B2B Organic Growth Newsletter

New Product Blueprinting *by* Dan Adams

Growth strategies for companies that supply businesses - not consumers

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Customer Interviews — By the Numbers

If your new product development teams aren't routinely conducting *quantitative* customer interviews, you're squandering R&D resources. I say this for two reasons: First, studies show the average company wastes 25-50% of its R&D spending on new product failures (generally something the customer never wanted). Second, our experience at AIM shows that clients are usually surprised by the results of quantitative customer interviews. Said another way, they would have developed a different product without this explicit direction from customers.

Qualative vs. Quantitive Interviews

It's common for 6-10 market segment-focused qualitative interviews to give you scores of desired customer "outcomes" or end results…which are typically reduced to a "top ten" list. During quantitative—or *Preference Interviews* —you ask two key questions: 1) How important is this outcome to you, and 2) How satisfied are you with it today? You record a 1-10 customer response… with 10 being "critically important" for the first question, and 10 being "totally satisfied" for the second. Of course, you're hoping to find some outcomes that score very high in importance and very low in current satisfaction. That would be an outcome you could sink your R&D teeth into with confidence.

Calculating the Market Satisfaction Gap

I developed a simple algorithm years ago that combines the answers to the above two questions. It's called the Market Satisfaction Gap (MSG). If IMP is customers' average 1-10 score on the first question, and SAT is their 1-10 score on the second, the formula looks like this:

MSG = IMP x (10 – SAT)

So the more important the outcome is to customers—and the less satisfied they are today with this outcome—the higher the Market Satisfaction Gap. If you supplied resins to paint producers, your Market Satisfaction Gap profile might look like this:

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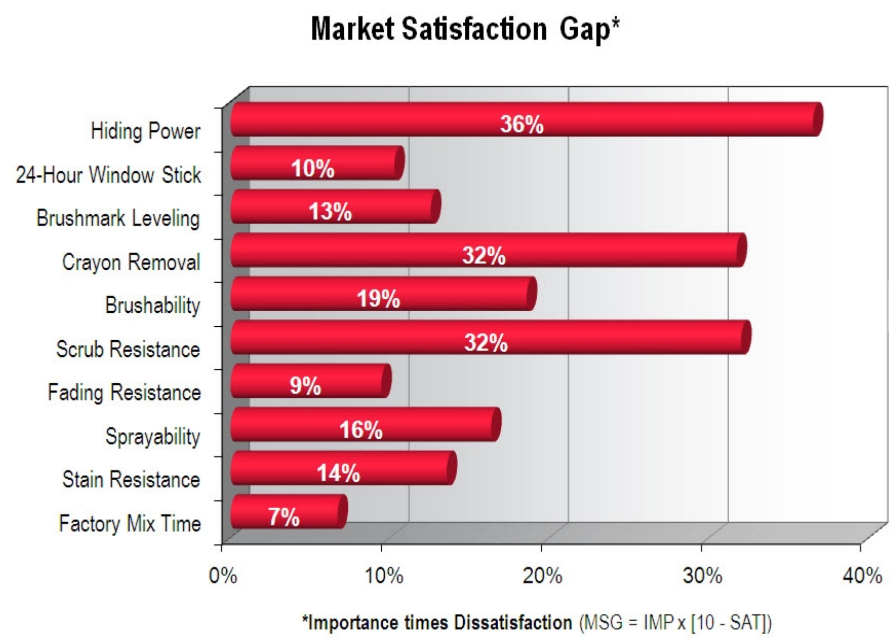
Today's Quote

"Exhilaration is that feeling you get just after a great idea hits you, and just before you realize what's wrong with it."

– Rex Harrison



7 Mistakes that Stunt Growth

Mistake #6. Listening only to immediate customers.
Unlike B2C producers, your product might be part of your customer's product, your customer's customer's product, and so on. It's a mistake to interview only your direct customers, because they are usually unable or unwilling to disclose downstream customers' deepest needs. Also, B2C producers assign "one vote" per consumer… while you need to weight the buying power and value chain position of downstream customers.

Read a two-page [Executive Briefing](#) for the remaining 6 mistakes.

Interpreting the Market Satisfaction Gap

A market segment is eager for improvement in any outcome with an MSG above 30%.

Here's where it gets fun: Our experience shows that a market segment is eager for improvement in any outcome with an MSG above 30%. In the above chart, paint producers would like a resin that helped them with hiding power, crayon removal and scrub resistance.
Every MSG profile tells a story. If your product development team gets a profile in which the highest gap is 15%, your question should be, "What other market segments do you want to pursue?" Because this market segment is over-served. They're happy with everything they've already got… except a lower price, of course. We've seen other market segments in which every single outcome scored in the 30s, 40s or 50s. These segments were screaming for help!

We've worked with hundreds of teams in countless B2B industries, and here's what we see: It's rare for a team to look at its Market Satisfaction Gap chart and *not* be surprised. In many cases, an outcome the supplier was excited about scores very low with customers. It's hard for suppliers to see their lovely theory attacked by a brutal gang of facts. The only thing harder would be to spend a million dollars developing a product… which is then attacked by a brutal gang of facts.

In many other cases, an outcome suppliers thought to be of low interest—or wasn't even on their radar screen prior to interviewing—actually has the highest MSG. Having this hard data gives you the confidence to enter the costly product development stage with gusto. Ideally your competitors will continue to squander their resources on what they—and not their customers—want developed. And you'll know what customers want, so you can tightly focus your R&D resources on pleasing them.

To learn more, view the 2-minute "Invert Your Process" video at New Product Blueprinting Video Tour or download Chapter 14 at New Product Blueprinting Chapter Downloads. To schedule a short phone or web conference to learn more, email us at information@newproductblueprinting.com.