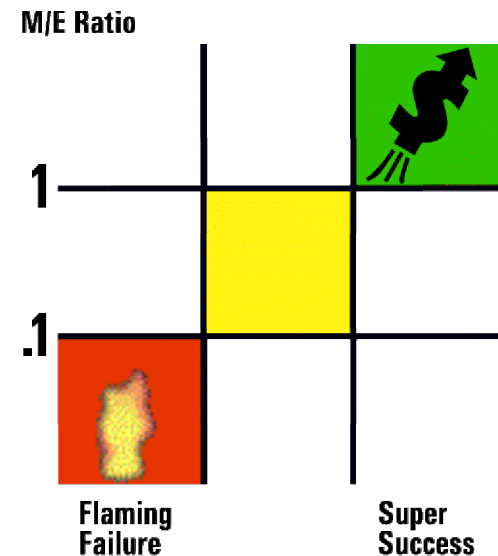


The Board of Directors; Vital Partner for a VoC Culture

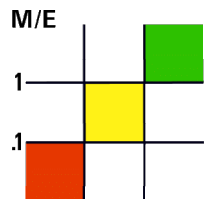
Product Development and Management Association (PDMA)
9th Annual Voice Of The Customer (VoC) Conference
December 5, 2006

Ralph E. Grabowski
marketingVP
57 Sunset Rock Road
Andover, MA 01810-4828
978-470-3930
ralph@marketingVP.com
copyright 2006
fact-gathering, analytical Marketing to steer the enterprise™



Outline

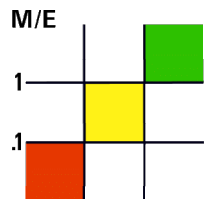
- Tools to enlist the Board of Directors as your partner
- Twenty questions for the Board to establish a VoC Culture
- Unique formula to budget and staff Front End Marketing
- Counterintuitive data reveals VoC investment for success
 - Not “Why,” not “How To,” but “How Much?”



Why is “How Much” important?

The Voice of the Board™ (VoB)

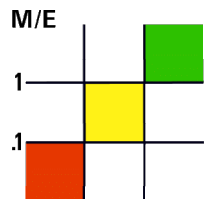
- \$\$\$, big \$, big relative \$
- Investment and ROI
- Strategy for financial and strategic plans
- Success (NOT failure)
- Growth, profits, and market capitalization
- Financial ratios and line items
- Budget and staffing



Budget and staffing

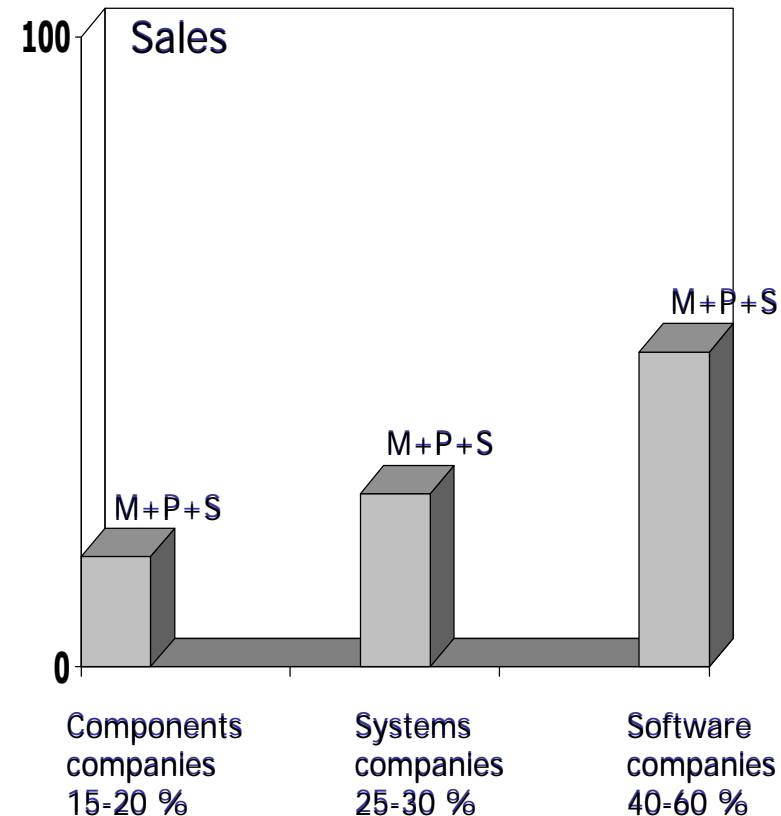
How much investment to hear the VoC?

- Too much = waste; too little = business failure
- Is it different or is it a constant?
 - Across industries, waves of innovation?
 - Mature company/industry vs. startup/new field?
 - Big company/big development vs. small?
- Are there low-cost VoC methods that work?
- Any other dimensions to generate success?
- The Board has a fiduciary responsibility!



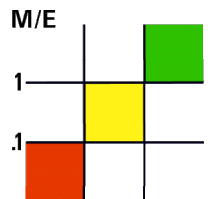
Old budgeting models – as a % of sales

Sum of Marketing + Promoting + Selling



Five problems with model

1. Identifies neither the VoC nor the Marketing investment
2. Time is not in the guideline
3. Startups have no sales; the new product has no sales
4. Expense instead of investment
5. Industry average is mediocrity



Parse out Marketing

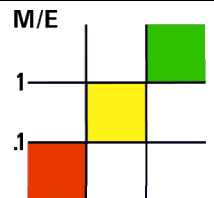
Investment model – in time

Product is ready ↓

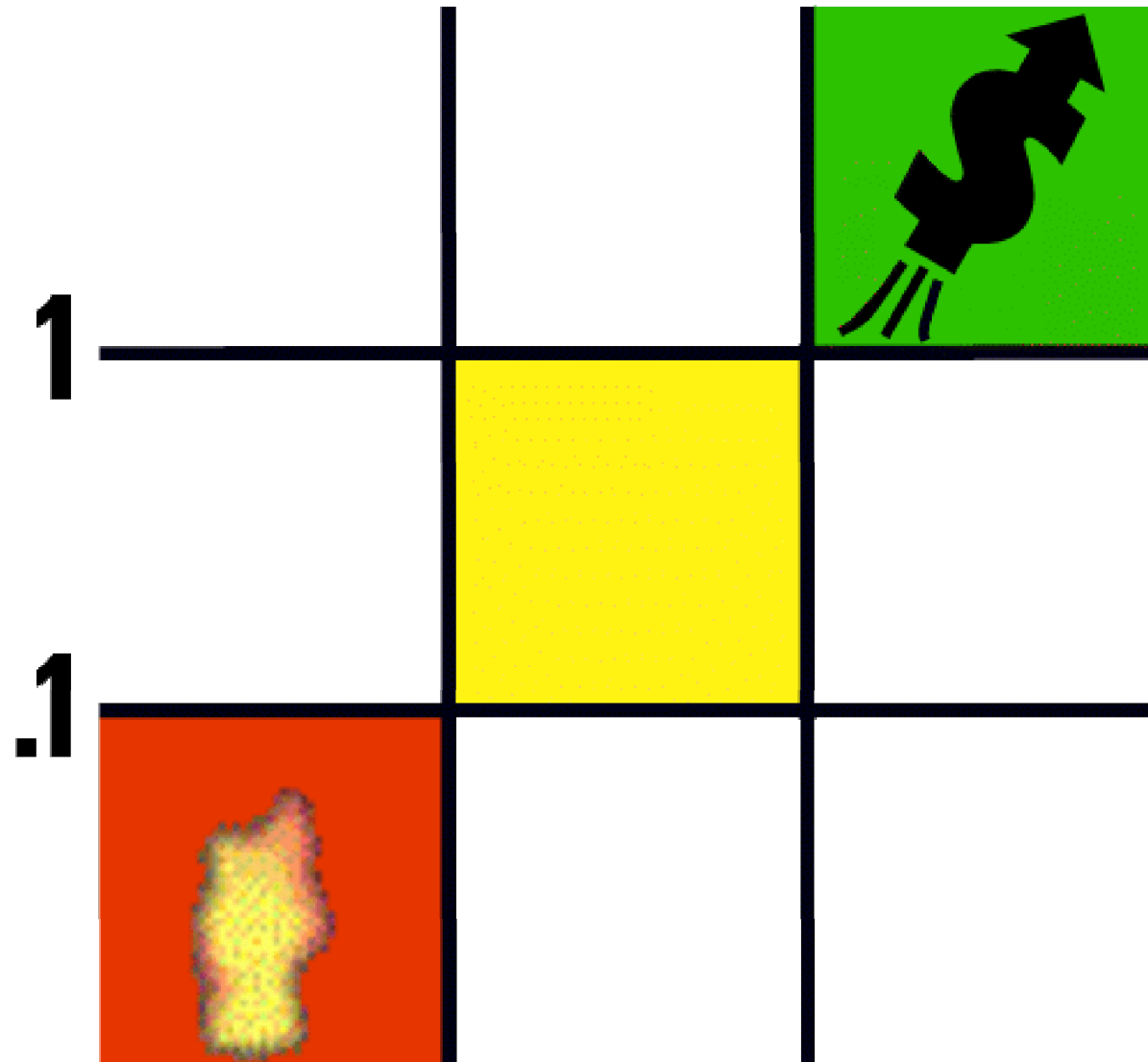
	Investment ratio
Front End (M)arketing	M/E^{TM}
(E)ngineering	1
Promoting	
Selling	

