

FROM GOOD TO GREAT

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ZIGZAG Marketing™
HIGH TECH PRODUCT MANAGEMENT



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Book Excerpt | THE INNOVATOR'S SOLUTION



Creating A Killer Product

Don't worry about who your customer is. Make something he can "hire" to do a job.

BY CLAYTON M. CHRISTENSEN AND MICHAEL E. RAYNOR

be done, then when the job arises in a customer's life, he or she will remember the brand and hire the product. Customers pay significant premiums for brands that do a job well. But some executives worry that a low-end disruptive product might harm their established brand. Case in point: When Kodak wanted to bring out a "single use" disposable camera, people within the company's film division vigorously opposed the move because the inexpensive plastic lenses used meant that the quality of the photographs wouldn't be as good as those taken by 35mm cameras.



"You know, my brother took that course last year. He's a good student, but he never even bought the book. He just used Easyexam.com, and he did great." Bingo: a new-market disruption to help customers achieve what they already had been trying to do.

Adapted from *The Innovator's Solution: Creating and Sustaining Successful Growth*, by Clayton M. Christensen and Michael E. Raynor (Harvard Business School Press, 2003).

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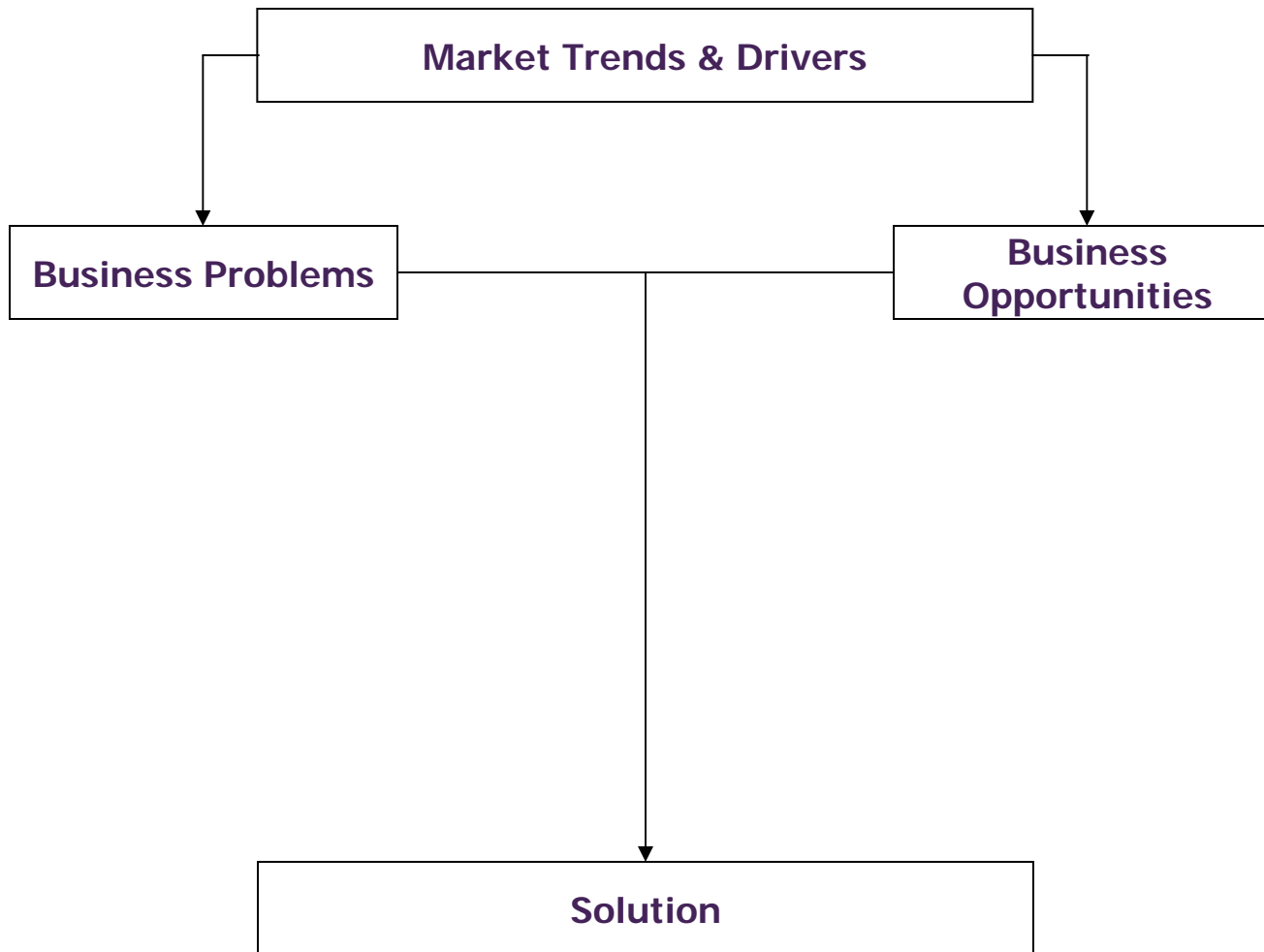
Creating Products In Layers





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Strategy & Market Forces





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Market Trends

Keeping Zippo's flame eternal

As smoking declines, company focuses on lighters for other uses

By Thomas A. Poperty
USA TODAY

BRADFORD, Pa. — George Duke refused to be outdone: In a worldwide war against tobacco.

