

THE CHOCOLATE CAKE PROBLEM

Rich Mironov



PRODUCT AOTEAROA



A close-up photograph of a round chocolate cake with a thick layer of chocolate frosting. The frosting is decorated with a scalloped or ruffled pattern. A single slice has been cut out and is placed to the right of the main cake. The cake sits on a white ceramic pedestal stand. In the background, there are stacks of white plates and silverware, suggesting a dining or event setting. The lighting is soft and natural, highlighting the texture of the frosting and the moist appearance of the cake layers.

The Chocolate Cake Problem

Rich Mironov
Product Aotearoa, 7 Sept 2023



**There are two kinds of
people in the world...**

**those who divide the world
into two kinds of people
and those who don't**



**There are 10 kinds of
people in the world...**

**those who understand
binary and those who don't**



**There are two kinds of
people in the B2B world...**

**account-at-a-time focused
and
cumulative/aggregate
focused**



Fundamentally Different

Individual customers, one at a time

- Deal revenue, fastest implementation/fix
- Current quarter

Cumulative installed base/systems impact

- Total adoption, long-term revenue, repeatability
- This year, next year...

Easy to assume bad intent, incompetence



Sequential, Separable

Enterprise Sales

- Independent transactions: close, move on
- Fit product to customer, unique requests
- Customers say (know) what they need

Enterprise Implementation

- Standard product is rarely enough
- Find fastest path to production system
- When finished, move to next project...
software will keep working



Arguments That We Usually Ignore

“No white space/no slack in Engineering”

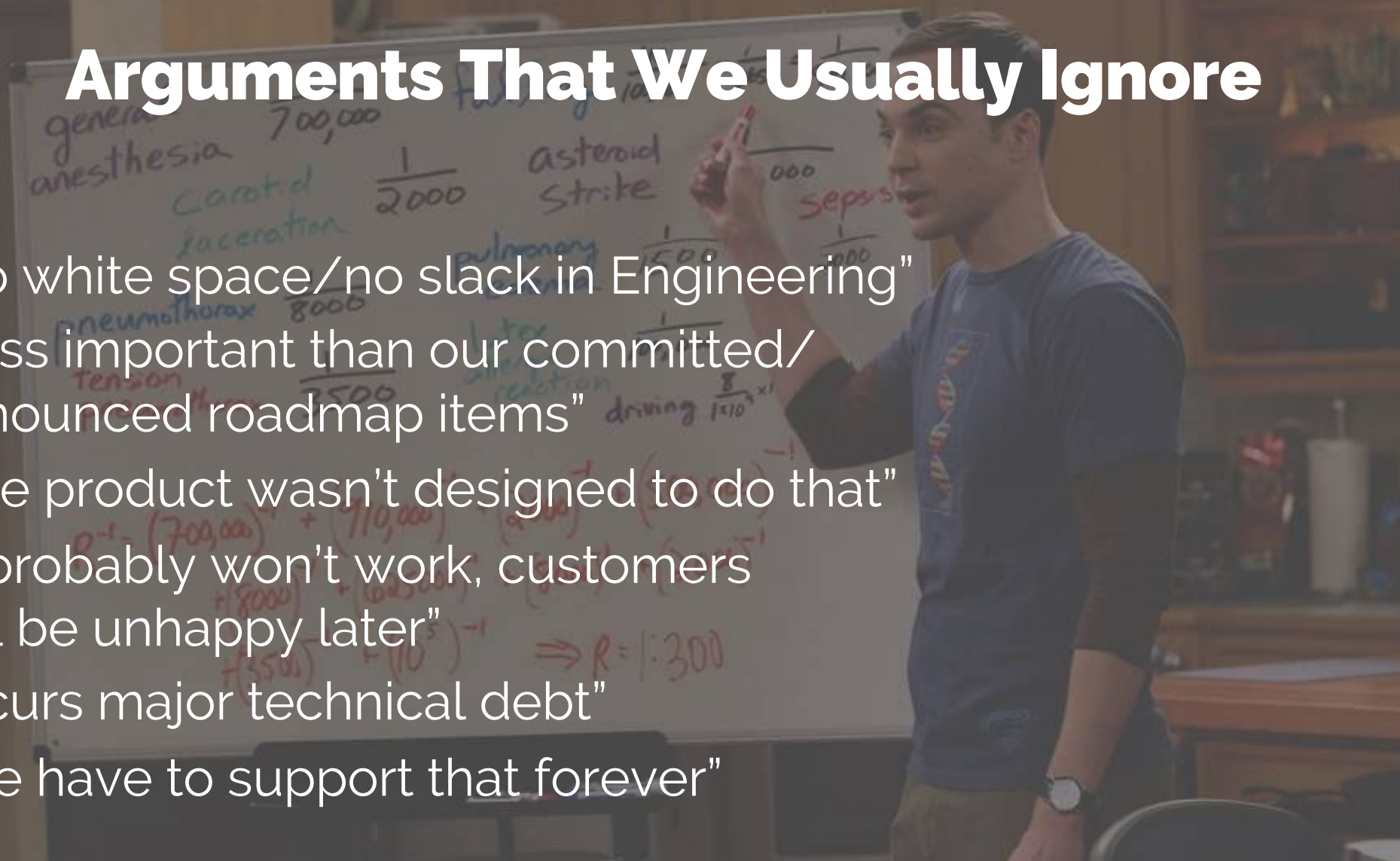
“Less important than our committed/
announced roadmap items”

