

## TEI 005: How Relying on Aggregate Marketing Data Can Doom New Product Development

Host: Chad McAllister, PhD

Guest: George Farkas

Welcome to the Everyday Innovator podcast for product managers, developers and innovators. Your host is Chad McAllister, who gives you innovation training your customers will love you for. Get ready to take your career to the next level for the doctor is in.

**Chad:** Hi. This is Chad. Today I'm with George Farkas, he's the CEO of an electronics engineering service company in the Pacific Northwest called Tsuga Engineering. His company creates portable power components for electronic devices, such as integrated power in backpacks and business cases. Over his career George has helped several companies develop products that provide customers great value.

George, I appreciate you taking time to talk with me today and sharing some of your product innovations experiences and insights with my listeners.

**George:** Well hi, Chad. Thanks so much for inviting me. It's a great privilege.

**Chad:** Delighted to be taking with you. We met a while ago in one of the study groups I was doing. At the time I believe you were preparing for the NPDP, the New Product Development Professional certification.

**George:** That's right.

**Chad:** And that's PDMA certification. This is like acronym alphabet soup. PDMA is the Product Development and Management Association and I have a study group program for them. And a few weeks ago I had emailed all the past customers that I've worked with to let them that I was doing a blog and providing tips about product development, management and innovation and the such at the [www.TheEverydayInnovator.com](http://www.TheEverydayInnovator.com) and was actually quite surprised by the response to that. Several people had emailed back thanking for that information, but you picked up the phone and you must've have picked up the phone right after I had sent it and I was kind of blown away that you did that as the CEO of a company and we ended up talking for about thirty minutes. Why did you take time to do that?

**George:** Chad, it was great to hear from you and you know, you and I had started work on a potential project some time ago. It was a great opportunity to reconnect and I was meaning to reach out to you and that was a great reminder to do so.

**Chad:** I appreciate that and maybe we'll talk about this a little bit later too. I know you went into great depth about the importance of innovation management training and how it this really drives economies and companies' success. No doubt you've seen that in your efforts in the company that you're with now. I like to get a background on people I talk with. A lot of people listening are moving into the area of product management or trying to improve their skills in that space and we tend to come from a number of different kinds of backgrounds. Tell me, you know, is there a theme that kind of ran through your life as you were growing up and through school and your early experiences that kind of ties together why you ended up being an innovator today.

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**George:** Thanks Chad. You know I'm not sure but like all kids, like every kid, I think we were always obsessed with different kinds of activities and different projects. And as kids, we were rock climbers and rock climbing really took over our lives. Ultimately it developed into more complex things like mountain climbing, you know, Alpine mountain climbing. And I guess those are obsessive activities that are really about taking risks and about managing risks and I suppose that that had some play later on life and I suppose it's also the fact that you had to do everything as a team. You had to work well as a team with whoever is on the other end of your rope. It requires a high degree of trust and it also just requires developing good relationship skills. They're collaborative activities.

**Chad:** Absolutely. Lots of collaborations, right? So risk is an interesting aspect, a lot of people look at entrepreneurs and those of us that are developing products as maybe risk takers and my experience has actually been kind of the opposite. We're much better at boxing risk and defining what the risk is and taking action to minimize the risk facing us. I suspect you know the closest I've gotten to rock climbing is a few years of time in a rock gym. That was great fun but nothing like what you've been doing and risk is very meaningful because life is on the line when you're in settings like that.

**George:** Right. You're making an assumption that a risk is something you're going to be able to manage, right? Which is already a seemingly audacious assumption at the very beginning but you put your hands into it and start to manage that and start to figure out that you really can manage that risk. So yeah, that's builds a lot of self-confidence, that's for sure.

**Chad:** Absolutely. Good. And carry that into leading companies and groups now.

**George:** Sure.

**Chad:** So what kind of roles have you had that have worked together to do the product management work that you're doing now? Are there ones that stand out that you can share with us?

