

B2B Organic Growth Newsletter



New Product Blueprinting by Dan Adams

Growth strategies for companies that supply businesses - not consumers

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Three Steps to Unbeatable Value Propositions

Have you ever seen a value proposition being created? It's not always pretty. Sometimes, a value proposition is asked for during a stage-gate review, and vigorous arm-waving ensues. Perhaps a new-product team sits around its conference room table and decides what the customer would value. In other cases, an entire workshop is devoted to the subject, with many hours given to word-smithing, internal bias, and wishful thinking.

You can do much better. Let's explore three essential steps—all of which you must complete to be truly successful. But first, a little background: When you create a new product or service, there's a fascinating "dance" with your customers that involves *value creation* and *value capture*. In value creation, your innovation improves the customer's process or products—so he saves or makes money.

How about value capture? Here, the customer returns some of that money by paying you a higher price for your product or service. And he'll do that only if your innovation is *important, measurable, and distinctive*. That is, the customer must a) care about the outcome being improved, b) observe the improvement so you get credit for it, and c) be unable to get the same improvement from your competitors.

Most suppliers can make enormous improvements in all three steps.

There are three simple—but not always easy—steps to ensure your value creation and value capture dance earns you loyal customers and healthy profits: 1)

understand value, 2) quantify value, and 3) communicate value. In my experience, most suppliers can make *enormous* improvements in all three steps. Let's take a closer look...

Step 1: Understand Value

As I work with clients across many industries and continents, I see suppliers using six different levels to understand the value that customers desire:

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New Product Blueprinting at DuPont



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

E-Book on B2B Product Launch

- **Level 1: Our Conference Room:** Deciding customer needs in the supplier's conference room.
- **Level 2: Ask Our Experts:** Polling the sales force, tech service, & others to learn 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:** Using B2B-optimized methods to fully engage knowledgeable B2B customers.

When a client reaches Level 6, they have accomplished two things their competitors generally have not: 1) they have uncovered the full range of outcomes—often 50 to 150—of interest to the customer, and 2) they know *precisely* which outcomes the customer is most eager for them to work on.

We find two rounds of interviews are needed for this: First, *divergent, qualitative* interviews (which we call “Discovery”) use advanced probing, triggers, and other means to engage customers and help them articulate a broad range of needs. We like to supplement these interviews with sophisticated observation methods we've developed for use during customer tours.

The second round of interviews (which we call “Preference”) is *convergent* and *quantitative*. Here, we ask customers to rate on a 1-10 scale the *Importance* and current *Satisfaction* of desired outcomes. Customers will pay suppliers only for improving outcomes that are important and not currently satisfied, so our Market Satisfaction Gap algorithm isolates those worth working on. You can see this algorithm in my book, *New Product Blueprinting*. Or visit <http://www.newproductblueprinting.com/book.html>, download Chapter 14 (no charge), and turn to page 171.

Without *quantitative* interviews, suppliers “hear what they want to hear” and squander precious resources in the development stage.

I can tell you that you're engaging in risky behavior if you're not conducting this second round of interviews: Most of our

clients' project teams are surprised when they see unfiltered Preference data coming straight from customers. They were expecting something different. Without *quantitative* interviews, suppliers “hear what they want to hear” and squander precious resources in the development stage.



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

"The ability to learn faster than your competitors may be the only sustainable competitive advantage."

- Arie de Geus

Step 2: Quantify Value

If you've done Step 1 well, you've quantified which outcomes customers want you to work on. But that doesn't mean you've quantified how much they'll pay you for your new product or service.

If you don't quantitatively know what their next best alternative delivers, you can only guess at your optimum pricing. Think of it this way: Customers will pay you only for value you provide over and

above their next best alternative. If you don't *quantitatively* know what their next best alternative delivers, you can only guess at your optimum pricing.

In the New Product Blueprinting process, we use two tools to quantify value: 1) side-by-side testing, and 2) value calculators. To do side-by-side testing properly, the supplier should first use customer interviews to understand a) which outcomes to test, b) which test methods to use, c) which competitors to test against, and d) the test result levels customers consider "barely acceptable" and "totally satisfied." (If you downloaded the chapter above, check out pages 172-174 for more on side-by-side testing.) We can't fully explore side-by-side testing here, but I can say this: In many years of conducting workshops, I have yet to find that a new client had already been using the full power of side-by-side testing.

In contrast, a number of suppliers are using value calculators well. Whether you create yours in a spreadsheet or webpage, it will help you do four things: 1) *estimate the value* your customers would enjoy from your new product, 2) *raise customer confidence* that your new product will deliver value, 3) *promote internal selling* within customers, helping key stakeholders convince their colleagues to buy your product, and 4) *refine your understanding* of created value as you share your value calculator with customers. We've created a value calculator template you may find valuable. To receive a copy, contact me at dan.adams@aimtolead.com.

Step 3: Communicate Value

Let's say you've done a great job of 1) understanding the value customers want and 2) quantifying what they'll pay. Are you done? Many B2B suppliers—especially of "industrial" goods—seem to slow down at this point... precisely when they should be hitting the gas.

If this is the case with your company, I invite you to download my 26-page e-book, [12 New Rules of B2B Product Launch](#).

Here are some of the things you'll learn to do that can dramatically improve the way you reach prospects and communicate the value of your new product:

communicate the value of your new product.

- 1) Use a balance of eight traditional media and eight online media.
- 2) Develop a media strategy based on industry concentration & position.
- 3) Employ five positioning principles to get inside prospects' minds.
- 4) Use "offers" to advance prospects along a buying cycle.
- 5) Use "engagement" marketing... not "interruption" marketing.
- 6) Use news releases to drive prospects to your website.
- 7) Use word of mouth to build "buzz."
- 8) Select from 24 sales tools to boost sales force effectiveness.
- 9) Build a powerful launch plan.

A couple of years ago, we developed software and workshop training for effective B2B product launches that clients are now using worldwide. Here's the encouraging news: Most suppliers can *significantly* improve their launch effectiveness and launch budget efficiency with some relatively simple steps.

Now what?

Does this all sound like too much work? In fact, when companies get this matter of value propositions right, it *is* a lot of work. On the other hand, your company can make more money on one product done well than on a dozen "also-rans."

Rather than be overwhelmed, I suggest you tackle this in a step-wise fashion. *Everything* hinges on Step 1 (Understand Value)... so build your skills here first. Even if this is all you do well, you'll start creating better products, wasting fewer resources, and boosting profits. Then, when you're good at understanding value, move to Step 2 (Quantify Value) and so on.

We've got lots of resources at AIM to help you on your journey: For Steps 1 and 2, visit www.newproductblueprinting.com, and for Step 3, visit www.b2bproductlaunch.com. If you have questions, someone on our staff can provide a free consultation; just contact information@newproductblueprinting.com. Good luck with your next value proposition!

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