Developing the product	Ramping up sales
✓	
✓	
	✓

time →

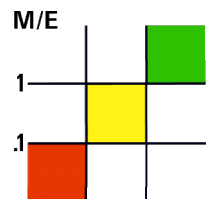


M/E Ratio



**Flaming
Failure**

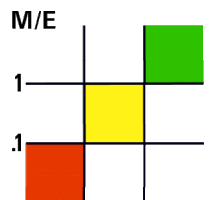
**Super
Success**



Budget and staffing to hear the VoC

How much do Flaming Failures invest?

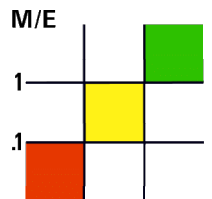
- Bankrupt, business basket case
 - Polaroid, Thinking Machines, Wang
- Spectacular financial and strategic failure
 - Xerox, Lucent, QuarterDECK
- Gave up, closed the doors
 - GCA, Cetacean Networks, StarGen
- Self-declared, admitted failure – and the author agrees
 - Keithley Instruments, ITRAN
- Role model of failure
 - Boston Globe, “Business lessons from the abyss”
- Author’s business judgment

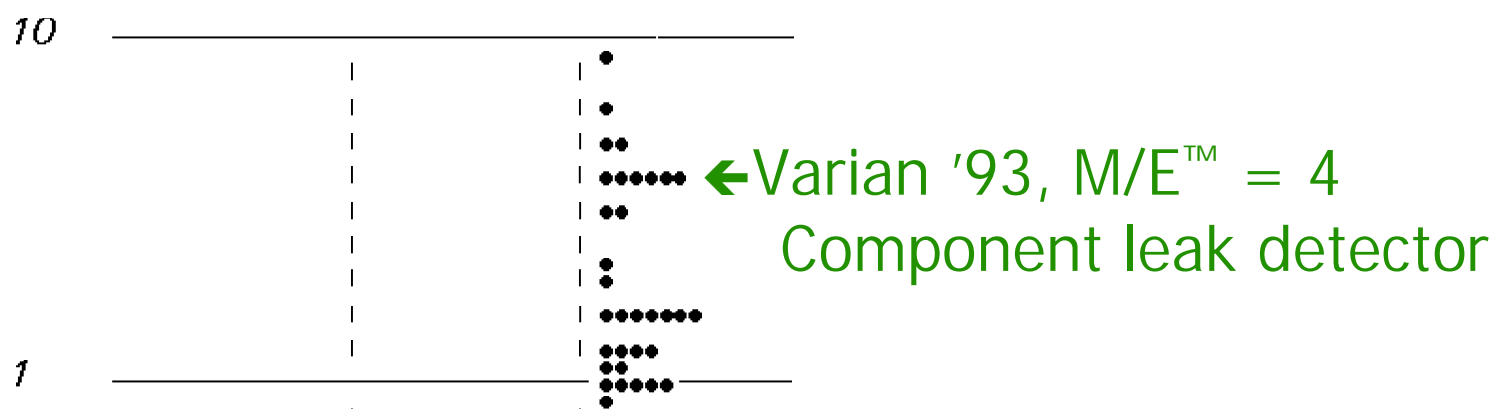


Budget and staffing to hear the VoC

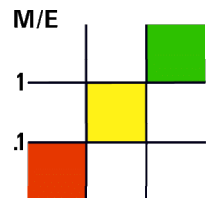
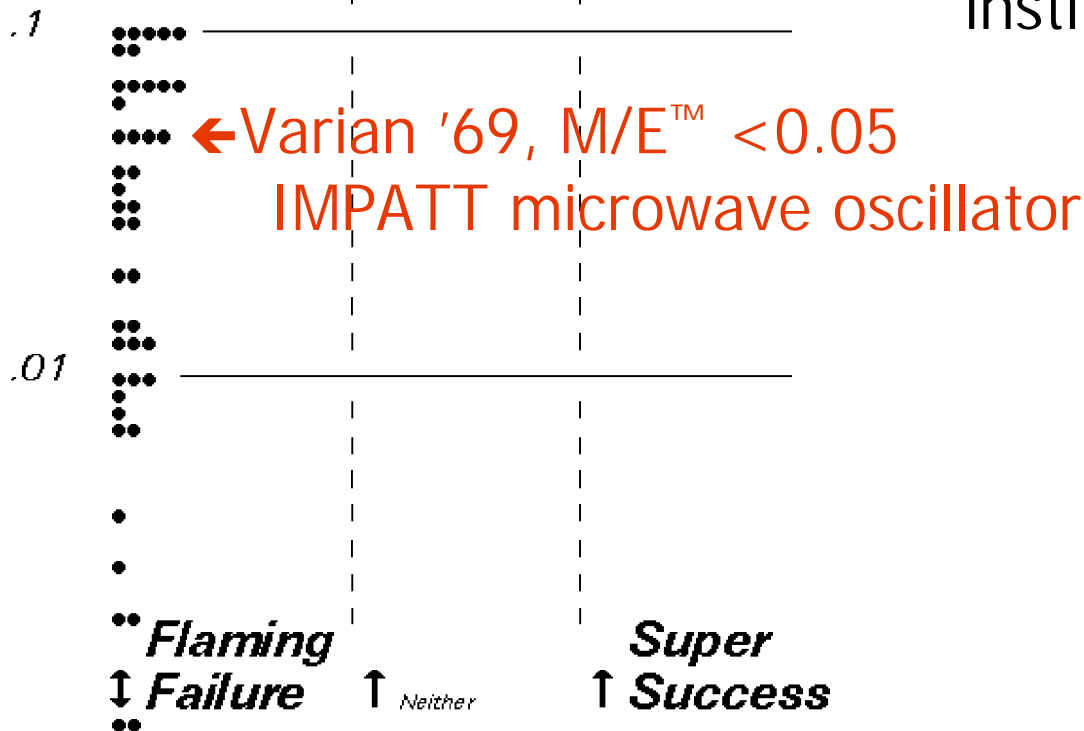
How much do Super Successes invest?