**George:** You know I've moved through and I guess I blended, different sales management and marketing management and product development roles and in various companies. And as I was working on my professional education in product innovation and then I guess the value in blending those roles was being able to do everything holistically. Does that make sense, you know with a team of people? You met with the customers and prospects to gather information, to do the face-to-face research. You then develop prototype samples and you went back to the customer to you know confirm or adjust your product, your product samples and only then did you actually go into production. So there's a huge advantage in not being isolated in a silo. You're actually meeting face-to-face.

**Chad:** So as a blended role, how did that come about? What were you doing? Because a lot of people don't have that experience where they're really in a blended role across those traditional silos in a company.

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**George:** A good question. I suspect that that has to do also with the size of the given company that you're working with or perhaps in some cases the age, if it's in a relatively new company. You know as companies become larger, of course by necessity, those silos will have to become more carefully defined and also become much more "siloed" if that's a word. But in a smaller company or a younger growing company, you often have to wear multiple hats. And so I think probably that was very fortunate, those experiences were very fortunate ones for me.

**Chad:** Absolutely. We share that kind of experience. My first job out of college as an electrical engineering student was with a small systems engineering company where I was the fourth person in the office and you know, over the years we grew it up quite a bit but when there was only four of you, you tend to do a lot of everything. And you're right you have blended roles where you see a lot of different kinds of operations. What a great environment to learn.

**George:** You know you also pick up the advantage of you're working with the marketing from the very beginning and you're seeing what resonates with your sample customers and then you can focus on that before your actual final marketing research launch. So you know all those strings are going in parallel, all the development is running in parallel whether it's product or marketing or what have you; then that's a huge, huge advantage.

**Chad:** I need your feedback on something. So sometimes I'm asked by people in larger companies you know, "How do I get that kind of blended experience? How do I learn about the functions recognizing that I want to move in into product management which is really a cross functional role? What to do? And I tell them, "Gosh, you get five days in a week. Carve at least one of those to have lunch with someone in another function and just reach out to them if you don't know them. Reach out to them and say, 'This is what I'm doing. I'm curious what goes on inside your role and what that function is like' and start building that professional network inside your company and learning what the other roles do." Thoughts on that advice?

**George:** I have to think about that. That I don't know that I've got to, you know I always love what the legendary code about the development of the new Apple headquarters where all the bathrooms are in the central hall

**Chad:** Right.

**George:** No bathrooms anywhere else so everyone has to inadvertently meet and run into each other in this sort of main hall space and so you wind up building some of those networks automatically. I don't know, but I think you're advice seems great.

**Chad:** I love that too, the new virtual water cooler right? Now with centralized bathrooms so everyone has to go there and meet. So the blended role, you mentioned sales management which I think is a great experience for product management to have because we learn how to talk to customers and appreciate their voice and bringing that back to our organization. You talk about having to verify the ideas, make

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sure you're building the right sort of a product for them. What about a specific story? Can you dive into lessons that you learned on one of your projects?

**George:** You know it's funny; I was thinking about product development examples and you know it's so funny. It sounds so simple when you say it but it's like we know that the winning formula is always developed with the best interest of the customer in mind. And the only way to do that right is to study the customer, to determine what to develop and to collaborate, right? As a team to develop that. And that you know reliably produces market winners or at least it reduces the risk of not producing a market winner. But it's the project that you did differently that are the ones that really stick in your mind right? I think certainly for us in both of our conversations. Some of the zingers that stand out in my mind, I'd say these are projects that were not successful. They are things that are based on aggregate data, aggregate market data. Different projects you know where, and you probably see it, I certainly do, throughout the industries in which we work. So many projects, so many products are based on aggregate market data but they're done in isolation from the real customers and it seems like the best thing you can hope for in that is basically a me-too product that is probably going to be a poor performer if you're lucky, a failure if you're not. And it's a difficult thing right? We have to remember why the market data is available, right? It's available because the category is already mature, right? Which means it's already probably saturated with competitors.

