Plan 03: Define and validate features

| 1 Assess market landscape & competition | 2 Discover needs & feature ideas | 3 Define & validate features | 4 Estimate feature costs | 5 Formulate your best product plan | 6 Get approval & communicate the plan |

After you've assessed the market landscape and competition, discovered market needs, and captured feature ideas, you're ready to move from looking at problems to defining solutions – potential features – and then validating and prioritizing them with the market.

Checklist

- ☑ Define solutions to market needs.

- ☑ Document feature requirements needed for planning.

- ☑ Validate potential features.

- ☑ Assign feature value.

1. Define solutions to market needs.

A feature is a response to a market need (or desire). So first understand the need: What's the problem or challenge? For which people, teams, or organizations? How do they cope today? What do they need in a solution they would buy? At this stage of the planning process, you're shifting from the "problem space" to the "solution space."

Solutions in search of problems rarely succeed because they don't address actual market and customer needs. What about disruptive innovation? Unless you're clairvoyant, and even Steve Jobs wasn't (well, not always), you need deep understanding of your market and its problems so you can build, market, and sell products that have the highest chance of succeeding.

What if you come up with a great solution before you're aware of the need? No problem! Before you invest time and money into building it, do your homework to confirm that it meets a real need that your market is willing to pay to address.

2. Document feature requirements needed for planning.

For product planning, the level of detail required for documenting new features depends on your product. Include enough information to explain to everyone involved in the product planning process:

- What benefit or problem it solves and for whom. This can be in the form of high-level user stories. Include or link to related research for more information.
- How the feature meets needs. This is typically several paragraphs, mock-ups, and/or flow diagrams.
- High-level technical requirements and scope to help engineering provide cost estimates.
- A short description, phrased as you would explain it to a potential user (who may or may not be a current customer).

It's fine to add more if needed. Use an iterative approach so you don't invest too much time if the feature turns out to be unlikely to make it to the next stage of your feature funnel.

3. Validate potential features.

The more extensive and resource-intensive it is to develop a feature, the more it's worth to validate it. There are many ways to validate potential features with the market. Choose one or more as appropriate for your product and the features you're considering. Here are the questions you need to ask, and recommendations for how to find the answers:

Is the need (or problem) big enough and is it worth solving? What is the market potential? If it's going to cost you $100,000 to build a solution and there are only a handful of people who would buy it and the price point is under $1000, it's likely not a great business proposition. Find out by:

- Asking your Sales team and other internal stakeholders.
- Running a market-needs survey to your target market and customers.
- Estimating based on existing research, if available and applicable, from industry analyst reports, trade associations, market leaders' financial reports (public companies).

Which solution solves the problem best? You found a critical need and have several ideas for how to solve it. Does the market agree? Which potential solution do they prefer? Find out by:

- Prototyping and testing with target users. Use a "design thinking" approach.
- Running market surveys that show or explain solutions at a high level, ask respondents which they prefer (best/worst) and how useful each would be.
- Conducting field studies and interviews with target customers & non-customers.

Would the market buy the solution from you and for how much? Try to learn how much your target buyers would pay for your solution. And, while you're at it, be sure they'd buy it from *you*. In the annals of epic product failures, frozen dinners from Colgate (the toothpaste company) and perfume from Harley Davidson (the motorcycle company) rank high in the "I might want it but not from you" category (seriously!).

Find out by:

- Running market surveys and performing price sensitivity analysis.
- Interviewing customers and non-customers in your target market.

4. Assign feature value.

Prioritizing feature candidates is one of the biggest challenges for product managers. At all too many companies, prioritization is based too much on opinion, the latest crises, or the loudest (or most senior) voice in the room. That's not a reliable approach to delivering successful products. And it's frustrating for product managers.

Ultimately, you want to identify and rank the features that market wants and will pay for, and that are aligned with your product strategy and budget for maximum impact (return on investment). To do this, you need a way to assign an objective, consistent, quantifiable value to features, even to very different types of features (such as a feature that improves the user interface versus a feature that improves system security).

It's important that the criteria you use to evaluate and prioritize features are **consistent**, **quantifiable,** and **verifiable**. If the methods and rating systems aren't consistent, then comparisons aren't valid (apples to oranges). If they're not quantifiable, then assigning numeric values to them is haphazard. If they cannot be validated (estimated through research, measured through actual results after release), then you're back to basing prioritization on personal opinions and squeakiest wheels.

One way to assign feature value is to run a preference survey to your stakeholders. Using techniques such as Best-Worst Scaling and MaxDiff, you can run an online survey to your market, customers, and/or internal teams to calibrate how much each audience values a set of features.

We recommend using consistent drivers, aligned with your business objectives, as a "common currency" for assessing feature value. Some drivers are corporate level, such as Revenue and Growth targets, while others are specific to your product or product lines, such as Scalability and Performance. Drivers that correspond to the KPIs you use to measure product success are especially powerful. Rank drivers by their importance to the business. At Obo, we use a rating system of 0 - 5 for each driver, and we specifically define what each value means. See our example below for a fuller explanation.

Example: Business driver values

An enterprise SaaS company is considering automating new-customer onboarding. This feature is extremely useful for new customers, and product team research indicates that faster on-boarding would increase sales by about $1.5 million annually. Currently, onboarding requires time from the Customer Support and Professional Services team. The product team estimates that automating onboarding would save over $2 million.

The company uses these drivers and ratings:

Driver value	Revenue	Cost reduction	New customers	Existing customers
5	Greater than $2 million annual	Greater than $2 million annual	Extremely useful and sticky daily	Extremely useful and sticky daily
4	$1 million – 2 million annually	$1 million – 2 million annually	Extremely useful and sticky weekly	Extremely useful and sticky weekly
3	$500K - $1 million annual	$500K - $1 million annual	Useful regularly: weekly - monthly	Useful regularly: weekly - monthly
2	$100K – 500K annual	$100K – 500K annual	Useful monthly or less	Useful monthly or less
1	Less than $100K annual	Less than $100K annual	Somewhat useful, rarely	Somewhat useful, rarely
0	No impact	No impact	No impact	No impact

Using this scale, the ratings for a new feature for new-customer self-service onboarding are:

Feature	Revenue	Cost reduction	New customers	Existing customers
New-customer self-service onboarding	4	5	2	0

Next Best Practice: 04 – Estimate feature costs

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