



## Stanford eCorner

### Managing The Leverage of Customer Input on Product Development

Frank Levinson, *Finisar Corporation*

October 31, 2001

Video URL: <http://ecorner.stanford.edu/videos/677/Managing-The-Leverage-of-Customer-Input-on-Product-Development>

Clearly, without producing something that meets a customer's needs, says Levinson, a business is not a good position to succeed. However, it's important that the business create its own goals and work to fulfill its own needs as well. He describes the best methods to reaching a compromise in this situation.



#### Transcript

When you take money from customers, they become a constituent in your business and one that could be potentially difficult to manage so how do you manage the level of input they have over your profitability strategy and how do you make sure that your market position doesn't become tied to theirs? It's always a negotiation but the most important thing I think is to try and understand what you're trying to be. Where are you trying to go? To try and think what they want so that people sort of say, in the early part of the negotiation it should be what do you want? And we say what do we want? Let's assume we're all going to get that. What do we do based on that? We were trying to do a deal with a chip company recently where what we said was they wanted to design this chip, we had a bunch of IP that would help them speed the design of that chip. We said look, you want to be a chip company, we need to own certain IP even when we're doing with thing because you could get bought. Let's create this IP bucket where we would own things, throw it in there. If either one of us use things out of the bucket, there would be some rules. The rules were like they could sell chips everywhere but we could buy it at some price above the boundary price because they should get rewarded for helping developing the thing, and we would help them create chips and they could take it to the rest of the world and we would help make that chip a standard. Their venture capitalists got all uptight. The management of the company which by the way had been through like our company, they've been independent for 10 years, they thought that sounded like a good idea and I thought it was too because everybody's wants were dealt with. But at the end of it all, the VCs wanted to own everything and so it didn't work out.

My point of the story is I think it's important to try to decide what each of you want out of a relationship. That wasn't a customer but generally, you can do that with customers too, what do you want? Oftentimes, they'll lead you to see yes, but what you want, some of the things you think you want, those aren't really essential to your business. Give those up. You can hang on to things that probably shouldn't be a part of your business too long. Keep focused. The more you focus, the easier it'll be to keep moving forward, I guess. Probably too many little homo expressions going on here. Come on up afterwards if you want and I'll be happy to stay around for a while and talk and otherwise, thanks for inviting me. It's great to talk to you guys.