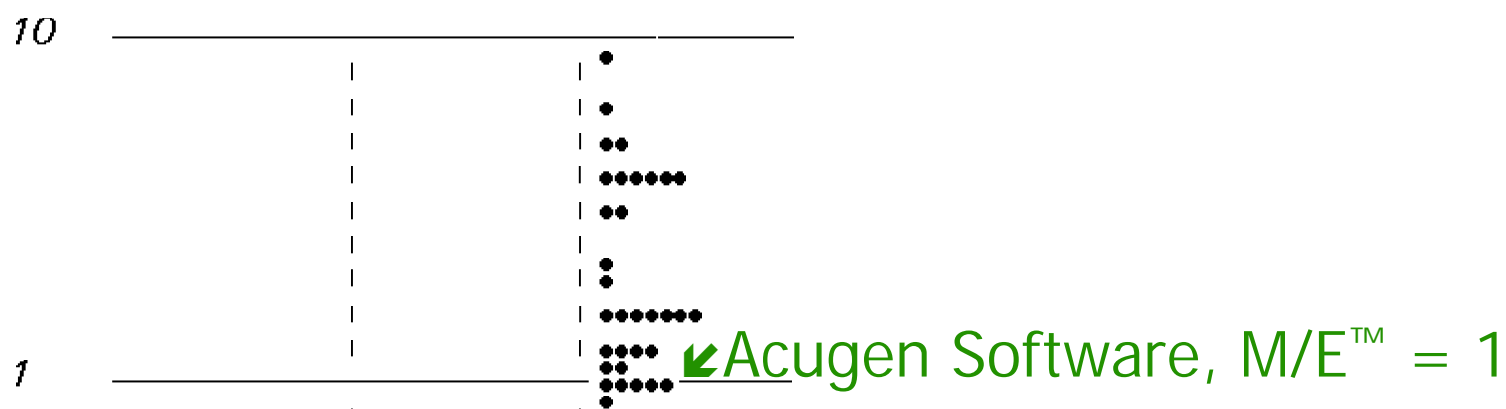
- Spectacular financial and strategic success
 - EMC, Cytyc, Intuit, Dell Computer
- Spectacular turnaround
 - Brooks Automation, Amana (Raytheon) microwave oven
- Self-declared success – and the author agrees
- Role model of success
 - Dell Computer, Cytyc
- Author's business judgment



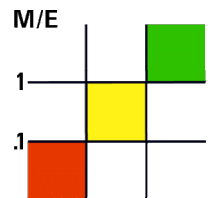
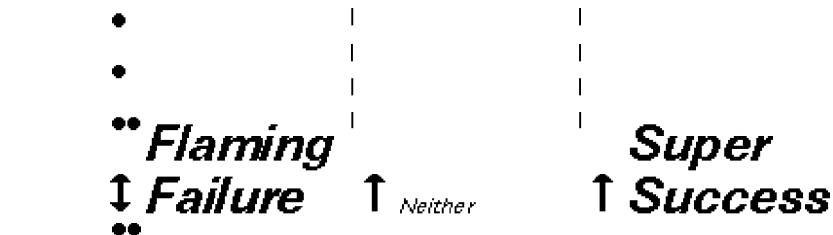
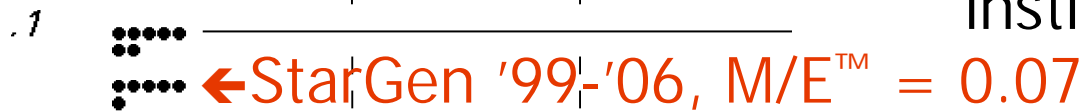


- How much investment for a mature company to hear the VoC, and to institutionalize a VoC culture?





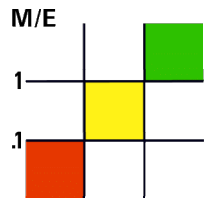
- How much investment for a startup to hear the VoC, and to institutionalize a VoC culture?

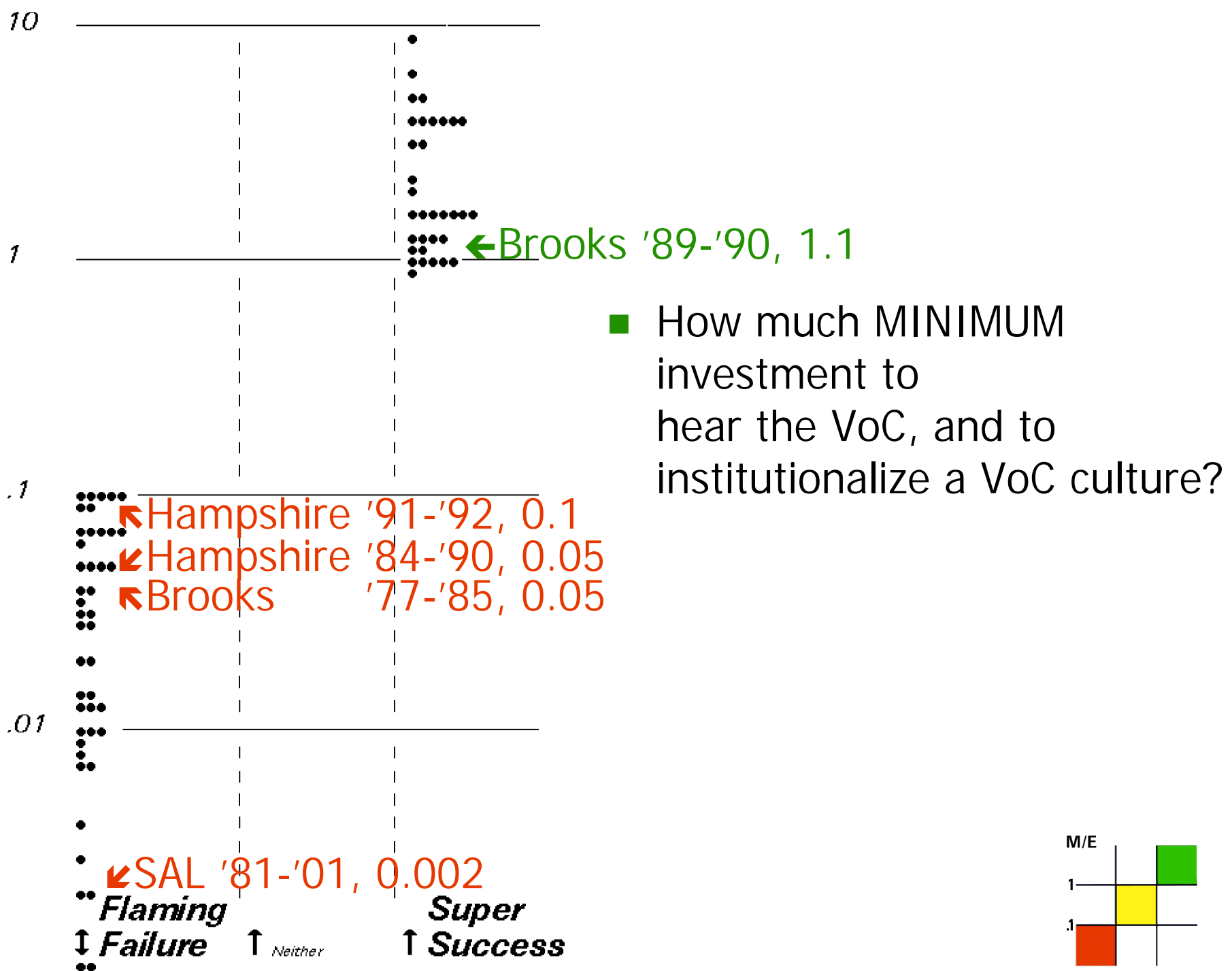


Startup to world market dominance in 18 months

Give the Board growth

- Entrenched competitor 50 direct sales (withdrew)
- Acugen Software no sales force, no reps
Price twice the competition
Market share world dominance in 18 months
Sales \$ multi-million
Equity capital none
- Voice of the Customer engineers the product AND
engineers the selling motion





x100 to x800

- Precipitates a semiconductor manufacturing revolution
- Employees x100 35 to 3,500
Sales >x150 \$3.3 million to >\$500 million
Market value x800 \$2.1 million to \$1.6 Billion
Equity capital none (until the IPO)
- Voice of the Customer engineers the product AND
engineers the literature