Duke, 48, is co-owner of Zippo Manufacturing, maker of the iconic metal cigarette lighter. The lighter's distinctive click symbolized luxury for Duke during World War II, and American-style lighters for recent generations of young Japanese and Eastern European smokers.

"There isn't an aspect to think smoking isn't declining — it is," said Duke, leaning on a black bar and discussing the future of Zippo headquarters here.

But since 1990, sales have fallen 40% from the 1970s to 2000. This month, U.S. Surgeon General Richard Carmona expressed personal support for an outright ban. Now the World Health Organization is urging the effort to curb smoking worldwide with voluntary control treaty.

Duke's grandfather, George Blaisdell, began manufacturing high-quality, wind-proof lighters during the Great Depression — and backing Duke with a lifetime guarantee — in the small Allegheny Mountain town. Then, many Americans thought cigarette smoking actually eased breathing.

But, smoking-related illnesses kill 5 million people annually, and the statistics vary in favor of smoking on which Zippo can have long-term growth.

With opportunities in order, talk at Zippo headquarters is increasingly about "selling Duke," and no longer limiting Duke to products that light smokers. In 2001, Zippo introduced a long, slender multipurpose lighter for candles, grills, fireplace and the like. Changes are just beginning. To back the anti-tobacco side, Duke and his top manager, CEO Greg Smith, have set an ambitious goal: by 2010, deriving half the company's revenue from products unrelated to tobacco. They're setting out to move their double-digit current revenue over the same period, Duke says, revenue this year should approach \$140 million.

Specialization and the push for growth aren't optional, says Duke. Revenue has been flat for the past three years and lags behind the 1996 peak by about 15%. Lighter sales of 115 million this year are off the 1996 peak by about 25%. The 2000 revenue goal means Zippo can't afford to turn its back on smokers if it diversifies, and Duke says the company wants to do that.

"There has a lot of opportunity to sell lighters to smokers," says Duke. "But we're not

around the world," Duke has almost universal recognition," says Dave DeWitt, a board consultant from Charlottesville, Va.

With that in mind, Zippo employees are in discussions with manufacturers of flame-retardant outdoor products — grills, stoves, space heaters, fireplaces and the like — for a series of Zippo-branded patio products.

• **New products.** Tobacco isn't dead yet, and Duke and Smith are determined to make a new line of cigarette lighters. "I don't want to be a \$10 or more, built like a reliable business lighters would target potential customers who don't like the smell or messiness of the fuel burned in the classic Zippo lighter.

• **Acquisitions.** A decade ago, Zippo bought Case Gallery, a fireplace in Bradford. Now, says another acquisition is being negotiated, but not ready to be announced.

• **Marketing.** Smith, who spent the first 30 years of his career marketing motor oil, has attempted since becoming CEO in 2001 to lead Zippo from its traditional manufacturing model of operation. That's meant a major push in marketing. He has been in to introduce products to a demographic broader than the typical user of the classic lighter — a 34-year-old, white male with a high school education.

His Zippo tricksters

An ongoing nightclub scene — the Zippo Hot Tour — is aimed at a hip, urban subculture that has Zippo set to light cigarettes, but to position a sliver of hand. Part of the nightclub scene: Zippo USA's own party and its, "Zippo and a Playboy Playmate who changes according to location.

Mark Penn, Zippo's marketing chief, says the company discovered a worldwide community

around to sell its customers to pay for quality. The basic Zippo lighter \$13 in a market flooded by cheap disposables. Likewise, their single burner the stage of quality.

People know Zippo around the world," Duke has almost universal recognition," says Dave DeWitt, a board consultant from Charlottesville, Va.

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Zippering along

Zippo is on track to produce 40 million lighters this year, up from 37 million in 2000. The number of Zippo lighters.

Year	Lighters Produced (in millions)
2000	37
2001	38
2002	39
2003	40

Source: Zippo Manufacturing Co.

Zipper location

And, sensitive alerts call for the announced

"Selling Duke" Co-owner George Duke says Zippo is well aware of the drop in smoking, it's creating lighters for other purposes.

fully embrace the legacy of Zippo collectors recently started a \$20-a-year "Click Club" members get a Zippo lighter and a limited edition edition product, which many people consider "pocket art."

"It's not for sale"

Zippo, which operates a public museum in Bradford, Pa., is not a place where close relationships are.

At Bradford's death in 1978, ownership passed to his two daughters and later to their son, Sarah Elizabeth Duke, who bought a Zippo lighter and now are sole owners. Duke says personal papers approach him weekly to answer, he says, "never sorry." "It's not for sale."

From the beginning, Zippo has grown through the sale of 25 franchises on the basis of its lighters. Between Zippo and Case, it employs 1,100 workers Pennsylvania at work with wages up to \$17 an hour and full benefits.