**Chad:** Right.

**George:** So you're coming in; if market data is available, that means you're coming in late to the game, which means you better have some special direct customer insight that you're applying to give your product or service, to give you a fighting chance in a very saturated environment. So you know, I've consulted on some teams that were directly to develop products based on aggregate data alone and it's an eerie feeling. Maybe you've experienced this, but the team is working towards something that you have in your gut is in a sense very likely going to fail.

**Chad:** And why is that an eerie feeling? Tell me more about that.

**George:** Maybe it's because, at least in my examples, in my experience I've come from situations where we have done product developments based on face-to-face VRC research or ethnographic research and now was put into a new circumstance, in this case a consulting circumstance, where the company just wanted to do it differently. And really just wanted to do it based exclusively on the market data and just go, go, go. And you know time pressure is often the excuse for that right? "We've got to get this product shipping by such and such a date or we got a particular trade show coming up so there's no time to do the kind of face-to-face customer research that you're talking about." And the other line that's almost always included in there is the quote and somewhat it's always the same words "Besides we know what the customer needs." Is the other phrase. And you know the team is trying to do their best to believe in the project, right? And they're putting in real hard work on the project and the company is investing real money in that project but the product was never vetted really with the actual end users, at least it

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wasn't vetted in any professional way. In the end the product is often a disappointment or a total failure. And you wind up wasting years.

**Chad:** Yes, serious effort and possibly harming a reputation and letting down customers that you otherwise could have provided value to. I suspect we both have seen companies where the product managers routinely were not provided with the opportunity to talk with customers. I know I've been in organizations where they are flat out told, "No that's not what you do." You know we, in your example, you have this aggregate data you're trying to create a me-too product to keep up with the competitors and they're not allowed out of the office. How do you feel about that?

**George:** I mean we know from our experience that there are much, much better processes at which we should be following. I suspect that this starts to lead into the larger conversation about corporate culture and building a culture that supports innovation. It's very difficult to do any one thing right out of the larger context of professional innovation environment, so obviously the team that's developing the product has got to have face-to-face time with the customers and has got to know how to do the research in a structured way to really come a way to economically valid data.

**Chad:** So on your example here of your zinger that wasn't so successful. I don't know if you can share any more specifics of how this came about? You know focusing on the aggregate data, sounds like there was time pressure in this example. Maybe wanting to reduce development cost in the first place, not taking time to spend money in the market research and customer research?

**George:** Yeah. To be fair, you know everyone here was working in good faith and everyone was putting their heart into it and everyone had good intentions but as you know, there's that phrase "path dependence" that if you make a certain set of assumptions at the very beginning, your path then becomes depended six months later and a year later, two years later based on those original assumptions. If those assumptions were off then you know, you're suffering a year and two years later because of that.

In this case, this was the development of a very expensive luggage collection and it was based on a snapshot of market data, kind of a down selected snapshot of market data and the project was pushed and there was just no time to do, you know, ethnographic work or VOC work because it was a very complicated process to build. It was a very expensive development process. It was very, very expensive tooling. It was a big expensive marketing project to launch and it was a couple years worth of work by a great team. Like I said everyone was doing their best but the product bombed and basically had to be swept under the rug after the original launch. Just you know several months after the launch, it just like absolutely bombed.

**Chad:** Wow. There are some ironies there to learn from.

**George:** Sure.

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**Chad:** I think we can see this too many times that as you told that story, sounds like there was large emphasis on recognizing this was a big project, we had to get manufacturing tooled up for it. We're doing things differently but there's a lot of stake for this.

**George:** Right.

**Chad:** So because we need to spend all this much money later in the design and manufacturing process we don't have the time or money to spend it upfront understanding the requirements, right? That's where the irony is.

**George:** Right and to be fair right? There's always that sense of you know, "We know what the customer wants," or "We know what the customer needs."

**Chad:** Yes. Absolutely

**George:** You're exactly right.

**Chad:** I know and the projects I've been involved with, the ones most comfortable for me. You made sense when you said it kind of felt eerie. In my words you know scary and uncomfortable, right? The project I've been most comfortable were the ones where I really felt like I was in the shoes of the customer, right? I'm not really trying to be them but I am representing their perspective to organization, to the product team.

