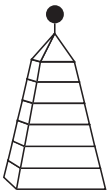

CHAPTER

1



Why Didn't We Think of That?

Products and services that resonate

The Japanese salaryman works notoriously long hours. He's in the office until 9 or 10 p.m. and sometimes goes out for drinks and maybe some karaoke singing with colleagues after that. But there's a problem. In the big cities like Tokyo, Osaka, and Nagoya, the last train leaves for the suburbs around midnight. So, as the result of a long day at the office and perhaps a few beers, when a Japanese office worker gets on that last train, he often falls asleep.¹

Sometimes he misses his stop.

When the train pulls into the station at the end of the line, the conductors pass through the cars and find a surprising number of sleeping salarymen. They do what's necessary to wake up the wage warriors and push them out the train door. The dazed salarymen then make their way into the quiet night—briefcases in hand, neckties askew—and find themselves in a rice-growing country town many miles from the city. They're also far from their home stops, which passed by an hour before (perhaps as they were dreaming of

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that perfect rendition of “Take Me Home, Country Roads” at the karaoke bar).

Next train home? Not ’til first thing in the morning, still three or four hours away. A taxi? Several hundred bucks. Instead, our accidental travelers notice a hotel just across the street! And there are vacancies!

And so the blue-suited businessmen head toward their unexpected deliverance. When they arrive at the hotel, they’re greeted and perhaps handed a toilet kit with toothbrush and razor. Best of all, they’ll pay far less than they would have for taxi fare. A place to sleep until morning . . . problem solved.

Who would have thought to build a hotel at the end of a train line, far from anywhere important? Well, smart Japanese hotel owners tuned in to a previously ignored market problem that a well-placed hotel could fix. They identified a particular buyer of hotel services (the overworked and exhausted salaryman), and they’ve built growing, profitable businesses around that niche—in the least likely places, like lonely towns many miles from the nearest big city. (Similar inns, such as Wellbe Hotels in Nagoya, have sprung up near stations in busy business centers and cater to those who miss that last train completely.)²

We’re fascinated with success stories like these—buyer experiences that resonate because they perfectly address market problems that people are prepared to pay money to solve. We’ve identified the patterns of success (and failure), and in these pages we’ll introduce you to dozens of products and services that resonate with their markets. We’ll also tell you about some that don’t, and we’ll explain why not. Most importantly, we’ll teach you the Tuned In Process so you can replicate the winners’ success in your own organization.

Tuned In shows you how to find overlooked marketplace problems that, if solved, bring in customers who willingly buy your products and services without being coerced.

Tuned In—The Process and the Book

In these pages we will share the Tuned In Process, a six-step method for creating a *resonator*: a product or service that so perfectly solves problems for buyers that it sells itself. Starbucks, *American Idol*, and

Google are resonators. Were these products and services created by people smarter, luckier, or born with more talent than the rest of us? *No*. We'll show you that real success in the marketplace is not based on creativity or clever marketing. Anyone can create products and services that resonate. All you need to do is stop *guessing* what people need and start spending your time building real and deep connections to what your buyers value most. We'll show you how to apply the Tuned In Process to find unsolved problems in your marketplace and how you can create breakthrough experiences that people are eager to spend money on.

As we introduce the Tuned In Process, we'll use dozens of examples of companies that have tuned into their market and created resonators. We've studied the introduction of thousands of products, including those from large, well-known companies like Ford Motor Company, Microsoft, and GE; breakout bestsellers from Apple, Red Bull, and Google; and niche offerings from players you may have never heard of like National Community Church, GoPro, and Zipcar.

Any organization—companies large and small, nonprofits, government agencies, entrepreneurs and independent professionals, even churches, authors, and rock bands—can benefit from getting tuned in, because they'll start to create the products and services that people want to buy.

Why Listen to Us?

In the middle of 2006, the three of us came together to talk about the ideas that came to be this book. Many of our clients had told us that they wanted an overview of the process we teach, but in an easy-to-digest package they could share with others. We realized that we

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had discovered a market problem—a need for a book like this one—and that we had the knowledge (rooted in years of teaching the Tuned In Process) to solve it. Thus, we hope this project will help these ideas get to people in many more industries, job functions, and countries than we reach today through our live speeches and in-person seminars.