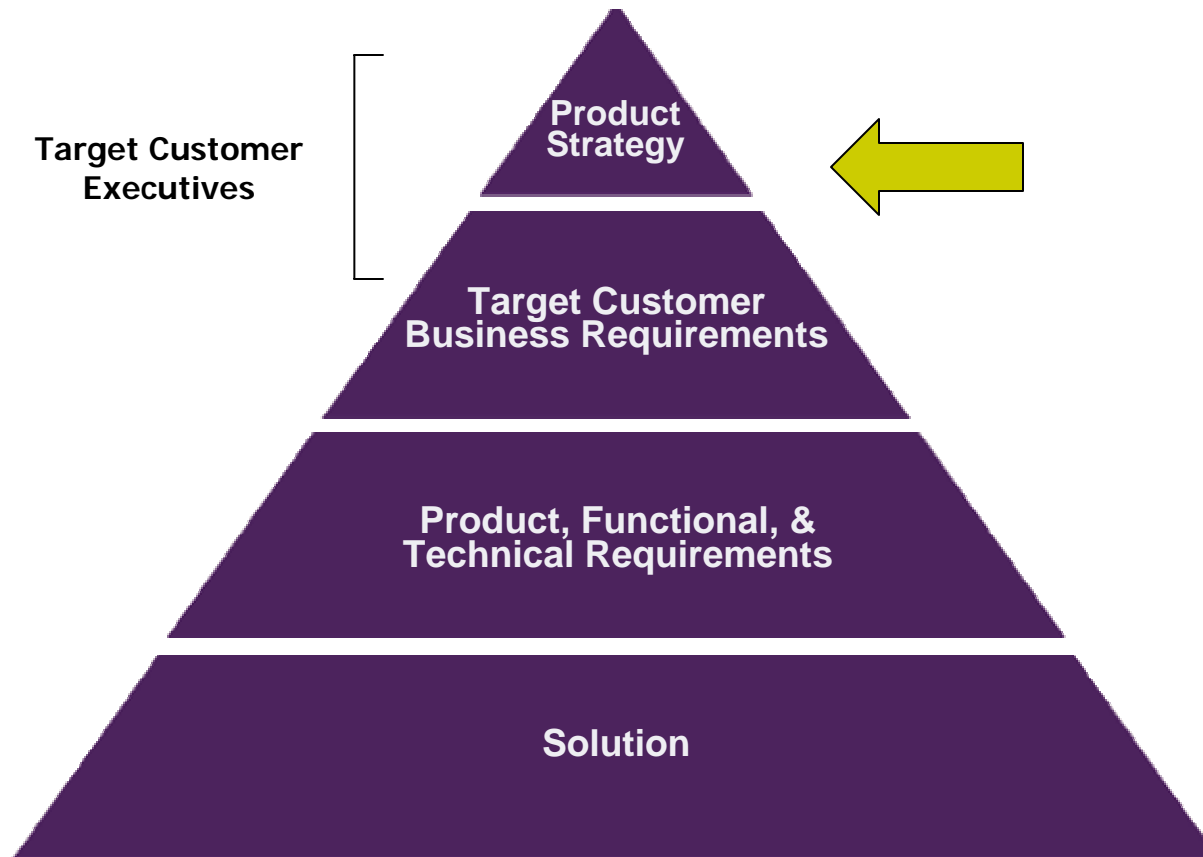
Ann Dugas, director of the Center for Family Enterprise at the University of Pittsburgh, compares the lighters of Zippo and its business with that of another family community and its narrow focus — Bradford, Pa. The story residents are so proud of the character makes the community spirit and you wouldn't a personal sale of the company by the local from the news.

Zippo pays a Chinese company to make the new multipurpose lighters. But Duke says he's limited opportunities to use money by staying product of the classic Zippo lighter to