**George:** Sure.

**Chad:** And trying to bring in the product team to really see that for themselves and it's the projects where I am least comfortable where we have that aggregate data or maybe we have the request from a customer you know saying, "Here's the list of requirements." But that's always uneasy for me, right? If the customers told us what they need, we probably don't have a real clear understanding actually of what the customer needs, what their actual problem is and how we can truly add value to what they need.

**George:** Right. That face-to-face structured research is not simply sitting down and asking them what do they want. It's a whole structured process by which you can actually uncover unmet needs that they may not be able to articulate.

**Chad:** Right. Exactly. I think we all struggle with articulating our unmet needs. So what are your tips for that? What have you done in the past that makes that helpful?

**George:** Again ironically, and kind of what you were saying, these processes that skip their upfront research are typically done in the name of saving time and saving money. So you know ultimately, it's behooves the senior executives to be aware of how this process works, to at least have a good working knowledge of how the process works and also a respect for it and ability to establish it and help it

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flourish and to support that innovation process and to insist that throughout the company that the process is being supported.

There is really no good way around it. The alternative is really just keep crashing and burning or you rely on me-too products and you underperform financially.

**Chad:** Yup. So that desire to skip the upfront process to save time and money for the sake of making a more successful project in the end is truly folly, right? I'm sure there are times where we would find aggregate market data to be useful. We could develop a me-too product that would satisfy the objectives of the organization but if we're really betting the farm or if we're trying to, in a portfolio of projects have truly innovative project, that's not how we get there. You know it's that customer research, customer insights.

**George:** Right. And to be fair, right? The market research provides very important secondary information so we need it but it just doesn't guide the fine details of the development process. And I suppose to be fair to the executives, you have to wonder how many MBA programs include good coursework on the product development process, on the current best practices in product development. Not so that the executive has to become the product developer but so that the executive has an understanding of how to manage the product development process in the organization later.

**Chad:** So where do you see the executive's role then in product innovation?

**George:** Man it seems that the executives, one of the key roles for the executive is establishing the company culture and of course we're talking about culture needing to be in alignment with its strategy, and in alignment with its innovation, in alignment with its business strategy and its innovation strategy. And that alignment needs to be throughout. Every person, every job, every silo in the organization needs to be part of that team and be driving that and helping to drive that so the executives really carry the responsibility for establishing that culture and for maintaining that culture of support for innovation.

**Chad:** So if you're going to give some coaching tips to another C-level person in the organization that came to you and said, "You know George. I'm really struggling with wanting to build innovation culture." What kind of tips would you give them?

**George:** Boy, I'd have to think about that. I'd have to think about that.

**Chad:** So from your experience, what's something that you've done as an executive to help you with product innovation?

**George:** I know again to get the education. At the very least you got to get a good enough of an education in best practices and innovation processes such that you can manage that process. I hate to sound like a broken record there but you sort of, you have to know. Just like in MBA school, you get a certain amount of accounting instruction and certain amount of other instruction for the other divisions of the organization. You got to have some of that. Some of that training yourself and know that it exists.

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So not even knowing that it exist and just assuming that everyone is guessing. So then everyone's guess is as good as anyone else's. That's a very tough place to be. That's not really a process.

**Chad:** Right. There was a large Fortune 500 company a few years ago that I was doing some work with and they decided as an executive team that they were going to reach their objectives with a heavy emphasis in new product development. The way they went around about that was to make available to everyone and all the silo departments a new product development training, right? And basically they were pursuing the same certification that you did, the MPDP and that was "We are going to level set, build a foundation for everyone, have a similar set of terminology that we understand and processes and it was open to everyone across the company." There were some that were focused on in the sense that you do need to get this training, you know the product development team to the marketing teams, but they were really pushing their innovation culture forward by just giving everyone the same information.