As we’ve come together to write this book, we’ve drawn from our personal strengths. As founder and CEO of Pragmatic Marketing, Craig’s methodologies have been taught to over 45,000 executives, product managers, and marketing people at over 3,000 companies. Phil has been a CEO or senior manager at three startups that grew into market leaders, with two leading to successful initial public offerings. David is an expert in *The New Rules of Marketing & PR* (the title of his most recent bestselling book), bringing a deep understanding of how to reach buyers directly using social media, and with an eye toward helping customers solve their problems.³

In the next chapter, “Tuned Out . . . and Just Guessing,” we’ll debunk three common myths about what leads to success. Although it may be surprising to many people, we’ve learned that: (1) relying on innovation isn’t the answer, (2) focusing on revenue often leads to failure, and (3) listening to your customers creates dangerous false signals. We’ll show you why. Armed with this understanding, you will eliminate the struggle to make connections with your marketplace. Chapter 3 will ground you in the Tuned In Process so you understand how to apply it to build, market, and sell what your buyers want to purchase.

The Tuned In Process includes six steps, and each is explored further in its own detailed chapter so you can apply its lessons to your business:



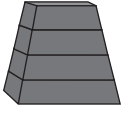
Step 1: Find Unresolved Problems—How do we know what market and product to focus on?



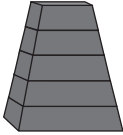
Step 2: Understand Buyer Personas—How do we identify who will buy our offering?



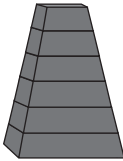
Step 3: Quantify the Impact—How do we know if we have a potential winner?



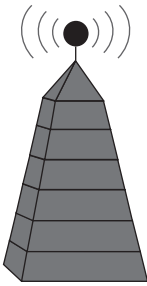
Step 4: Create Breakthrough Experiences—How do we build a competitive advantage?



Step 5: Articulate Powerful Ideas—How do we establish memorable concepts that speak to the problems buyers have?



Step 6: Establish Authentic Connections—How do we tell our buyers that we've solved their problems so they buy from us?



The crowning touch to the Tuned In Process is the creation of a resonator, a product or service that buyers want to talk about, buy, and recommend. In the remaining chapters, we'll explore what it takes to transform your organization by cultivating a tuned in culture and how to become and remain a market leader. To make it easy for you to skim parts of the book and to refer back as you're reading, we've included chapter summaries at the end of each chapter.

What's fascinating about the tuned in approach is that it works amazingly well for all kinds of organizations. We've identified non-profits, business-to-business enterprises, e-commerce companies, independent consultants, churches, and even dentists and lawyers who have created resonators and built growing and profitable businesses. Although they serve a wide variety of markets, these different types of organizations all have the same potential to discover resonators. By being tuned in, they can listen intently, embrace buyer needs passionately, and work diligently to create the best possible customer experience.

Without further ado, we'd like to introduce you to our first tuned in businessperson. If his story doesn't speak to you, never fear; you'll meet dozens more.

The Realtor Who Resonates



In our experience, real estate agents lack much in the way of distinguishing characteristics. Get past the business card or the kind of car the agent uses to ferry clients, and realtors seem interchangeable, don't they? When you go to list a home, a realtor says, "Sign here. We take 6 percent commission, and I'll need an exclusive agreement. . . . By the way, how soon can you have the house clean so I can show it?" And like most salespeople, many realtors immediately talk discounting. "What's the lowest price you would sell the home for?" they ask. By being insular and not understanding the true problems faced by people who want to sell their homes, the typical real estate agent focuses on the wrong things.

We've often mused about how much more successful realtors would be if they tuned in to their marketplaces. What if a realtor spent time understanding market problems first? Could he or she then build a breakthrough product experience *in what most people say is a commodity business*? After all, real-estate listing services are all pretty much the same, right? What if this renegade agent also used the Tuned In Process to establish authentic connections with buyers—would the agent earn more business as a result? Could real estate services resonate and create a platform to build a thriving and profitable business? Could someone break out of the pack?

Well, we have our answer, or rather our agent. His name is Russell Shaw and he has been a realtor in the Phoenix area for thirty years.⁴ Shaw is associated with a realty firm, but that's where his similarity with other realtors ends. He approaches building and marketing his services by being tuned in. Shaw built his business, the Russell Shaw Group, by first understanding the problems that sellers face:

- ◆ "I want my home to sell *fast*."
- ◆ "I want to *get as much money* for my house as I can."
- ◆ "I would like to *avoid realtor's commissions* if I can, but I hesitate to try selling my home myself because of the risks involved."
- ◆ "If my realtor is not meeting my expectations, I *don't want to be stuck with a long-term contract*."

