which could be spent providing proactive support."

It's clear that as product managers we want to set business direction, take business responsibility and drive change, but feel constrained by lack of resources, time, training or formal accountability. It will be interesting to compare this year's survey.



The Insight

Lies, damn lies and business cases

Wise Words

"In order to succeed, you must first be willing to fail."

Mark Twain,
American writer

Business cases are a waste of time. You know that the numbers will be wrong or made to say whatever the author wants them to say. When agility and being first-to-market really count, business cases just slow you down.

Whilst we don't believe this, we can certainly understand it! When you've been living and breathing your product for months, you've entirely bought into the value of its continued development. But while all babies are beautiful to their parents not all babies are beautiful.

The real value of a business case is that it enforces a discipline and structure around making investment decisions. The great opportunity for a product manager is that this allows time for a thorough and objective analysis of their product with the full support of the rest of the business.

Benefits of analysis

The value of this analysis is often at odds with other drivers. The product manager's key motivation is to make sure their product passes through the business case stage as smoothly as possible. The business rewards product managers that tell them about good investment ideas.

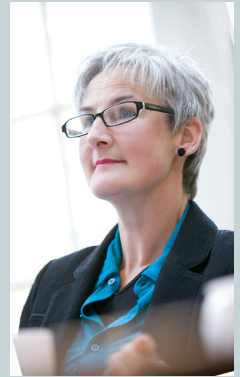
However, it's equally important for the business to know that a particular idea is not a good investment.

Creating the right culture to produce an objective assessment is vital. This is often achieved through a healthy tension between an evangelising product manager and sceptical finance representative. But companies ought to be able to trust Product Management to provide an unbiased view of opportunities.

Does your business foster a culture in Product Management where an objective view is really rewarded? How many product managers have been recognised positively after producing a business case to say their product should be canned?

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