

B2B Organic Growth Newsletter



New Product Blueprinting by Dan Adams

Growth strategies for companies that supply businesses - not consumers

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The Commodity Death Spiral

Imagine your business has been mostly developing me-too and incremental new products. Your products start looking a lot like competitors'—a fact that does *not* go unnoticed by your customers' purchasing agents. Since they can interchange your products with competitors' products, they're able to pressure you for lower prices.

As a result, your profits have been declining and now it's time to prepare next year's budget. Do you cheerfully tell your boss to expect more profit declines? I'm guessing... no. To salvage next year, you've got to reduce costs. But you won't cut spending in short-term areas needed to meet next year's budget. You'll probably cut longer-term costs, like R&D or marketing.

Commodity Death Spiral



Of course, this means you'll have less new product development *capability*... especially for high-impact new products. So when budget time rolls around a year later, you have even fewer options. This is called the death spiral for obvious reasons. Sometimes a business survives, but just on "life support"—where it is no longer relevant.

Six Ways to Avoid This Death Spiral

Here are some tips for avoiding the commodity death spiral. As is often the case, part of the solution is in new ways of *thinking* and part is in new ways of *behaving*:

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New Product Blueprinting at DuPont



Read how DuPont implemented New Product Blueprinting through TEAM e-MMERSSION™ ([PDMA Visions, Oct. 2010](#)).

E-Book on B2B Product Launch



1. Take ownership of your future. There are many forces pulling your products toward commoditization: competitors trying to imitate your products, purchasing agents trying to standardize your products... new technologies trying to obsolete your products. If you want to move away from commodity toward specialty products, the sobering truth is you will get no help from outside. Forces pulling a supplier toward “specialty” come from the supplier... or they don’t come at all.

2. Measure your progress. Is your business moving down the commodity death spiral... or reversing direction? Tracking your *New Product Vitality Index* over time can provide insight. This is the percentage of your total sales from “new” products (typically introduced in the last three to five years). But don’t forget a simpler metric: average selling price. This is how customers “vote” on the value your products deliver relative to the next best alternatives. You can fire out new products at Gatling gun speed, but if this metric keeps dropping, you’re moving toward the big “C.”

3. Change your time horizon. In a 1972 *Harvard Business Review* article, Richard Vancil complained that long-term product development expenses are buried within short-term operating plans... allowing short-sighted business leaders to “raid” funds needed for their future. Does this problem still exist? Consider putting all your budget dollars in either a short-term bucket or a long-term bucket. And make sure someone is watching the long-term bucket.

4. Work on high-impact products. Some companies play it safe and work on only “low-risk” me-too and incremental new products. But, as shown in the commodity **Adams’s Risk Paradox: “A business built on ‘low-risk’ projects is actually at great risk.”** death spiral above, this is the beginning of the end. While each me-too and incremental *project* may have low risks, a *business* built only on “low-risk” projects is actually at great risk. So make sure your new product project portfolio has a healthy proportion of high-impact new products... products that will deliver significant value to your customers.

5. Get out more. While it’s risky to incrementalize, it’s also dangerous to invest in “great hope” projects: high-stakes gambles with lower odds than management realizes. These pull in lots of manpower, funding, and management attention, and after two or three years often end with a whimper... typically from a fatal flaw that should have been discovered much earlier. So if there’s too much risk with *both* me-too and great hope projects, what’s the answer? I believe we need to “get out more.” Spend much more time in your customers’ world to reduce your *commercial risk*. And reduce your *technical risk* through open innovation... uncovering and

Fresh new approaches are now available for launching B2B products in the digital age. Download this 26-page e-book at www.b2bproductlaunch.com. (No charge or registration required.)

Today's Quote

“There are two kinds of people: those who finish what they start... and so on.”

- Robert Byrne

introducing technologies from outside your company.

6. Directly engage your customers. In its landmark 2007 study, *The Global Innovation 1000*, Booz Allen Hamilton found companies that directly engage customers in their innovation processes had *profit growth three times faster* than those using “indirect customer insight.” In my experience, direct engagement increases as you move from Level 1 to Level 6:

Level 1: Our Conference Room: Deciding what customers want around your conference room table.

Level 2: Ask Our Experts: Polling your sales force, tech service & others to determine customer needs.

Level 3: Customer Survey: Using surveys and polls to ask customers what they want.

Level 4: Qualitative VOC Interviews: Sending interview teams to hear the voice of the customer.

Level 5: Quantitative VOC Interviews: Adding numerical feedback to drive out bias and wishful thinking.

Level 6: B2B VOC Interviews: B2B-optimized methods to fully engage knowledgeable B2B customers.

Here at AIM, we've developed the world's most advanced methods, tools, and software for Level 6 B2B-optimized interviews. To learn more, download [10 Blueprinting Differences from Traditional VOC](#) or check out video samples of our training at www.newproductblueprinting.com/elearning.

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