Shaw's breakthrough product experience is the "No Hassle Listing." Using Shaw's service, sellers list with him for a reasonable 4 percent fee but still have the option to sell their home themselves and owe him nothing (although they may still use the Russell Shaw Group to help with the escrow work for a 1 percent fee if they wish).

"Our objectives are to get you the most money in the least time, and with the fewest hassles," Shaw says. "We want to provide the best service in the industry. Period. We want to make you so satisfied that you listed your home with us that you will gladly refer us to your friends."

Shaw articulates his idea by stating that he is "applying for a job" with you. If you aren't happy with the job he does, you can fire him at any time with no obligations or costly consequences. But odds are that you will be happy, because the average home listed with the Russell Shaw Group, even during the slow 2007 housing market, sells in less than forty-five days (versus 111 days for other realtors in the area), and most of Shaw's listings sell for the full price. If you've ever sold a home, you'll likely agree with us that this idea is a resonator.

Shaw spent two years identifying and refining his ideas about which problems resonate with home sellers. He tuned in. Shaw even gives potential clients a list of fourteen questions to ask his competitors, questions that show the No Hassle Listing system is in a class by itself. Shaw generates so much business from it that he requires a support staff of sixteen people, including six listing/buying specialists, two transaction managers, seven administrators, and even a marketing manager!

Finally, a realtor who understands the problems sellers face and has a solution for them! While the average realtor sells eight to twelve homes a year, and "top" realtors sell twenty-two to thirty homes a year, Shaw sold a remarkable 370 homes in 2007.

"Many agents think their most important job is satisfying the customer," Shaw says. "I don't think that's true. I believe that satisfying the customer is simply the minimum requirement for staying in business. My staff and I work constantly to improve our systems, processes, and services to go well beyond the standard level of 'service' provided by most agents."

Would you recommend *your* realtor to your friends?

We're convinced that if tuned in people like Shaw can build a resonator in a crowded and long-established market like real estate, you can too. And the Tuned In Process will show you how.

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Getting Tuned In

How hard is it to get connected to a market and create a product or service that people want to buy? Based on our decades of experience working with thousands of companies, we're here to tell you that *getting tuned in is not difficult*. But creating a resonator does require a new way of thinking about how you build products and services and how you introduce them to the marketplace. Most organizations are *tuned out*. In fact, we see all kinds of organizations make the same common mistakes again and again.

Here are a few common mistakes that cause products and services to fail:

- ♦ **Guessing**—Assuming *company insiders* know more than buyers about what they want to buy
- ♦ **Assuming**—Basing products and services on what *current customers* request rather than on an understanding of unsolved problems that other people will pay money to fix
- ♦ **Telling**—Trying to *create a need* in the market by relying on expensive advertising or an army of salespeople

We've developed the Tuned In Process to allow companies to create success again and again. We see these same principles at work in a wide range of successful product experiences, like business-to-business technology products, fast-food chains, and professional services firms. We know for certain that if you apply the six-step Tuned In Process to your own business (no matter what you sell), you will have a much better chance at success.

The Resonator

“*1,000 Songs in Your Pocket*”⁵

“*When It Absolutely, Positively Has to Be There Overnight*”⁶

The process for replicating success starts with getting tuned in to potential customers. Understanding your market and your buyers through in-depth interviewing is by far the most effective way to discover *unresolved market problems* that people will pay money to solve. Meeting with potential buyers on their own turf (in their homes or

workplaces, or even on the street) is the starting point for identifying a resonator: a breakthrough product or service that buyers immediately understand has value to them, even if they have never heard of your company or its products before. The iPod is a resonator. When it launched, FedEx was a huge resonator, and it still is.

The Anatomy of a Resonator:

- ◆ *The perfect solution to a specific problem*
- ◆ *A product or service that people want to buy without being coerced*
- ◆ *An offering that establishes a real and direct connection to what your market values most*
- ◆ *An idea that people immediately understand has value to them, even if they have never heard of your company or its products and services*

When you see a powerful, smartly articulated idea for a product or service that solves a problem for you, such as the iPod (“1,000 Songs in Your Pocket”) or FedEx (“When It Absolutely, Positively Has to Be There Overnight”), you immediately grasp its meaning. *It resonates.* These words aren’t mere taglines or slogans dreamed up by an agency and peddled with expensive advertising. You can learn to systematically develop powerful ideas like these by studying the Tuned In Process.