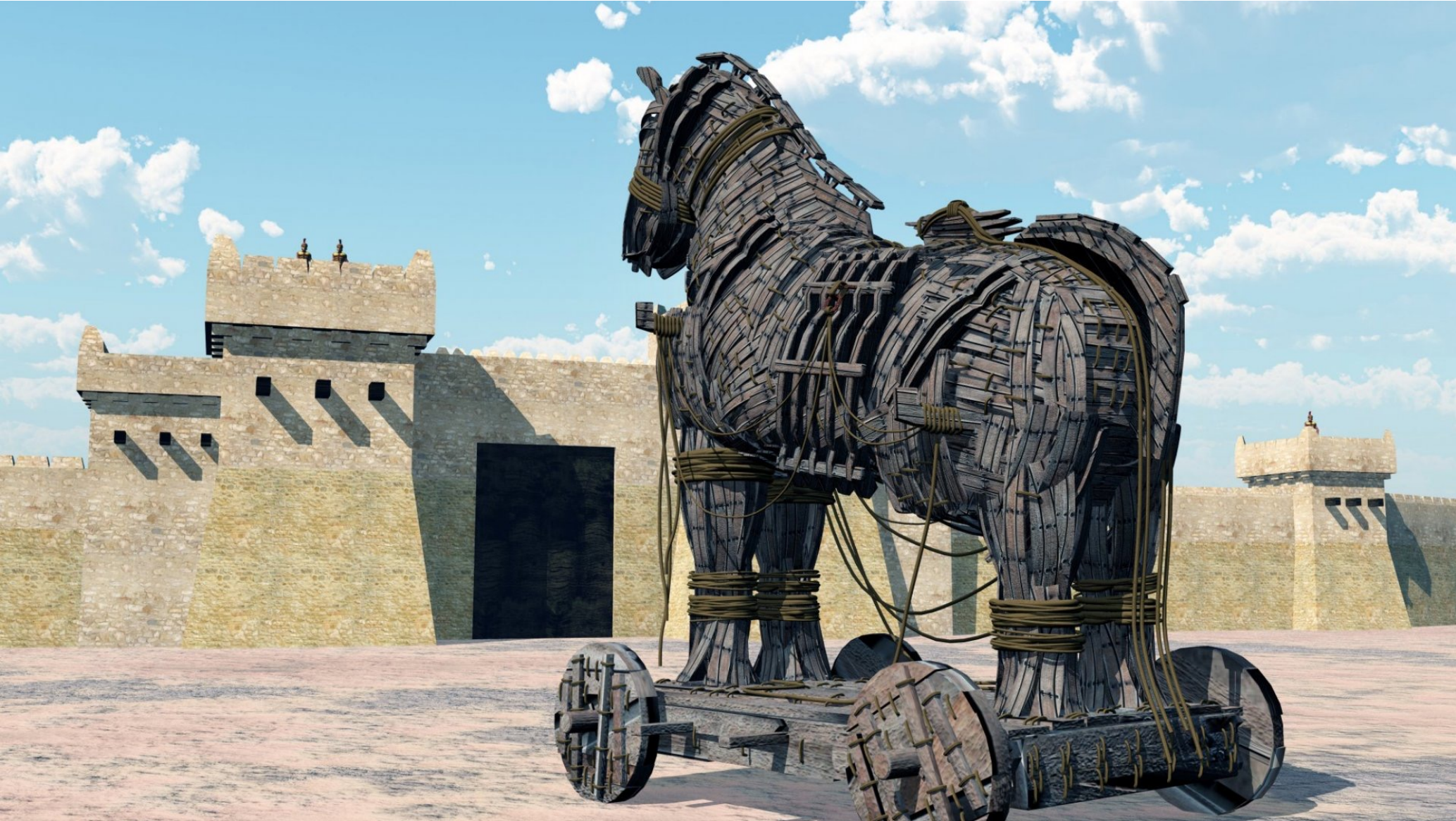
“The product wasn't designed to do that”

“It probably won't work, customers
will be unhappy later”

“Incurs major technical debt”

“We have to support that forever”





Cumulative, Long-Lived

Product

- Focus on customer segments, sales velocity
- Every new thing displaces planned thing
- Customers usually misunderstand problems/solutions

Engineering/Design

- Every new feature grows code base, increases complexity, reduces ease of use
- No product is ever done or self-supporting
- Architected for specific purpose



A man in a grey suit and tie is sitting at a table, looking thoughtful. He is holding a pen over some papers. There is a glass of water on the table. The background is a plain wall.

Arguments That We Usually Ignore

“This is a huge revenue opportunity”

“Can’t be hard to implement... probably 10 lines of code”

“There are lots of other customers who want this”

“Don’t worry... they won’t really use that feature”

“We don’t need ongoing support”

Every Development Plan



Investor View

Frictionless SaaS worth 6x-15x revenue

- “Build once, sell many” with >90% margins
- As few touches as possible, no specials

Custom/professional services worth 0.5x

- Eventually compete on cost
- Little actual re-use across projects



Example: Enhancement Request



Cumulative Impact



Example: Cloud Migration



Outcome: Product Sprawl



What Usually Doesn't Work

- Process descriptions (backlog, story points, request forms, jargon...)
- Lectures on product manager role
- Generic “we’re too busy”
- Expecting stakeholders to do serious research, end user discovery, objective biz cases



Things That Sometimes Work

- Recap top few (external) roadmap items
- Talk about money/business-relevant quant outcomes (\$M's >> \$K's)
- Build executive coalitions
- Partner with services companies
- (Emotionally) separate requestor from request

Executive Scorekeeping



C-level visibility fights
“commitment amnesia”

Takeaways

- Fundamental challenge for B2B/enterprise exec teams
 - Behaviors and emotions beat algorithms
- Assume good intent, try to listen
- Long-term doesn't bite you – until it does
- Must align comp plan with long-term goals
- Shouting and pouting don't help



@RichMironov @Aotearoa



Rich Mironov

www.mironov.com

+1-650-315-7394

rich@mironov.com

@richmironov