Brooks Automation brochure

Brooks Automation

*Advancements in Vacuum
Wafer Handling Technology*



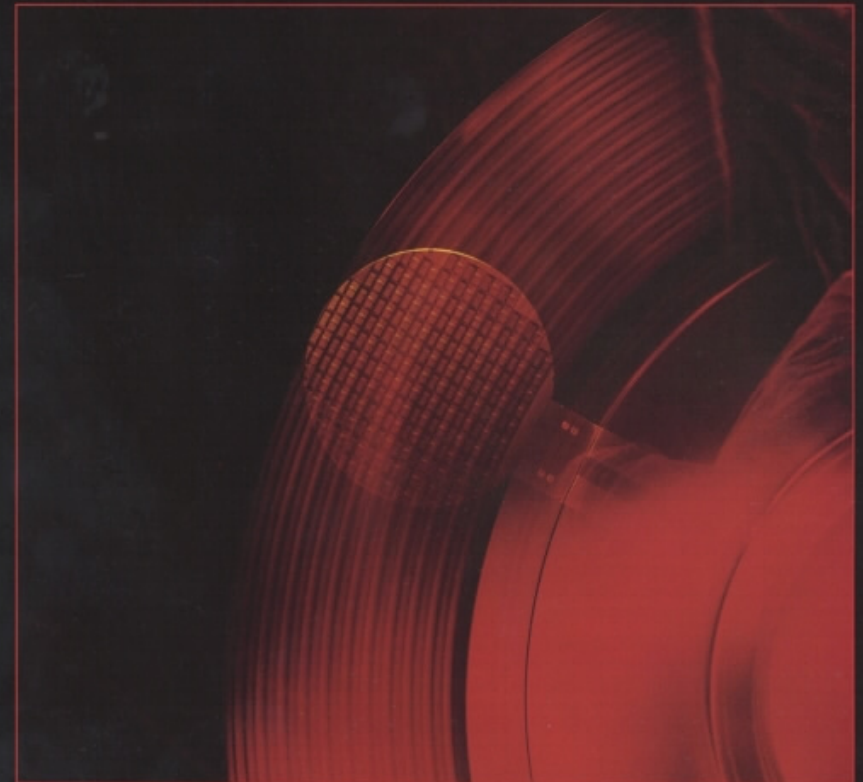
Quality Is Our Most Important Design Characteristic

trade press magazine cover

A PennWell Publication

Solid State Technology

Worldwide Semiconductor Production



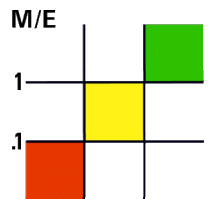
Lithography Materials & Processes

Metal Planarization

Tools to enlist the Board as your partner

Don't call it "fuzzy"!

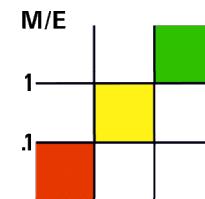
My process is portrayed as
"Actionable Front End™"

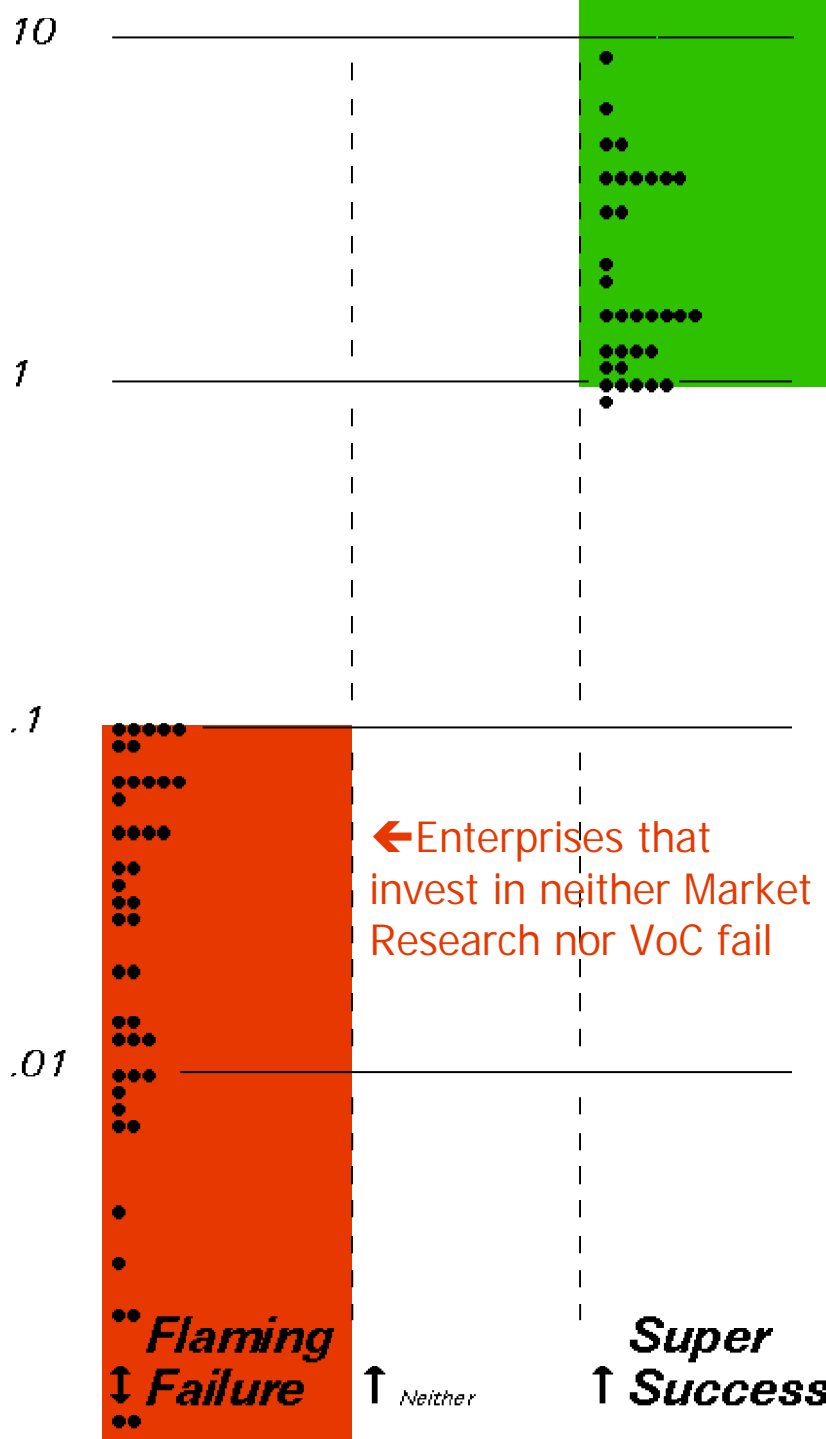


Tools to enlist the Board as your partner

Reveal M/E RatioTM evidence to the Board

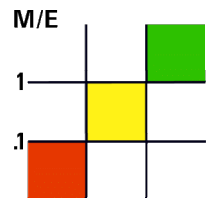
- "Your evidence of the relationship between market research and success is right on!" Michael S. Dell
- "Every member of the Board and every CEO should be required to look at these results."
Peter Eggleston, ex-Amerinex Applied Imaging