Tuned in organizations are much more likely to create resonators. The culture of tuned in companies incorporates focused, “outside-in” thinking, instead of the typical inside-out orientation. In other words, the tuned in company constantly listens to, observes, and understands the problems that buyers are willing to pay money to solve instead of holding endless meetings of company insiders all trying to guess what people want. The tuned in organization is always looking for more opportunities to create resonators.

The Tuned In Organization



The most successful organizations get tuned in to their markets; we’ll introduce you to dozens of them. Leaders at these companies largely ignore the competition. Instead, they focus their energies on the problems that buyers are

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willing to spend money to solve. The concept applies to any business, product, or service:⁷

- ◆ *Tuned in companies*—large and small, established and upstart—resonate when they create products people want to buy. Nintendo’s Wii revolutionized the gaming industry when it created a fun, simple, interactive experience that enabled groups of friends and families to play virtual sports, action, and war games without any previous experience with video games.
- ◆ The *tuned in entrepreneur* solves real problems in the market rather than creating some widget because he thinks it’s cool. Richard Branson, a serial entrepreneur, has developed 350 companies over a thirty-year career through his Virgin brands, each aligned to solve a discrete market problem that he and his team identified.
- ◆ The *tuned in professional services firm* (lawyers, doctors, accountants) doesn’t just create a “me too” practice and stick the same old advertisement in the yellow pages. Instead, these firms leverage the new rules of marketing to build an online audience. Search for anything related to Kansas and family law and you’ll find Grant D. Griffiths at the top of the list. Griffiths takes a thought leadership approach to marketing his firm, and he consequently makes connections that bring him several new potential customers a week . . . free.
- ◆ The *tuned in nonprofit* understands people’s motivation for contributing money and time to a cause. Habitat for Humanity has experienced more than a decade of consistent growth in donations of time and money, due in large part to its creative strategies for partnering with local community, church, youth, and government organizations. Habitat for Humanity has built more than 200,000 homes.
- ◆ The *tuned in politician* understands voter problems and the reasons why people vote for a particular candidate. Barack Obama’s campaign raised more than \$102 million in its initial phases (through the end of 2007) second among all U.S. presidential candidates). His platform centered around powerful ideas, “the Audacity of Hope” and “change,” has attracted more than one million contributors to his

campaign, a strong indicator of a grass roots movement. At this writing, the primary season is just starting, and Obama is not the front-runner. But his upstart candidacy clearly resonates with many voters.

- ♦ The *tuned in church* connects to people's spiritual and emotional needs with services that resonate across traditional and nontraditional mediums. Joel Osteen now counts more than 42,000 weekly attendees at his services, and millions more through his TV and online communications. His book, *Your Best Life Now*, has sold more than 2.5 million copies.
- ♦ The *tuned in entertainer, rock band, or motivational speaker* understands the tastes or needs of his potential audience. Jon Stewart tuned in to young TV watchers and brought a life-saving expansion in viewership to a fake news show that had been a cult favorite on a little-known cable channel. Since Jon Stewart took over *The Daily Show* in 1999, its ratings have soared among young adults in its time slot.
- ♦ We'd argue that *tuned in jobseekers* create a better picture of themselves as candidates for employment when they go easy on embellishing their credentials and talk more about solving an employer's problems.

Is Tuned In for You?

At this point, we suspect that you're saying to yourself something like "hey that's obvious" or "it sounds easy." We frequently hear these sorts of reactions when we present these ideas live in our speeches and seminars. If that's what you're thinking, you're right! One of the beautiful things about getting tuned in is that it's easy to understand how to do it. In fact, many successful business leaders had been applying these principles successfully long before we began teaching the process or writing it down in this book.

But hold on!

You're probably also thinking this: "If it's so easy to understand and it makes so much sense, why don't more companies get tuned in?" As it turns out, numerous organizational pitfalls can get in the way. We meet with companies all the time whose executives struggle to answer some very basic questions:

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- ◆ What business are we in?
- ◆ What businesses are we *not* in?
- ◆ Who are our buyers?
- ◆ What's unique about our offering?
- ◆ What's our positioning strategy?
- ◆ How can we compete?
- ◆ Why do the other guys seem to win more often?
- ◆ How can we turn a profit?