**George:** So how did that work out?

**Chad:** Unfortunately we don't get to see the actual end of that story because you've probably also seen this, about halfway through their plan, there was a change in the VP who was responsible for this and when that happens, things go different directions, so as they did on this case.

**George:** So consistency I suppose is a big part of this I suppose as well.

**Chad:** Yeah absolutely.

**George:** You know the other thing that always consulted to me is user experience. You know it's like I certainly and perhaps you as well, have been involved, either directly or consulting business products where the development team was forced to make bad compromises that effectively wrecked the user experience. And I hate to say it but it's a pure Dilbert kind of situation, right?

Because the product that you deliver on paper, the features are there. But the user is irritating so user experience is irritating for some reason. And you know I recently watched a whole consumer brand fail in part, perhaps in large part for that reason, right? The product concept was actually great but the products were ugly and hard to use. And the company internally had lots of reasons as to why that was the case, but the customer didn't care. The customer regarded these things as excuses.

**Chad:** Right. What were some of those reasons? Why would they ignored or mishandled the user experience?

**George:** Good question. Part of it perhaps might be one of the most common things I heard in those conversations was that, "The user needs to learn, the user needs to come to our level. We really expect the user to invest the time and energy in learning how to use our product. We're not going to try to work towards meeting the customers where they are. We want the customer to come to us and to meet



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us where we are and what we want too or where we want to be.” And we are going to deliver the product designed for ourselves, and not adapted to what the customers’ needs are?

**Chad:** Yeah that’s an uphill battle, right? It’s similar to anytime we have to educate the customer on the need for the product, we probably don’t have the right product that would satisfy their needs. Yes challenging. Sounds like they might be a fair bit of arrogance also with that position.

**George:** Well you know again, knowing all the people involved, knowing that everyone was operating really with the best intentions and again bringing their heart into it and applying all their professional skills and training but unfortunately again it was a “past dependent” situation. Once certain decision were made early on and then everyone’s carried out their roles to a 100% but the problem was that it was flawed from the very beginning, decisions made at the beginning really.

**Chad:** So that takes us back to what you said before that native understanding upfront what really adds value to customer and in this context what is that user experience for the customer.

**George:** And I guess something we have talked in the past is that also using the good data that you gather from the face-to-face experience to overrule your own opinion and frankly anyone else’s opinion within the organization. You’re not designing a product based on opinions. You’re designing it based on real user needs that you’ve worked quite hard to determine.

**Chad:** Yeah. That’s risk management, right? Maybe that’s some of the lessons from your climbing experiences that you apply now to product development.

**George:** Yeah. It might be.

**Chad:** Trying to uncover real data in the customer experience to drive the direction of the product.

**George:** Absolutely.

**Chad:** Very good. So I appreciate you sharing the story a little bit about the luggage endeavor and how that did not work out as intended; really kind of shortchanging that front end process of working with the customer, understanding what the customer values and taking that often called the voice of the customer, that information back to the product development activity and verifying that with the customer if you’re on the right track. I also want to ask you about an innovation quote and I like wrapping up interviews with innovation quotes because we tend to, we all have our favorites and tend to find them motivating for some reason or another. What’s an innovation quote that’s meaningful to you?

**George:** I really like ... Fred Palensky’s one of the executives at 3M and he wrote a quote that I really liked and it’s paraphrased a little bit this is what he said, “Companies whose innovation processes are strong and whose culture strongly supports those processes possess a huge advantage.” And it’s important that the emphasis is on both elements. You both have very strong processes but your culture

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also support those processes, you know across the silos, across the different disciplines within the organization. And you know when product innovators talk about alignment, that's a very big part of what they're talking about. The whole company is aligned with that strategy and with that effort.

**Chad:** Yeah, very good. We can have the right processes but if the culture is not supportive it tends to drive out innovation rather quickly.

**George:** It seems your customer only really care about their user experience with your product or service. They don't really care about the internal politics of your company.

**Chad:** That's a really good point. It's not about us. It is about the customer right? And we are striving to create culture and processes that enable us to build viable products for them.