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Focus Groups





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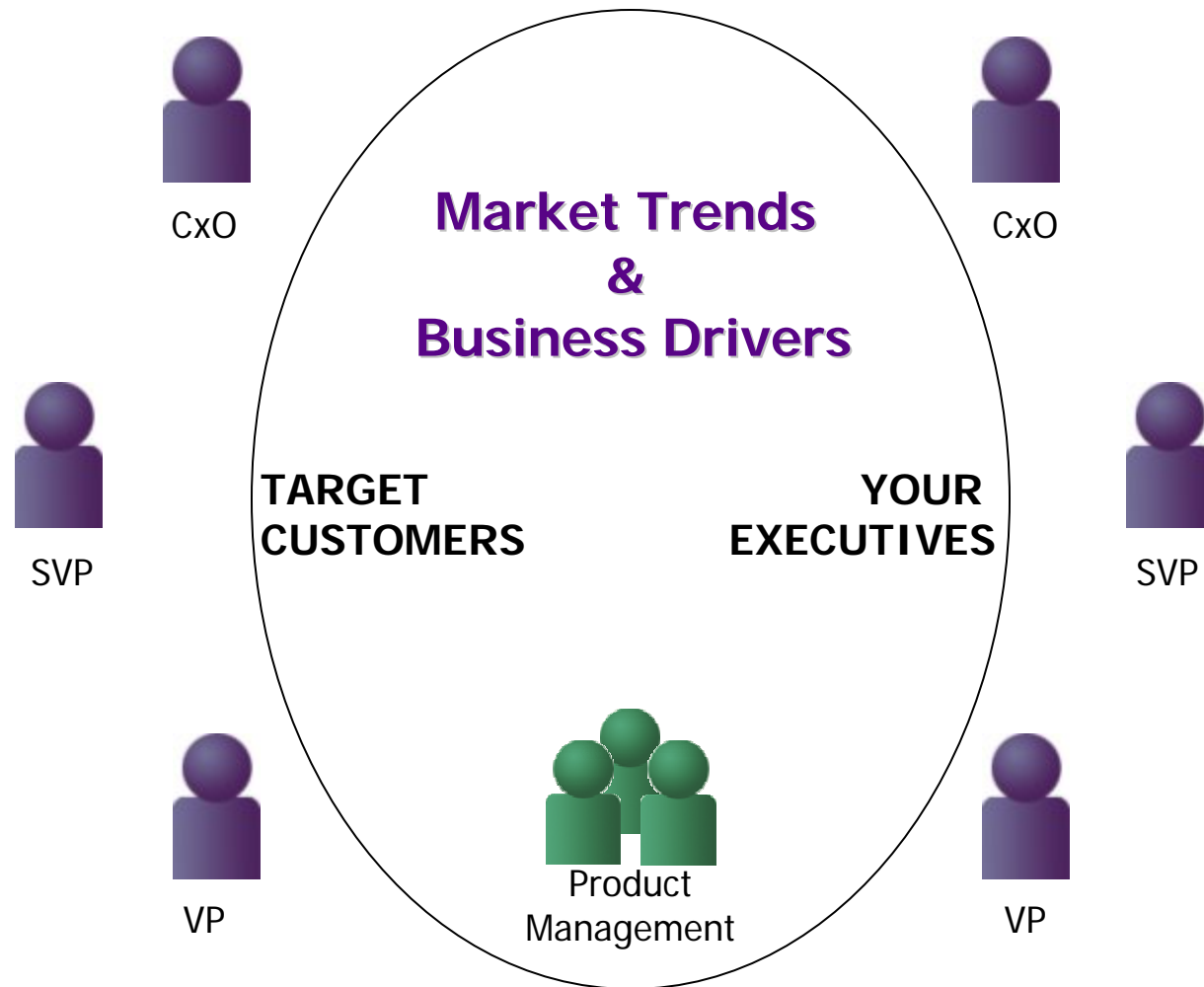
The Best Focus Groups

- Progressive organizations
- "Outside-the-box" thinkers
- Profile of target customer
 - Industry
 - Organization size
 - Culture



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Executive Focus Groups



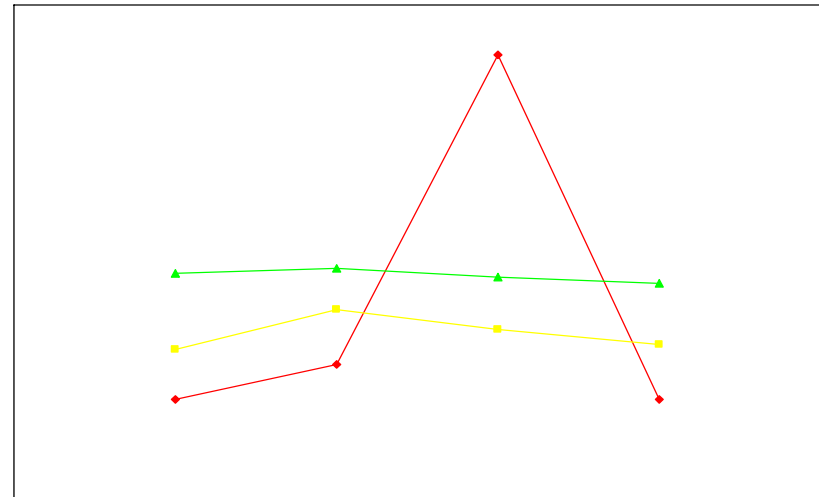


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Market Trends

➤ Market Trends

- General business
- Technology
- Economic
- Demographic





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Business Drivers

1. Regulatory issues
2. Key industry challenges?
3. What are (target customer) executives losing sleep over and why?



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Focus Group Output

- Document & Communicate
 - Trends & business drivers
 - ❖ Business problems
 - ❖ Business opportunities
 - ❖ Business requirements to support both



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Product Roadmap

TIMELINE FUNCTIONALITY	12 Months	24 Months
<i>Geography</i>	US, UK	Germany, France
<i>Vertical Markets</i>	Transportation	Mfg., Financial Svcs.
↑	Partner	Build
↓	Build	Build
MAJOR FUNCTIONALITY COMPONENTS	Acquire	
	Build	
↓		Partner/Build
↓	Acquire	



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Cisco Systems Announces Agreement to Acquire The Linksys Group, Inc.