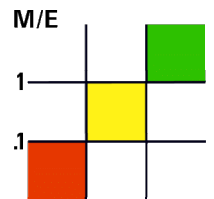
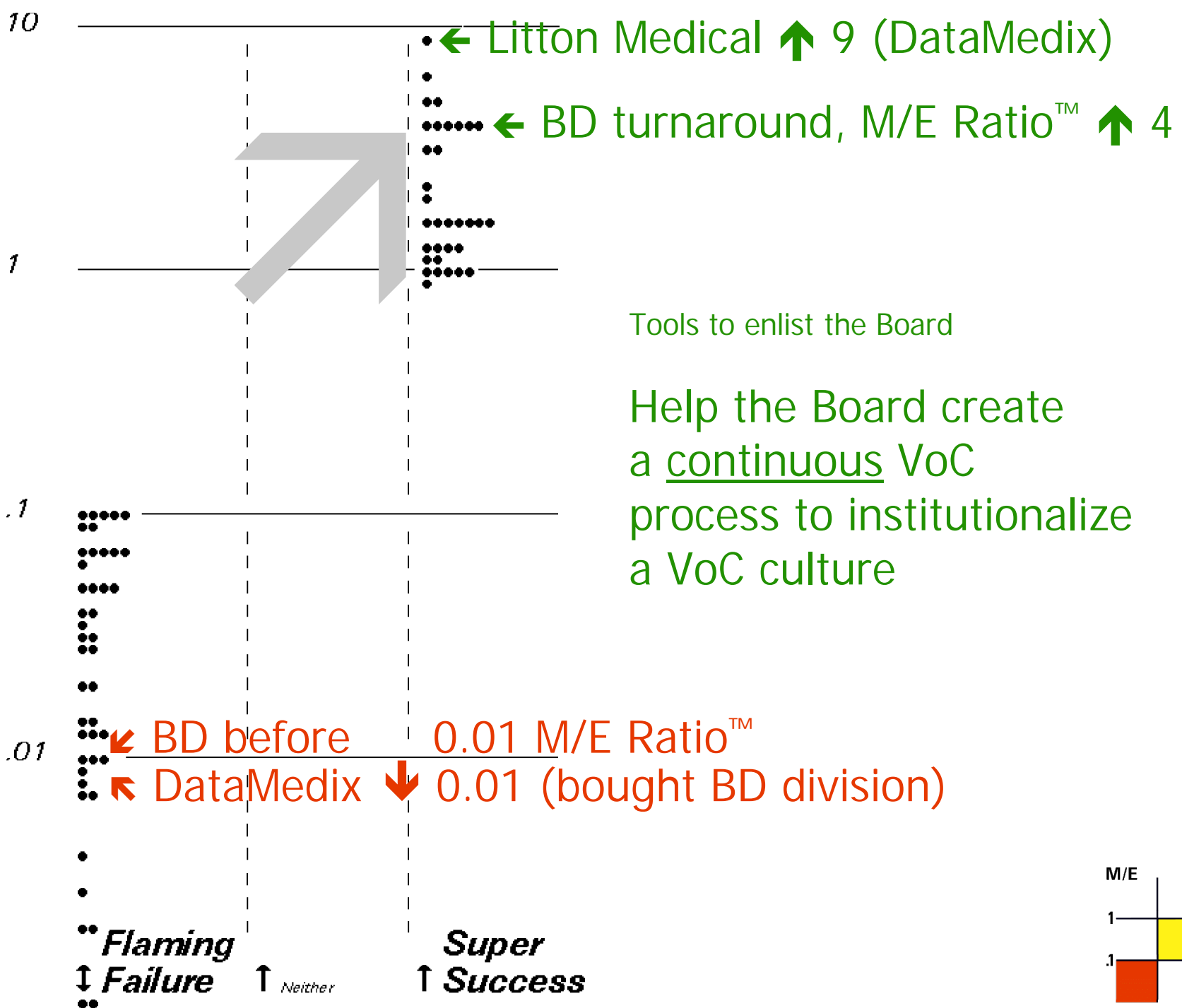




← Successes invest more in Front End Marketing than in engineering

- How much to hear the VoC?
- M/E Ratio™ evidence
 - Front End Market Research
 - Not promoting or selling
- Financial and human impact
 - > \$1 Trillion
 - > 400,000 jobs
 - > 150,000 engineers

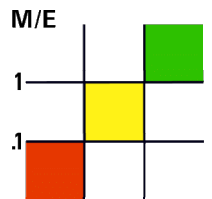




Tools to enlist the Board as your partner

Speak seven languages

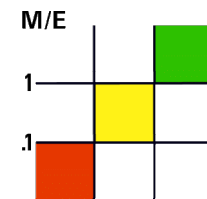
1. Marketing – The Voice of the Customer (VoC)
2. Promoting
3. Selling
4. Engineering
5. The Voice of the Board™ (VoB)
 - Understand the needs and wants of the Board
6. The Voice of Marketing™ (VoM)
 - Relate the needs and wants of Marketing to the Board
7. The Voice of Marketing Management™ (VoMM)
 - Management – steer the enterprise!

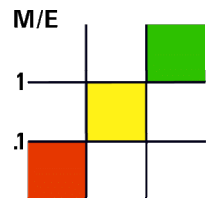


Tools to enlist the Board as your partner

Give the Board growth

- Brooks Automation = \$1.6 Billion
 - M/E RatioTM = 1.1
 - x100 in employees, x150 in sales
- Cytyc + Exact Sciences = \$4 Billion
 - M/E RatioTM = 1.5 and 2.33
- "... for the Front End to Enable Growth"
 - Theme of this Conference

