

B2B Organic Growth Newsletter



New Product Blueprinting by Dan Adams

Growth strategies for companies that supply businesses - not consumers

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Getting Top Price for Your New Product

I know of only two ways to figure out what customers will pay for a new product. 1. Ask them. 2. Don't ask them. I know... that was profound. If you were selling products to end consumers, the first approach would make sense. You could ask consumers using sophisticated methods such as van Westendorp, Gabor-Granger, Conjoint Analysis and so on.

But "Ask them" won't work for most B2B suppliers. As soon as you ask customers how much they'd pay, their "filters" go up. They know they need to carefully measure their words, lest they drive up your new product's price. (This is especially true in markets with relatively few buying companies... and less true in markets with thousands of customers.) Let's step back and see how this works.

In Cooperation with Customers...or in Competition?

Drs. Irv Gross and Ralph Oliva of the Institute for the Study of Business Markets (www.isbm.org) think in terms of customer cooperation and customer competition. When you interview customers to understand how your new product might create value for them, you are in *cooperation*. Customers want you to understand their world so you can make it better. But as soon as you start asking about price, you move into *competition*... to determine who keeps most of the newly created value. Customers know what they say could be used against them later. They sense their interaction with you is moving from...

- Exploring needs...to negotiating,
- Creating value...to capturing value, and
- Cooperation...to competition

Resist the temptation to ask a customer, "What would you pay for this?" There's a little alarm that sounds in the customer's head saying you've stopped trying to help *him*, and are now trying to help yourself. So if "Ask them" doesn't work, that leaves us with... let's see... "Don't ask them."

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Today's Quote

Do Your Pricing Homework

Customers will reveal a lot about what they'll pay without your asking them. They *want* you to understand their needs so you can satisfy them. They'll often let you tour their operations so you can help improve their processes. And they'll usually tell you about their customers' needs so you can help improve their products.

Customers will help you price a new product...but not an existing product.

For this reason, customers will help you price a new product... but not an existing product. There are many wonderful seminars and books with advice on how to price your existing products. But realize that customers will give you precious little help with existing products, because you can be only in the competition mode. If you want real insight into customer value, you'd better do that *while* you're developing your product.

Gathering information to properly price your new product will take some work. You'll need to understand your customers' world at a level you may not be accustomed to. Here are three ways to do this:

1. During qualitative *Discovery* interviews, probe deeply for ultimate customer outcomes. Make sure each outcome gives you line of sight to their improved financial performance.
2. Use quantitative *Preference* interviews to get unbiased ratings on key outcomes. They'll pay you to address only outcomes they rate as high in importance and low in current satisfaction.
3. Use advanced customer tour methods. At AIM, we developed **AMUSE**... to Accelerate activities, Minimize input, Upgrade output, Simplify transitions, and Eliminate activities.

Then, you'll need to organize this information in a format helpful to both you and your prospective customers. That's where a *value calculator* can help.

Build a Value Calculator

For an in-depth discussion of value calculators, I recommend *The Value Merchants*, by Anderson, Kumar and Narus. Put simply, a value calculator is a tool—often Microsoft Excel®- or web-based—that allows you and your customers to predict and document value delivered by your new product. The harder you've worked at understanding your customers' world—in an effort to help them—the easier you'll find the creation of this tool. Once you've built a value calculator, you'll reap four benefits.

"Imagination is the preview of life's coming attractions."

- Albert Einstein

1) *Increase customer awareness.* Give your value calculator to prospective customers so they can plug in their specific use conditions. This lets them see in hard numbers how your product will help them. Your customers won't pay you for benefits your product delivers unless they are aware of them.

2) *Build customer confidence.* Ask customers to use your value calculator to document their actual savings when they begin using your new product. If you're willing to put hard numbers down and then check them later... you are much more credible.

3) *Increase your understanding.* As you help customers use your value calculator, you'll boost your grasp of their world. In some cases, you can even use value calculators to build case studies for marketing purposes.

4) *Boost customer "internal selling."* A value calculator helps your customer contact sell your new product internally. If your new product costs more than competitors', you need to help that purchasing agent prove he's a hero, not a goat.

**Stop approaching
customer tours like a
tourist.**

At AIM, we've developed advanced B2B interviewing methods to help you create and capture new value. And we can teach you how to stop approaching customer tours like a

casual tourist. Our unique observation methods let you help your customers... and your new product pricing. If you'd like to learn more, contact me at dan.adams@aimtolead.com.