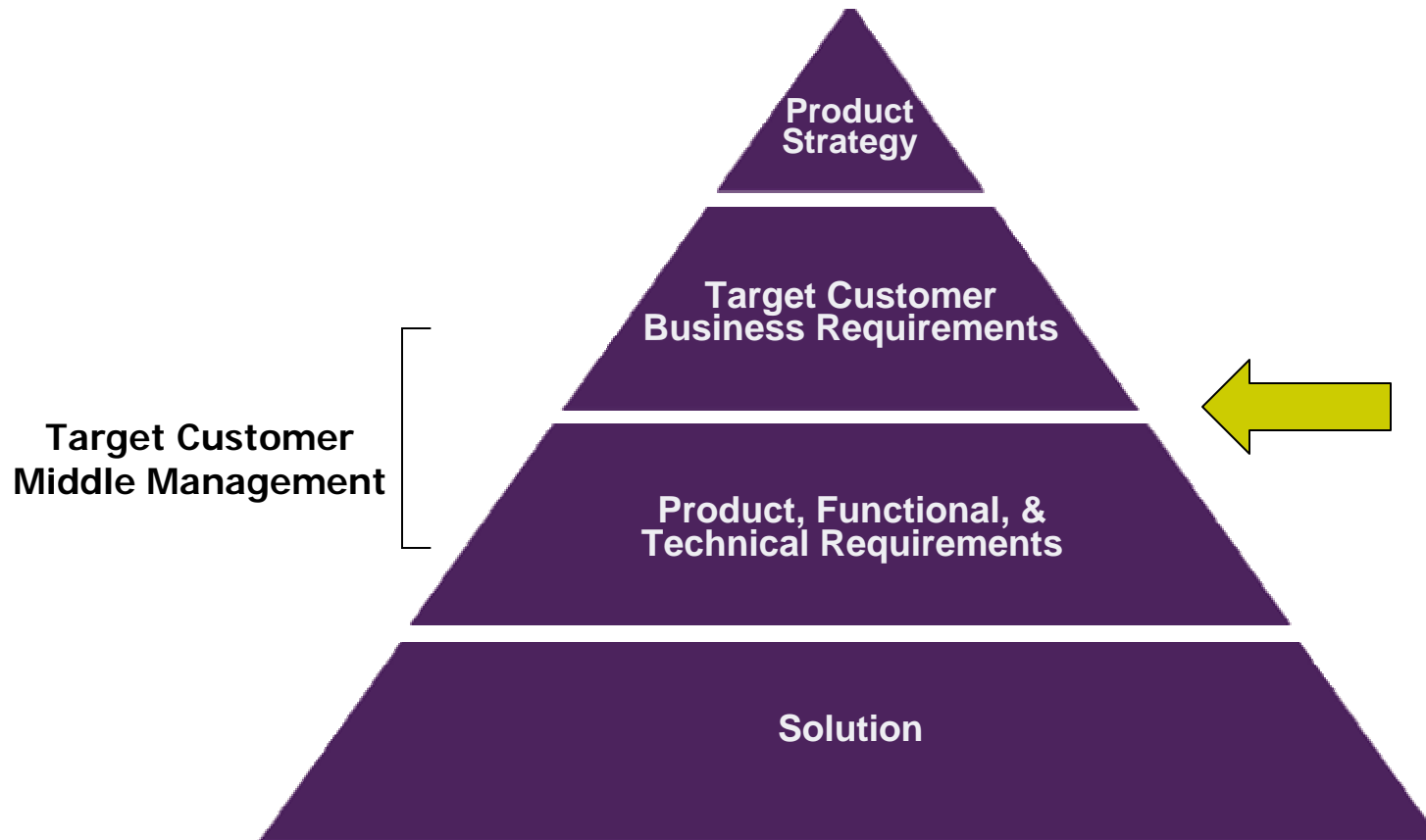
Represents Cisco's Entry into the High-Growth Home Networking Market





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Creating Products In Layers



When the devil is in the design

BMW iDrive

When companies rush or ignore consumers, products can flop

By Tom Ichniowski
USA TODAY

SAN FRANCISCO — In the recent history of bad product design, some examples are real standouts.

An automobile dashboard with so many functions that even the carmaker doesn't know how many there are.

How about a combination camera, MP3 player, Web cam and audio recorder that one reviewer called a "mini-disaster."

Then there was the Internet-access appliance, designed for kitchen countertops, that was so heavy the owner's manual advised caution on picking it up.

These are just a few of the recently introduced tech products that reviewers panned for having crummy designs. And they won't be the last. That's because many companies still use old-fashioned product-development strategies. Too often, innovation is dominated by engineers who don't get enough input from consumers. Cheap electronics tempt designers to pile on too many options. Companies, having invested millions in an idea, stick with faulty designs rather than write off their investments. And products are being rushed to market faster — shortening design times for companies who don't want to be late to market.

More and more gadgets



Confusing: The Konica e-mini M digital camera and MP3 player could be an example of a gadget with too many functions. Marketers don't know how to market it, and consumers don't know what it does.

