

# Using Competition as a Stimulus to Product Development

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## Introduction -- Competition is not a bad thing.

Competition benefits customers by letting them choose among products. It establishes a market with a range of solutions.

The success of your product strategy depends on understanding competition from the customer's point of view. Here are three ways use the customer frame of mind to stimulate your product development.

1. When you are evaluating internal product development proposals, you should **listen with a customer's ear**, understanding the priorities of the end-user of the product and the customer who makes the buying decision.
2. While you are planning you own future products, you should also be **projecting the future of competitors' capabilities**. This allows you to see how your products will be distinct from the competitors' products, and how your features and services may be challenged by the competition.
3. Getting outstanding products is often a matter of **imagining possibilities**. You can help your development staff by asking the right questions, questions which open up possibilities.

## Listening with a customer's ear

Get to know your customers. This is an old but still valid admonition. You can spend time with the largest customers, learning their business and their viewpoint. This has the added benefit of convincing those customers that you are interested in their business. You want to understand the customer's business environment well enough to know why your product was selected, what it does for the customer, and how well it satisfies the customer's need.

Once you have a good grasp of the customer's business, you are able to imagine the customer's reaction to possible new products. You may even want to try out your product ideas on a customer, if that won't give away too much to your competitors.

One of the current development process ideas, Agile Development, suggests having a customer become part of your development team. The customer is present at the site of the development work and is available -- without advance notice -- for consultation on what exactly a product feature is meant to do, or how the product is to function. The reason for having a customer as part of the team is to deal with the tendency of customers (particularly customers of software products and services) to understand only gradually their real requirements and preferences. The customer sees what has been built, for example, and says, "Oh, I see what you've built; what I really want is ...." This happens with such regularity in the software world that Agile Development methods are gaining a large following.

Even if a customer is part of the development team, you still need to make certain decisions, such as pricing and geographical customization, that a single customer can't help you with. You will be on the right track if you can put yourself in a customer's state of mind. Make life and business easiest for the customer, and the customer will be willing to pay a fair price for the product.

### **Project your competitors' futures**

We can assume that your development staff knows the limits of the technology you are using in your products. For digital hardware products, for example, this includes component price, size, power, and weight. For software products, this may include the computing power required to get satisfactory performance, the storage size required for a database, and the communication bandwidth needed for interaction between subsystems. More subtle limits may occur in software due to the complexity of a computation or a set of interactions.

While there are occasional breakthroughs in design of components and in organization of subsystems, most technologies progress along a steady path. This path can be projected simply by observing and quantifying historical values.

Your development department is already making these projections for component vendors and for current development projects. Why not ask them to project your competitors' futures, too? For many products, a technology roadmap can be constructed based on a few key parameters. If you keep track of how close to the "leading edge" each of your competitors' products are, you have a good reading of their current and future capability.

#### ***Example: Microcomputers displace minicomputers***

*In 1976, Gordon Bell, who was then VP of Engineering for Digital Equipment Corporation (DEC), visited Intel to see the new 8086 chip. He found out that the Intel processor chip had planned on 20-bit addressing. Around that time, minicomputers, such as the PDP-11 built by DEC, had between 16 and 22 bits of addressing capability. Gordon knew that the minicomputer's days were numbered, because the single-chip computer from Intel had invaded the memory addressing space previously "owned" by minicomputers. DEC's next generation minicomputer, the VAX, had 32 bits of addressing. None of the minicomputer makers retained market share in the "low end" of the computer market, once single-chip computers entered it.*

### **Imagining possibilities -- "What if there were a solution to that problem?"**

Another way you can encourage new products is to keep an open mind. What does this mean in real life? Often product ideas will float up to the executive level without a formal proposal because the person who thought of the product knows there is a major barrier to being able to make the product. Sometimes the barrier is a technological constraint, but often the barrier is a belief about the organization, its goals, its markets, or its business.

When you hear about such a product idea, try asking, "What if there were a solution to that problem?" Encourage the person who offered the idea to assume that no barrier exists. Then how would she proceed? What kind of product would be possible? How could the development organization be rebuilt to make and service the product and the customers? What advantage would the organization have in making such a product and gaining such customers?

Often, your willingness to "suspend disbelief" will encourage your staff to explore the product ideas further, thereby making progress in justifying an investment or a shift in strategy. After finding strong reasons for making the product, the "barrier" can be explored again with knowledge of the payoff of having the product versus the potential cost of overcoming the barrier. Get in the habit of asking people to suspend their focus on the reasons why it can't be done, and move forward with emphasis on the opportunity and the value of a new direction in products and services.

### **Example: Palm Pilot**

*The people who made the original Palm Pilot were software designers who were selling their software product to several manufacturers of personal digital assistants (PDAs). They were extremely good at understanding how people wanted to use the product, which was a combination of hardware and software. Their frustration was that none of the hardware vendors would configure the user interface buttons the way that they knew would be most effective. They understood, for example, that people wanted the PDAs to do only a few tasks, that each task should require the minimum number of user actions, and that the PDA would be used in conjunction with a desktop PC. They even invented a way for users to input text rather quickly by learning to draw a new alphabet with a stylus.*

*None of the hardware vendors would build what the Palm people knew would work. Eventually Palm's investors said, "Why not design your own hardware?" And the Palm Pilot was born. The other vendors of PDA hardware didn't have the understanding of the users (not yet an existing market). And, fatally, they were not willing to listen to the Palm people, who did understand them. For Palm, the big step was re-imagining themselves as vendors of hardware and software – a complete solution.*

### **Conclusion**

Visualizing the end-user, projecting your competitors' capabilities and encouraging imagination are all part of superior management in product development.

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