B2B Organic Growth Newsletter

New Product Blueprinting *by* Dan Adams

Growth strategies for companies that supply businesses - not consumers   Sept.-Oct. 2011

Four Steps Needed for New Product Differentiation

What would you say is the most overlooked practice in new product development today? Understanding customers' in-depth needs? I agree this is critical… but not all that overlooked. Most suppliers understand how important it is to understand the "voice of the customer," and many are actively trying to get better.

I'm grateful that I get to work with many B2B suppliers in many industries around the world. Based on what I've seen, the most overlooked practice is *competitive benchmarking*, specifically in the "front end"… before you begin actual product development. In many cases, rigorous competitive benchmarking isn't even seriously considered here, and this has large, unpleasant consequences.

I have yet to meet a B2B supplier who is <u>not</u> interested in developing differentiated new products. Products that will enthuse customers… help customers make or save money… induce customers to open their wallets wider. Of course, differentiated products must be… different. But different from what? Different in what ways? Different to what extent? Seldom are these questions adequately addressed.

Most suppliers say they want to deliver value to their customers. But no customer will pay more for a product that <u>matches</u> existing value… only for one that <u>exceeds</u> it. Perhaps it would be better for suppliers to get into the habit of saying they need to *deliver value beyond the customer's next best alternative*.

So this brings us to the real problem: When developing new products, most suppliers do not *quantitatively* understand the customer's next best alternative. If you're in this position, **You're guessing, hoping for the best, and doing this with scarce and costly resources.** how can you know a) your design targets, b) how you will price your new product, or even c) whether your project is worth pursuing? Without this

New Product Blueprinting at DuPont

Read how DuPont implemented New Product Blueprinting through TEAM e-MMERSION^{TM} (PDMA Visions, Oct. 2010).

E-Book on B2B Product Launch

pursuing? Without this knowledge, you're guessing, hoping for the best, and doing this with scarce and costly product development resources.

So let's look at four practical steps you can build into the front end of your new product development process.

Step 1: Identify Benchmarking Outcomes

I recently attended a conference in which Alberto Savoia of Google said, "Make sure you are building the right 'it' before you build 'it' right." In other words, make sure you first understand the "outcomes" or end results your customers care about. It doesn't matter how fast you climb a ladder if it's propped up against the wrong building.

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I find this to be a huge problem for most suppliers. Let's say you're developing a new welding machine. You like your chances of success because your new product will provide a smoother bead, is more portable, and has more power options. Terrific. What your customers really care about is faster set-up time, reduced energy consumption, and productivity data collection. You can test, improve, and brag all you want on the first three outcomes, but if you miss the latter three you'll lose when customers "vote."

If you've attended our workshops or read past issues of this newsletter, you know I'm passionate about using two types of interviews to understand these outcomes: qualitative Discovery interviews, followed by quantitative Preference interviews. If someone says they "know" what customers want and they don't have hard quantitative data to support this, be very nervous.

Step 2: Identify Benchmarking Alternatives

I once won our college doubles table tennis championship… only because I was "carried" by a much better player. I was feeling pretty good about this until we went to the regional tournament and set a new speed record… for being eliminated. For your target market segment, you need to understand the world-class competitors and set your sights on beating *them*. Smart venture capitalists won't invest in products unless they aspire to capture at least 30 percent

market share… because that's how products make serious profits. Identify the very best so you benchmark and exceed their performance on customers' key outcomes.

There are many ways your prospects and customers can help

Today's Quote

"Make sure you are building the right 'it' before you build 'it' right."

- Alberto Savoia, Google

you identify these world-class competitors. An ideal time to have this discussion is when you're conducting a front-end customer interview and they are already telling you what needs to be improved. Here's a pitfall to avoid: Don't just identify products that look like yours. Sure, make sure you understand the capabilities of other welding machines… but don't overlook mechanical fasteners and structural adhesives, if these are viable alternatives for your customers.

Step 3: Identify Benchmarking Test Methods

Let's say things are going well: You've identified the *outcomes* customers care about and the competing *alternatives*. At some level, you need to "test" these alternatives, and you need to do this in the front end to create a firm design for the development stage. What test methods will you use? We recommend asking for test methods in quantitative Preference interviews. Then consider five questions:

1) How frequently was this test method recommended?
2) What is our capability for running this test?
3) How costly—in time and expense—is the test?
4) How reproducible is the test?
5) How well does the test replicate real-life conditions?

Don't fall into the trap of using test methods that are convenient or comfortable for you. It's all about the expected customer experience. How can your testing simulate the value *customers* seek in key outcomes?

Exercise good judgment on the level of rigor you use. In many cases, our clients do competitive benchmarking using laboratory or field conditions. In other cases, though, this could be overkill: The cost to conduct physical testing may simply be too high this early in the project. In such cases, you can use panel comparison or expert prediction as a substitute for direct measurement.

Step 4: Identify Benchmarking Levels

There's still one more question that needs to be answered: "How good is good enough?" For instance, if competing welding machines take ten minutes to set up and your new product design calls for five minutes, will customers be impressed? If your setup time was one minute, would they really care if it's lower?

At AIM, we've pioneered a subtle but powerful methodology within New Product Blueprinting that gives you this information from those Preference interviews. I won't be offended if you skip the rest of this paragraph—which gets a little "thick"—but here's a brief description of how we do this:

In Preference interviews, we ask customers to rate both Importance and Satisfaction for each outcome on a scale of 1 to 10. On the satisfaction scale, 5 = "Barely Acceptable" and 10 = "Totally Satisfied." Later in the interview, we ask for recommended test methods and ask what test result level would constitute—you guessed it— *barely acceptable* and *totally satisfied*. This allows our clients to analyze data that integrates both *customer* needs and *competitor* capabilities, and lets them create truly <u>differentiated</u> new product designs. (Most other quantitative interview methodologies use forced rankings, blinding them to a) this competitive analysis, and b) over-served markets.)

What's Next?

So what do you do with this information? First, you could start by requiring a serious discussion on customers' *next best alternatives* during your stage-gate reviews.

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What do we know about these alternatives, how do we know this to be true, what do we need to better understand, and how is our new product design stacking up? The most dangerous stage-gate conversations are the ones that don't take place. You could miss a brilliant opportunity to modify or kill a new product project.

Second, look for ways to begin this approach without overloading your already-overloaded staff. When we work with clients, we help them make this as easy as possible. Weave much of this work into your customer interviews. And start with lower levels of rigor at first, increasing rigor later as appropriate. For more information, visit www.newproductblueprinting.com. If you'd like a complimentary PDF copy of a chapter from my book on this, email me at dan.adams@newproductblueprinting.com. Good luck on delivering great, differentiated new value!