► **Consumers are ignored.** In the best cases, a company's product-development team turns to consumers when a new product is just being discussed.

The idea is presented to a consumer focus group with about 24 members. Their reactions, such as whether the product

by men. So his firm chose a large handle to fit a man's grip. On a sweltering August day, Cogliandro assembled 22 men and women at an ice-skating rink. Ice shavings were dumped outside. The consumers were asked to try the shovel.

Listening to their comments, Cogliandro

man behavior, such as a psychologist, who could advise against frustrating control features, says Lorraine Justice, director of Georgia Tech's industrial design program.

Moreover, teams often lack industrial designers early in the process. They create a product's outer shell. Good designers can persuade engineers to move around interior components so outside control buttons can be better positioned.

Also, teams made up entirely of company employees can be too narrow-minded to fully develop a good idea. Or they may be too timid to kill a bad one — especially if it was suggested by the CEO or other high-level executive, says Anthony Warren, director of the Farrell Center for Entrepreneurship at Penn State.

► **Technology runs amok.** Cheaper electronics mean designers can combine many features in a single product. That leads to gizmos such as cellphones that also access the Internet, have calendars, address books and video-game players.



Feature overload: The dashboard of the new BMW 7 Series rates as a bad design because it has too many features.

cites the dashboard of the new BMW 7 Series as an example of bad design because, he says, it has too many features. There are so many, *AutoWeek* magazine says, that company executives can't agree on the total. It quotes a company design chief saying there are "700 to 800."

Many big corporations are guilty of overdesign. "Companies, even major ones like Microsoft and Hewlett-Packard, still goof," Cogliandro says.

Strength to say 'no'

Industry accounts for nearly 70% of the \$230 billion spent annually on U.S. research and development, the National Science Foundation says. Some of the biggest R&D spenders are tech companies. For example, Intel will pour about \$4 billion into R&D this year — equal to 16% of its projected 2001 revenue.

The tech industry has another big role in the design process. Superfast computers have sped up the design cycle. That is because engineers can produce models on computers in months that once took years when built by hand.

Warren, at Penn State, helped design cellphones in the early 1980s. It took 2½ years or more to design one. Now the process takes less than a year. In the auto industry, cars can be designed in less than three years — half the time it took 10 years ago, Cogliandro says.

Sometimes, the problem with faulty designers is that no one wants to say no to a



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Development Projects

- On time
- On budget
- Features as planned

A horizontal bar chart with a white background and a black border. The left portion of the bar is filled with a dark purple color and contains the text '16%' in white. The rest of the bar is empty white space.

16%



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Development Statistics

- Time estimates
 - Average variance = 2.5X

ESTIMATE = 6 person months

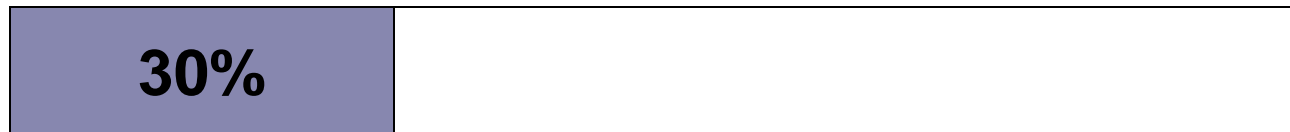
ACTUAL = 15 person months



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Development Projects

➤ Cancelled before completion





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Development Projects

➤ Budget vs. actual

BUDGET = \$1.00

ACTUAL = \$1.89



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Top Culprits of Software Development

1. Lack of user involvement
2. Unclear customer requirements
3. Feature creep
4. Mid-stream design changes
5. Poor time estimates



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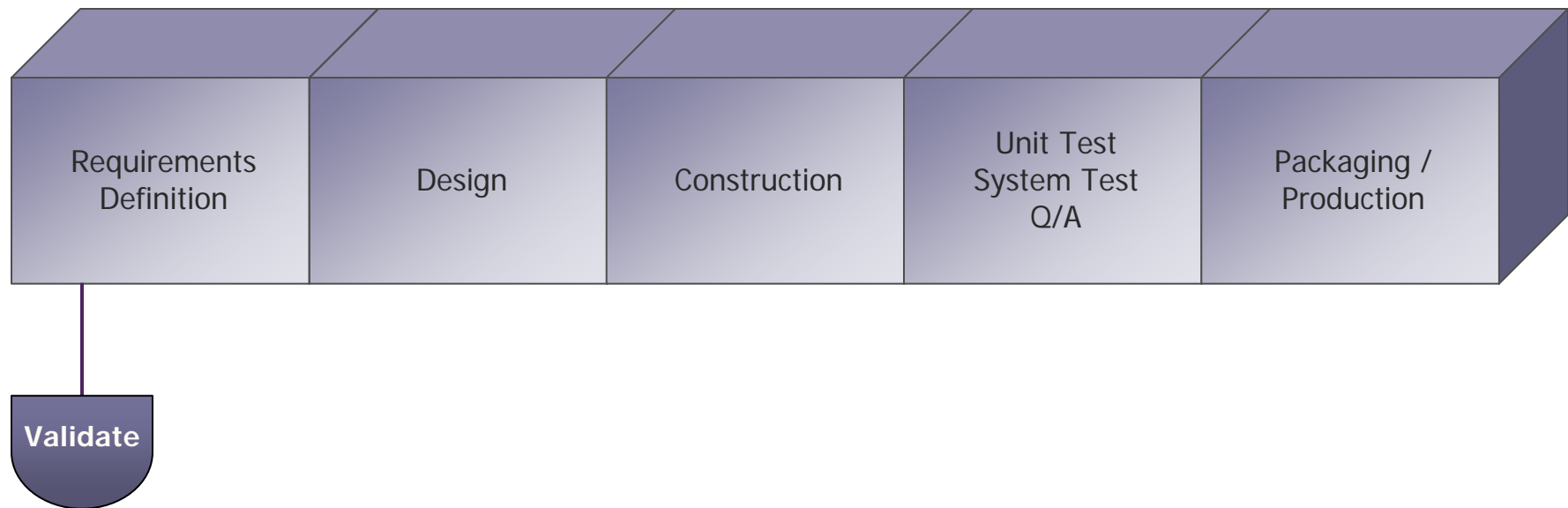
Project Focus Groups