**George:** It's funny you know, there's that great quote that "Bad is stronger than good." In our minds, in people's mind we tend to remember the times that you burned your hand on the stove, whatnot. You remember the difficult situations and it's funny how, let's call them less innovative companies all seem to have this story that everyone within the company knows about the one time they tried to do something really innovative and it failed.

**Chad:** Right.

**George:** And I've certainly been in different companies and sat in meetings in different places where that story is retold at every meeting where something new is being discussed, right? And it does a very effective job of killing off new projects because the funny thing with that and to really be fair, right, is that to some degree, it may be correct. Our process, such as it is, because it is rather a good process doesn't produce winners.

**Chad:** Right.

**George:** It's an unfortunate way to draw that out but it also, it's a show stopper too, because it ends the question. It's sort of like a comment you had made at one point in time, a question that you had asked at one point in the past, "Is any process better than no process? Is any development process, that whatever your company has put together better than not having a process at all?" And you know to me the easiest way to think about that is to ask the same question about accounting, right? And if you ask that question about accounting, the answer would be 'No' right? It needs to be the best process. There really isn't an alternative. You have to accounting best practices and there's really no flexibility on that answer. It has to be done properly so that's what I think about when I'm asked that question.

**Chad:** Yeah and I remember talking about that question, and if you don't have any process then maybe that is your conclusion, right? The company took a risk at one point to try to do something they considered innovative and they failed terribly. Without any process they can't even go back and analyze what that was, right? There was an implicit process because they tried something but it wasn't really something they ever thought about. It wasn't anything they can now put their hands around and

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improve. So a process is better than nothing because you at least have a point to start from to improve it. That might be some good advice to back in the question on about how do we help an organization be more innovative and create innovation culture. I think telling that story is one thing that's helpful. You know why don't we lift up around this organization as the stories to help innovation? If we're sharing the story about the time we tried something new and we failed miserably we're certainly beating innovation out of the culture.

**George:** Right. Exactly.

**Chad:** The stories that we tell matter a lot.

**George:** Exactly. And you know you're wondering, "What's the bottom line here? What it is that fundamentally matters? What are we trying to do?" Because obviously we're trying to you know benefit our companies of course and the people within our companies and we're trying to benefit our customers, right? We want to give the very best service or product that we can deliver for them. I think it's really important that we all keep this in mind. We're trying to benefit the industries in which we work, the markets in which we work and also the economy as a whole and it all boils right back down to the quality of your innovation process that all of these goods, right? This is a virtuous cycle right? As opposed to a vicious cycle. This is a virtuous cycle that breeds good for your customers, good for your company team and good for your markets or your industries and then if we do this all together, it does great things for our economy and the economy of the planet, really.

**Chad:** Absolutely. That's an important message and that reminds me that when you called and we talked for thirty minutes a few weeks ago, that was much of our discussion, was how important truly innovation is not just to the company itself. A lot of people involved in innovation, they do so because they love delighting customers, right? Solving problems that delight customers but the bigger picture is you know, this is what drives economies. And it's what pulls economies out from being slow and creating job opportunities and it's an important aspect of business.

**George:** Right. Exactly. We do this for the greater good and we do this both because there are wonderful new opportunities, things that can benefit people and our economies. You know obviously if you read the news, obviously there are tremendous global challenges that we're all faced with right now and innovation really is a toolbox and called a set of tools that can be applied to any problem. And so you know it's really the most powerful tool set that we have.

**Chad:** Yeah. I can't agree more. Innovation will solve the problem that we're facing. Very good. George, I really appreciate this discussion. It's been a really great opportunity to learn from you and your product development experience and I expect my listeners have also enjoyed it and I want to thank you for taking the time today.

**George:** Thank you so much. Thanks for inviting me.

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**Chad:** Absolutely and the listeners is why I do this show. I am all about helping product managers, developers and innovators be more successful and I want to sincerely thank you for listening. Please recommend this podcast to your colleagues and keep innovating.

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