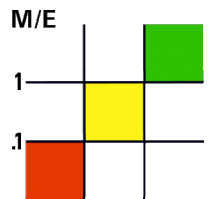


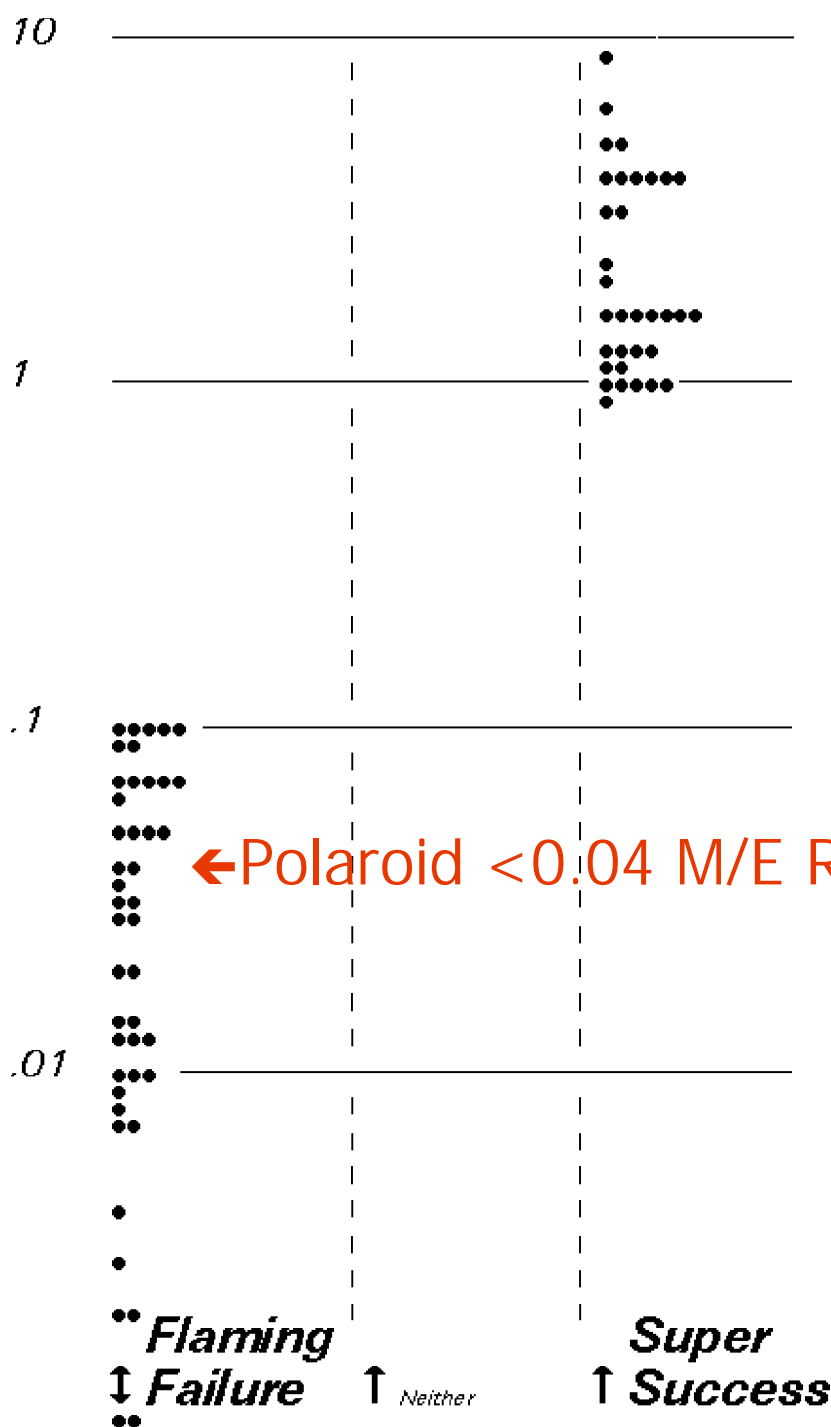


Tools to enlist the Board as your partner

Use the corporate planning processes

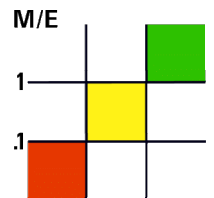
- Strategic planning process
- Annual budgeting and staffing process
- Market plan
- Marketing department plan
- New product plan (business plan)
- Benchmarking
- Process of building business processes





Polaroid – 700 step process,
but only \$100K for all of
Marketing, including the
“fuzzy front end”

← Polaroid < 0.04 M/E Ratio™



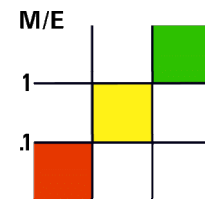
Tools to enlist the Board as your partner

Use the corporate planning processes

- “We didn't plan it that way [for Cytoc to invest 1.5 times as much in Market Research as in engineering]. We just did what we had to do. In retrospect, it would have been helpful to have such a planning tool.

“Now, we have a budgeting tool in the M/E Ratio™!”

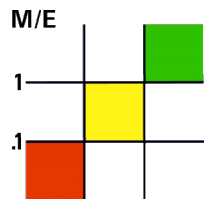
Stanley N. Lapidus, Founder, Chairman, and CEO
ITRAN, Cytoc, Exact Sciences, and Helicos BioSciences



Tools to enlist the Board as your partner

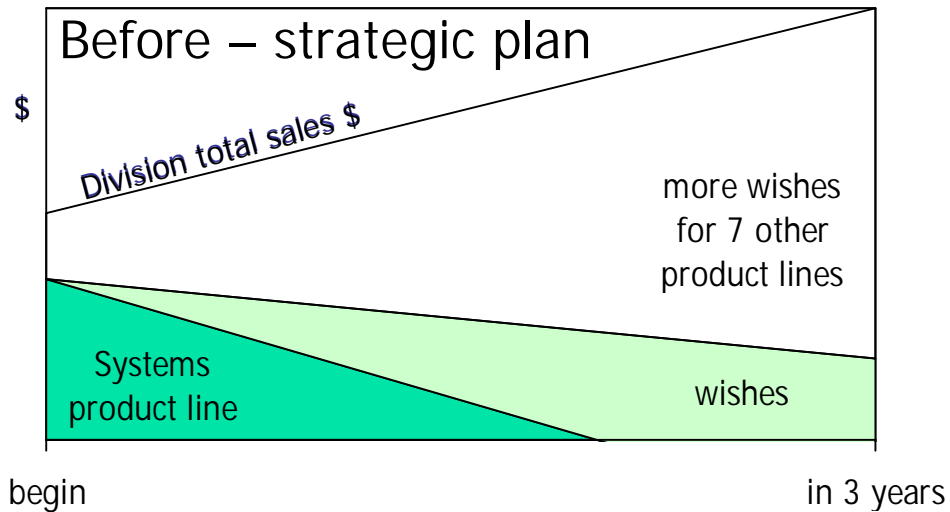
Feed the Board the facts

- “Strategy must be based on facts, not on wishes.”
Dr. Barry Unger, co-founder, MIT Enterprise Forum
- “Turning Insights into Strategies ...”
 - Theme of this Conference

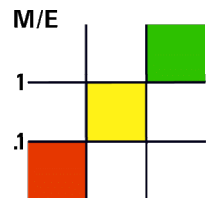
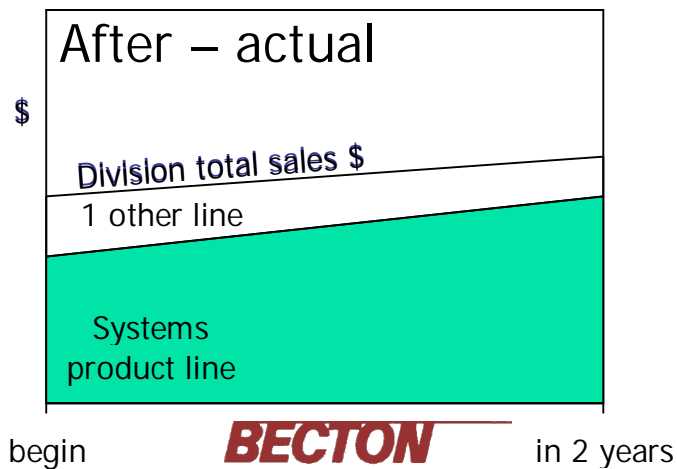


Tools to enlist the Board as your partner

Shape and achieve the Board's plans



	Before	After
M/E Ratio™	0.01	4
Position	#7 of 10	#2
Eng. projects	15	1
Top line	Declining	Growth
Bottom line	Losses	Profits

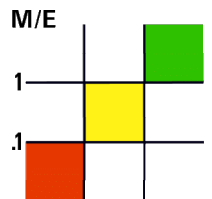


Tools to enlist the Board as your partner

Pose 20 questions for a VoC culture

“Boards and CEOs will have to look in the mirror and ask themselves your ‘twenty questions’!”

Albert D. Ehrenfried,
former Chairman and CEO of Metritape



Tools to enlist the Board as your partner

Pose 20 questions for a VoC culture

- 1 – 10

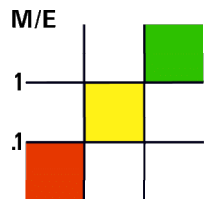
The Minimum Marketing Set™ (MMS)

The Voice of Marketing™ (VoM)

- 11 – 20

The Enhanced Marketing Set™ (EMS)

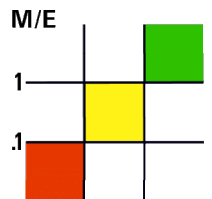
The Voice of Marketing Management™ (VoMM)



20 questions for a VoC culture

1 – 10 Prepare answers to questions
you should EXPECT from the Board

- The Minimum Marketing Set™ (MMS)
- The Voice of Marketing™ (VoM)

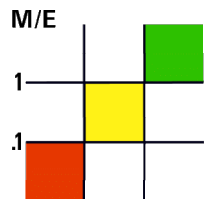


20 questions for a VoC culture

11 – How much engineering investment is wasted*?