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Project Focus Groups

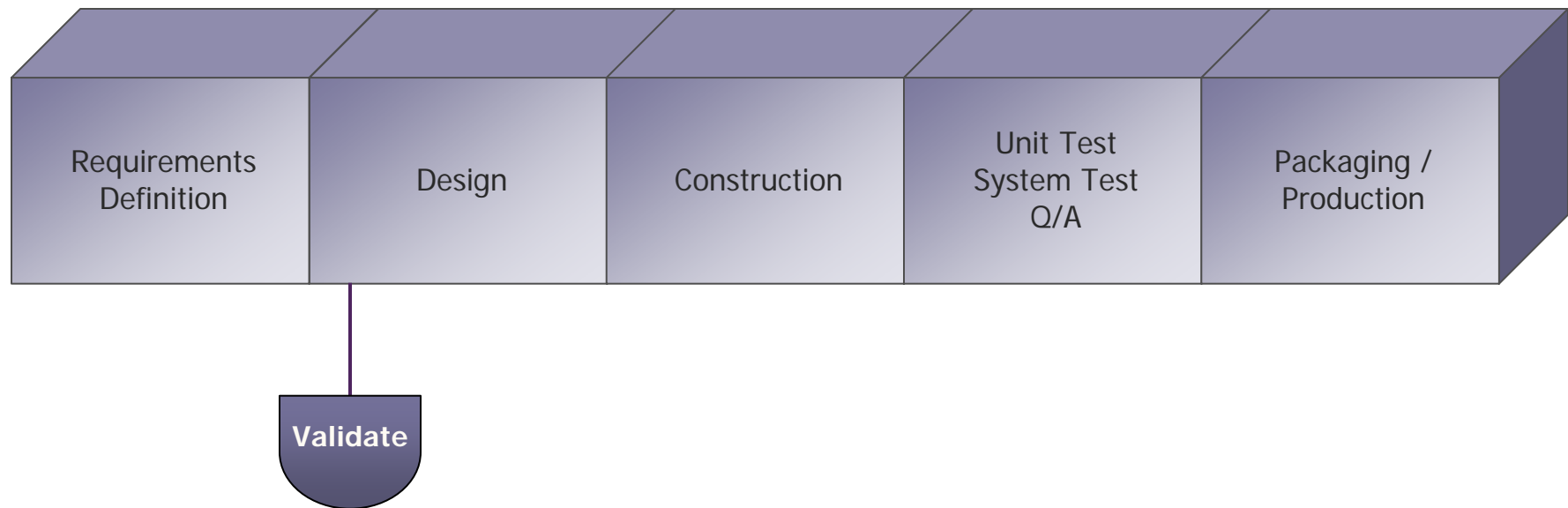


- ***Validate business problem definition***
- ***Prioritize problems to be solved***
- ***Prioritize proposed solutions***



