

B2B Organic Growth Newsletter



New Product Blueprinting by Dan Adams

Growth strategies for companies that supply businesses - not consumers

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Boosting Innovation... In One Easy Lesson

Is innovation a hot topic at your company? Lots of theories on why there's not enough of it? Less hard data on how to get more of it? Welcome to some facts: In its massive study, "The Global Innovation 1000," Booz Allen Hamilton studied 84% of the planet's corporate R&D spending.* It identified several distinct innovation strategies, but uncovered one universal factor that led to success.

Drumroll, Please...

The key finding was, "Companies that directly engage their customers had superior results regardless of innovation strategy." And not just a little bit superior. A lot superior. Those companies that used direct customer engagement while innovating—vs. indirect customer insight—enjoyed the following financial gains:

- 1) **Profit Growth:** Operating income growth rate that was three times higher.
- 2) **Shareholder Return:** Total shareholder return that was 65% higher.
- 3) **Return on Assets:** Return on assets that was two times higher.

What do you do with this information? For starters, if you're in a conversation about your company's innovation and nobody's talking about the customer, realize something might be very wrong. To put it in terms of this study, your company might be practicing "indirect customer insight" instead of "direct customer engagement." This is a kind way of saying, "We've lost track of who our innovation is supposed to help."

What's Your Level?

For over five years, I've been helping B2B suppliers engage their customers in the innovation process. I may not have seen it all, but sometimes I feel I've seen more than enough! I've observed six distinct levels of customer engagement during product development. What's your level?

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Today's Quote

"Everyone is entitled to their own opinion, but not their own facts."

– Daniel Patrick Moynihan

Level 1: Our Conference Room: At the lowest level, you decide what customers want around your conference room table. Internal opinions determine the design of your next new product.

Level 2: Ask Our Experts: At the next level, you poll your sales force, tech service dept. and other internal experts to determine customer needs. Better—because more voices are heard—but still too “internal.”

Level 3: Customer Survey: Here you use surveys and polls to ask customers what they want. This begins to shake out internal biases... but doesn't deliver much in the way of deep insight.

Level 4: Qualitative VOC Interviews: You send out interview teams that meet with customers to learn what they want. This is a quantum leap from VOO (voice of ourselves) to VOC (voice of the customer).

Level 5: Quantitative VOC Interviews: The problem with just qualitative VOC is that people hear what they want to hear. *Quantitative* feedback drives out assumptions, bias and wishful thinking.

Level 6: B2B VOC Interviews: Unlike end-consumers, B2B customers are knowledgeable, rational, and interested. B2B-optimized interview methodology fully *engages* them to take advantage of this.

Not happy with your level? I've seen businesses leap from Level 1 to 6 in the space of a year, through solid training and committed leadership.

Why Customers Matter

It might seem obvious why a supplier's innovation should swirl very closely around its customers. But since Booz Allen evidently found a very large pool of very large corporations practicing otherwise, let's explore three reasons.

1. Insight: A successful company innovates for its customers, not itself. That's because nobody inside your company can pay for innovation: Only your customers can do that. So the more closely you engage those who pay... the more you learn *what* they'll pay for.

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2. Right Questions: Innovation is often misunderstood as the process of coming up with the right answers, when it is usually about asking the right questions. If

the bright people in your company are focused on *real* customer needs, they'll run circles around the bright people at competitors who are focused elsewhere.

3. Pre-Selling: I believe the Booz Allen conclusions are especially potent for the B2B supplier serving a concentrated market. If you interview the ten largest prospects in your target market correctly, you'll engage them so they'll be primed to buy when you launch that new product.

So if you want to boost your innovation, start by *directly engaging your customers*. And do this in a way that allows you to 1) understand their world (insight), 2) focus on their important, unsatisfied needs (right questions), and 3) entice them to keep working with you (pre-selling).

Our clients have been doing this with impressive results on six continents. For short videos and more information, visit www.newproductblueprinting.com.

*"The Customer Connection: The Global Innovation 1000," Booz Allen Hamilton, 2007.