When we hit these walls with business leaders, we ask ourselves why. How could they not have good answers to these fundamental questions? What we've come to realize is that most business professionals just aren't tuned in.

Rather than focusing on buyers and their problems, the organizations that struggle to resonate in their marketplace are the ones that develop offerings using inside-out thinking.

Instead of going out into the marketplace to try to understand people's problems and then bringing this information back to the company, tuned out companies try to develop products exclusively within their own walls, based entirely on what they already know. Then they try all sorts of gimmicks and buy expensive advertising to take the dissonant ideas out into the market. This inside-out approach (what we call being tuned out) is much more likely to lead to failure—and to struggles with questions like those above.

What Led to *Tuned In*?

Tuned In is not a book on a new business theory. Instead, it's a proven process for building and sustaining success. When we came together to write this book, we drew upon our collective experience running companies. A critical input to the book has been the

understanding that we've developed at Pragmatic Marketing through having trained 45,000 executives, product managers, and marketing people at over 3,000 companies in the Tuned In Process.

But we wanted to dig deeper to validate independent research telling us that market-driven companies were 31 percent more profitable, spent twice as much on research as they did on development, and had 20 percent higher customer satisfaction rates.⁸ So we tapped into our own research data from thousands of people within companies large and small that Pragmatic Marketing has surveyed each year since 2000.⁹ The surveys look at how executives, marketing specialists, and product management professionals make key product decisions and what parts of the marketing mix are most effective. We also conducted detailed interviews of nearly one hundred CEOs and founders of companies to learn how they started their businesses, how they operate today, and why some of their products and services fail while others succeed.

We want to thank the hundreds of entrepreneurs, business executives, managers of nonprofits, professional services providers, and leaders of other organizations for their help in developing the ideas in this book. They gave us the inspiration and the road map for how organizations get tuned in, and you'll meet many of them in these pages.

A note on terms: Throughout the book, when we use the word "company" and "organization" we're including all types of organizations and individuals. Feel free to insert "nonprofit," "government agency," "political candidate," "church," "school," "sports team," "professional service person," or other entity in place of "company" and "organization" in your mind. Similarly, we use the word "buyers," which also means "subscribers," "voters," "volunteers," "applicants," and "donors." Are you an independent professional—a lawyer, accountant, or real estate agent? The need to get tuned in applies to you just as much as to a corporation. Ditto for nonprofits focused on increasing donations and volunteers, political campaigns looking for votes, schools that want to increase application numbers, consultants searching for business, and churches seeking new members.

In the next chapter, we'll take a look at some of the ways that typical organizational structures cause companies to be tuned out. Chapter 3 is an introduction to the Tuned In Process, while

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Chapters 4 through 9 take detailed looks at each of the six steps in the Tuned In Process. Best of all, throughout the book we'll offer interesting examples of diverse organizations (like the Russell Shaw Group) that have gotten tuned in to their markets; we hope you'll enjoy learning from their tremendous success.

Chapter Summary

- ◆ Why do some products and services fail while others succeed? That question keeps many CEOs, venture capitalists, nonprofit executives, entrepreneurs, employees, and shareholders up at night.
- ◆ The culture of tuned in companies incorporates focused “outside-in” thinking instead of the typical inside-out orientation. In other words, the tuned in company constantly listens, observes, and understands the problems that buyers are willing to pay money to solve instead of participating in endless meetings of company insiders all trying to guess what people want.
- ◆ But the process of becoming *tuned in* does require a new way of thinking about how you build products and services and how you introduce them to the marketplace.
- ◆ Meeting with people on their own turf (in their homes or workplaces, or even on the street) is the starting point to identify what we call a *resonator*: a breakthrough product or service that buyers immediately understand has value to them, even if they have never heard of your company or its products before.
- ◆ Understanding your market and your buyers through in-depth interviewing is by far the most effective way to discover unresolved market problems that people will pay money to solve.
- ◆ The necessary steps for discovering, creating, and launching a resonator are not difficult. But they do require that you do things differently than you’re probably doing them today.
- ◆ Organizations make the same common mistakes again and again: guessing at what the market wants, basing products and services on what *current customers* request, and trying to *create a need* in the market by relying on expensive advertising or an army of salespeople.