■ _____ %

* Not a failure in engineering,
but a failure in the market – or of mediocrity

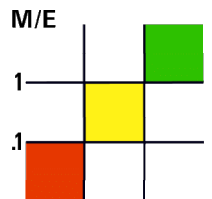


20 questions for a VoC culture

11 – How much engineering investment is wasted*?

- “Without Marketing guidance, more than 70% of Xerox' \$8+ Billion technology investment was wasted!”
Director, Xerox Corporate Engineering
- “More than 90% was wasted!”
Xerox Corporate Officer

* Not a failure in engineering,
but a failure in the market – or of mediocrity

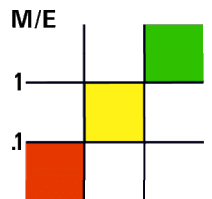


20 questions for a VoC culture

12 – How much do we invest in Front End Marketing*?

■ _____ M/E Ratio™

* Exclusive of promoting or selling

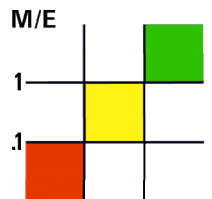


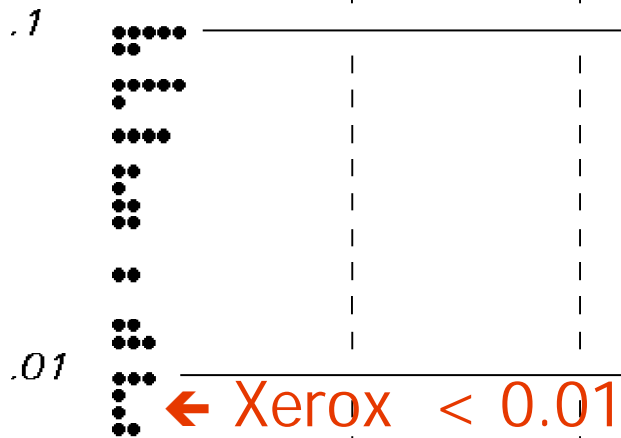
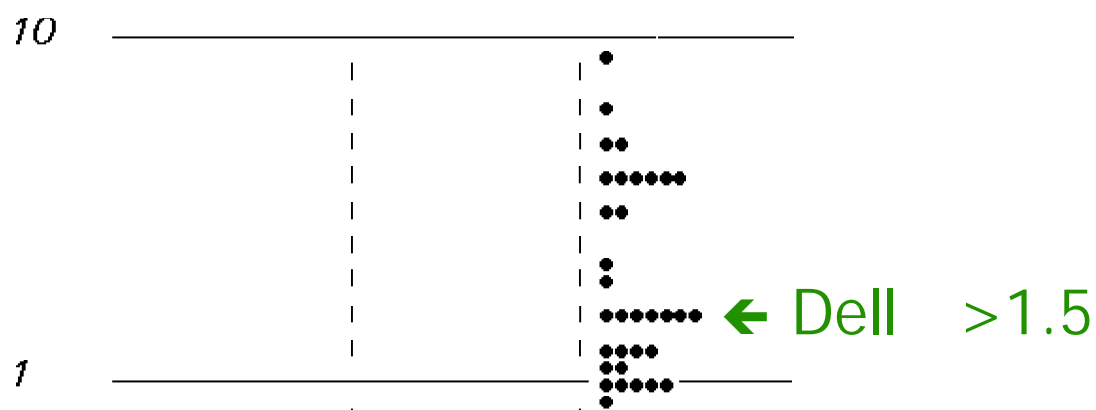
20 questions for a VoC culture

12 – How much do we invest in Front End Marketing*?

- Xerox' Chief Marketing Officer could not find out after two years of trying
- "I don't know." Patricia Russo, Chairman & CEO, Lucent
"I don't know." Janet Davidson, Chief Strategy Officer
- "Dell's M/E Ratio™ is North of 1.5!"
Michael S. Dell, Founder, Chairman, & CEO

* Exclusive of promoting or selling





Lucent 0.002

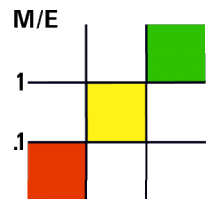
Flaming

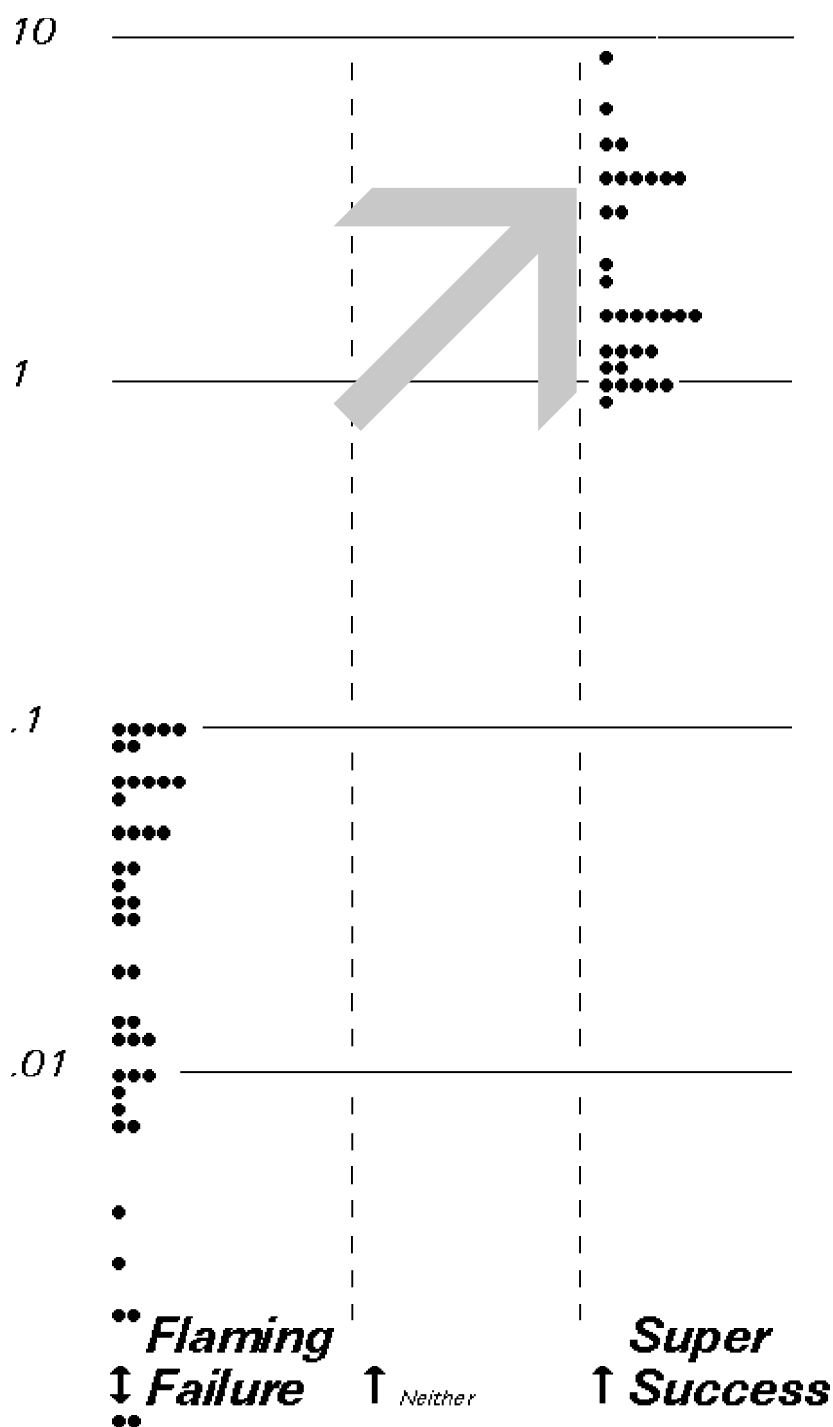
Failure

Neither

Super

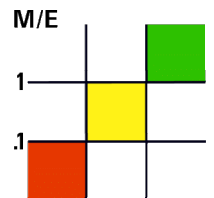
Success





20 questions

13 – How much do we
WANT to invest in
Front End Marketing?