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Project Focus Groups

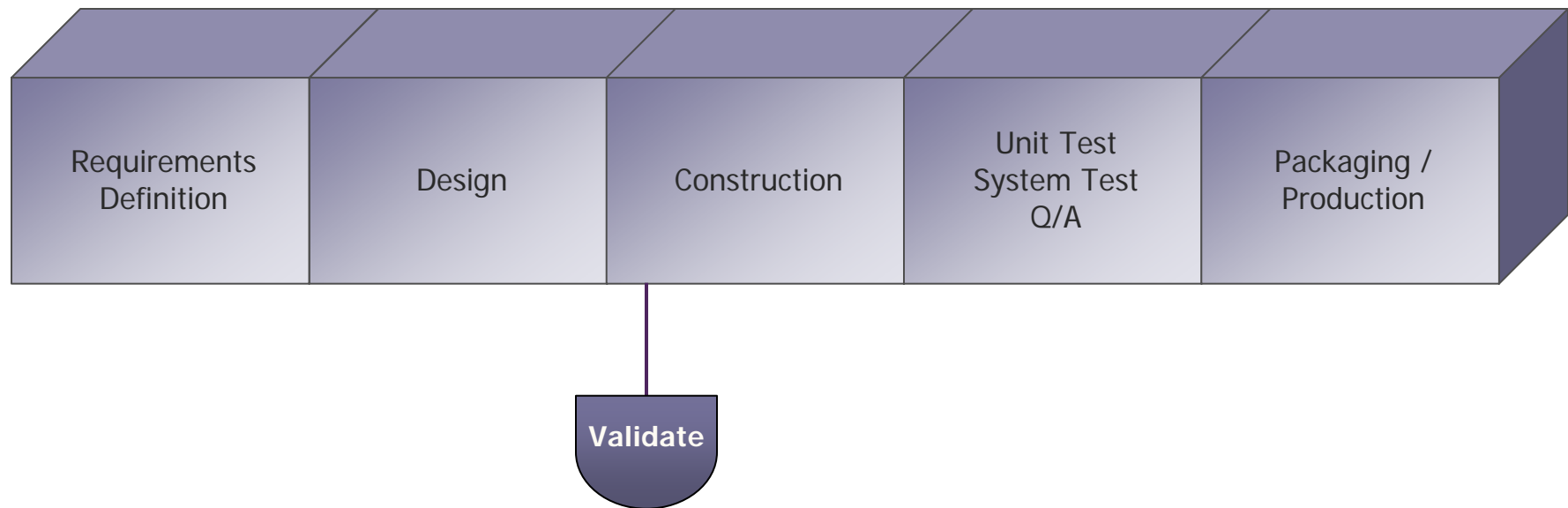


- ***Validate visual concepts***
- ***Validate business process workflows***
- ***Validate information flows***



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Project Focus Groups

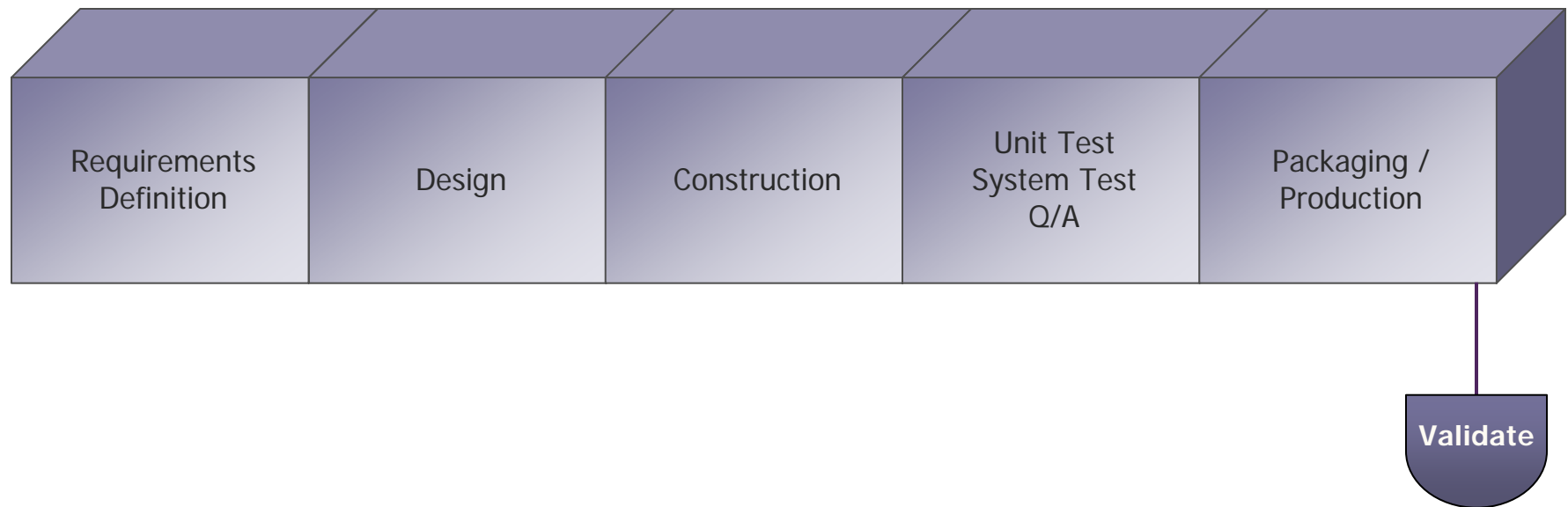


- ***Validate navigation***
- ***Validate hands-on usability***
- ***Does it solve the problem?***



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Project Focus Groups



- ***Validate user acceptance***
- ***Validate market readiness***
- ***Validate internal readiness***



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Gain Market Awareness

Executive Pay

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Mark V. "Bud" Selig, Commissioner of Major League Baseball

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ZIGZAG Marketing Methodology





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- How To Define Requirements & Work With Development
- How To Create Unique Product Positioning
- How to Create Powerful Product Demos
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