20 questions for the Board for a VoC culture

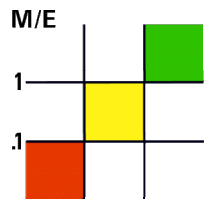
14 – When will we perform Front End Marketing?

“When you make the market research investment is key.

There is no point in doing market research after the product is developed.

Market research must be done up front!”

Seth Taylor, Ph.D., Grand Prize Winner
MIT \$100K Entrepreneurship Competition



20 questions for a VoC culture

15 – Who will represent the VoC to the Board of Directors?

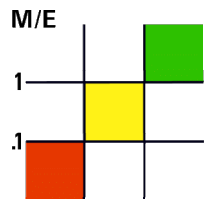
✓ Scientific Board of Advisors

! Marketing Board of Advisors

VoC process, Front End process, methods, and tools

! Customer Board of Advisors

! CEOs, not just a User Group
(B-to-B example)



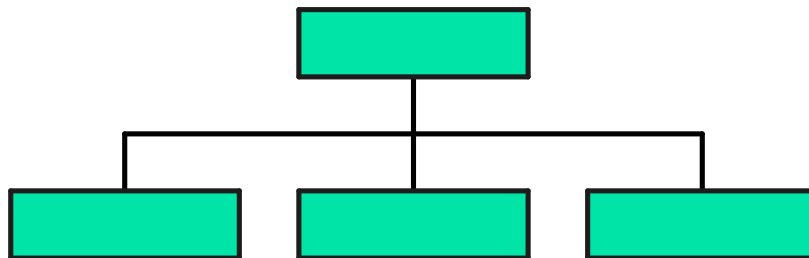
20 questions for a VoC culture

16 – 18 Confirm the caliber of the Front End Marketing staff

16 – Who will perform the Front End Marketing?

17 – What are their skills, training, experience, and track records in Front End Marketing?

18 – To whom will they report?



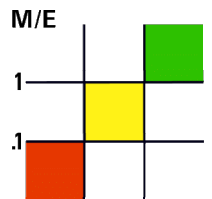
M/E		
1		
.1		

20 questions for a VoC culture

19 – 20 Establish a VoC culture to steer the enterprise

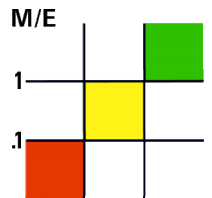
19 – How will Marketing shape and achieve our financial and strategic goals?

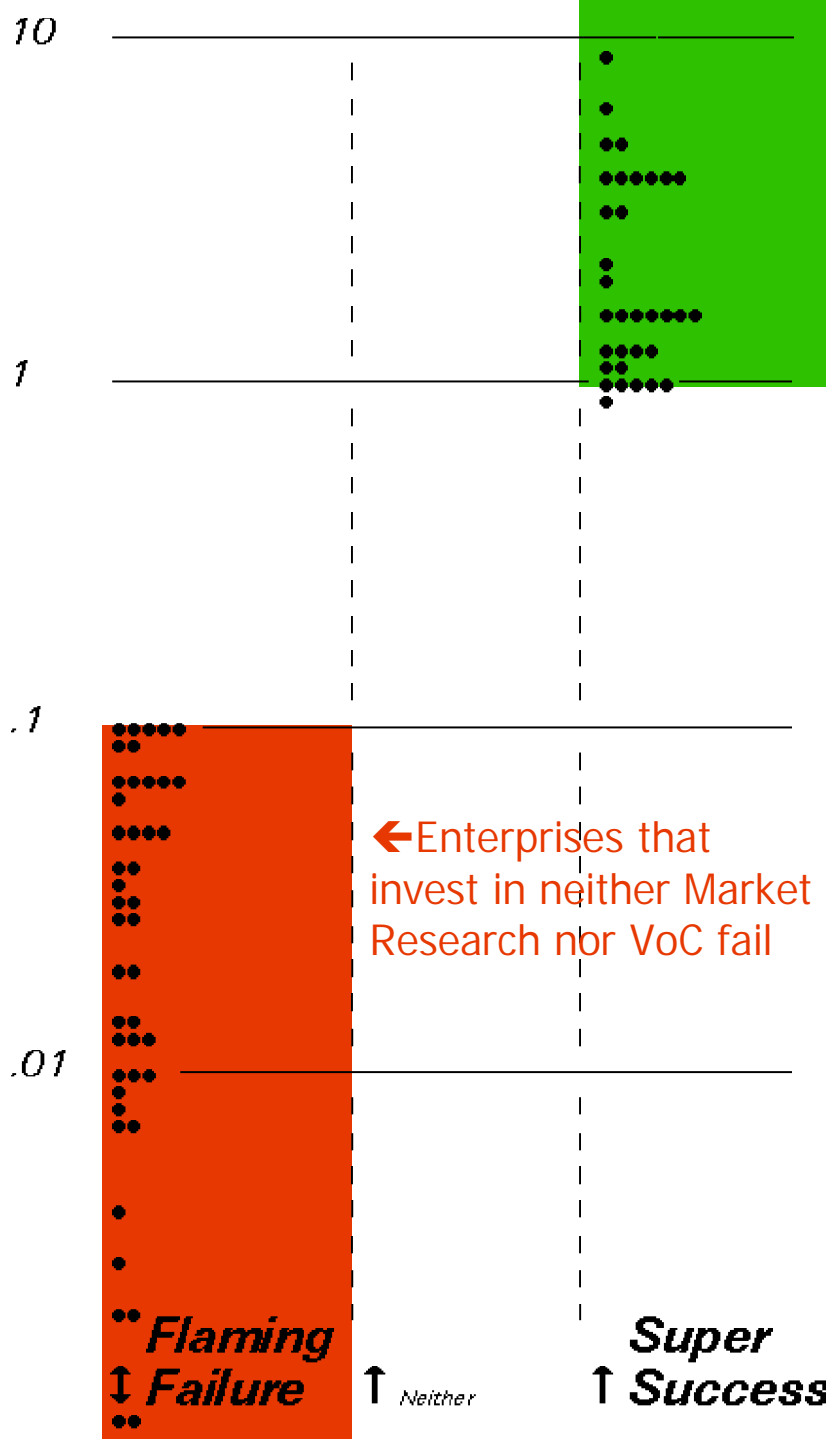
20 – How will Marketing steer the enterprise?



Take-away

- Tools to enlist the Board as your partner
- 20 questions to pose for a VoC culture
- Evidence reveals VoC investment for success





■ How much investment to hear the VoC and to institutionalize a VoC culture?

■ M/E Ratio™ evidence

The Board of Directors; Vital Partner for a VoC Culture

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December 5, 2006

Ralph E. Grabowski
marketingVP
57 Sunset Rock Road
Andover, MA 01810-4828
978-470-3930
ralph@marketingVP.com
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fact-gathering, analytical Marketing to steer the enterprise™

