

# B2B Organic Growth Newsletter



New Product Blueprinting by Dan Adams

Growth strategies for companies that supply businesses - not consumers

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## Is Your Innovation Supplier-Centric... or Customer-Centric?

One of the best parts of my job is that I get to conduct workshops around the world in every conceivable B2B industry... with really smart clients. I *always* learn from them, and hopefully they learn from me. During the course of a typical year, I am asked hundreds of questions, and I find that I come back to a few core principles in answering them. The notion that a supplier's innovation can and should be customer-centric is one of the most powerful of these principles.

Some of what we're going to cover here may seem like semantics, but I hope you'll see *words* reveal a way of *thinking* that is flawed, which leads to flawed *behavior*. At the core of this flawed thinking is the notion that our innovation is all about us as the supplier, when in fact it is about those who pay for that innovation—our customers.

I'd like you to consider four shifts in thinking that stem from this principle. Before we explore these shifts, let's cover some terminology... "outcome space" and "solution space." An *outcome* is a desired customer end-result. A *solution* is the supplier product, service, or business model to satisfy that outcome. Think of the outcome as the "what" and the solution as the "how." The hole is the outcome and the drill bit is the solution. In real life, there are scores of outcomes for every job your product might be hired to do... how fast the hole is drilled, how accurately, how easily centered, how much mess is created, and so on.

**You can't live in customer outcome space, but you can become an experienced travel guide for your**

Customers are most knowledgeable about their "outcome space"... and suppliers about their "solution space." A

B2B supplier can never

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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**

**company.** understand customer outcome space as well as the customers who spend all their time there. You can't live in customer outcome space, but you *can* become an experienced travel guide for your company. Understanding customer outcome space better than your competitors is one of the strongest drivers of organic growth.

## Shift 1: From "New Markets" to "New Supplier"

Most suppliers think in terms of *existing* markets and *new* markets they could supply. I am often asked if suppliers should approach existing and new markets differently. In fact, customer-centric thinking says there are no "new markets"... only new suppliers to a market.

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Imagine 1) a customer in an existing market, and 2) a prospect in a market you don't serve today. In both cases, do they have desired customer outcomes? Are some outcomes

more important—and less satisfied—than others? Are they both interested in new solutions—from any supplier—to the most important and least satisfied of these outcomes? Absolutely.

If you master customer-centric methods for understanding customer needs (see Shift #2), you should use essentially the same approach to understand customer outcomes in *any* market segment. Sure, there are subtle differences in how you might set up the interviews, but the way you listen, probe, observe, and "enter their world" is driven by your *focus on the customer...* and should remain the same.

## Shift 2: From "Validating Hypotheses" to "Uncovering Outcomes"

Picture this: You're the customer, and the supplier interviews you, asking a dozen or so scripted questions. It's clear they have a new product idea and they want to get your opinion on it. You get this unsettled feeling that their boss asked them, "How do you guys know customers want this?"... and your interview will help them "check that box."

This is a *supplier-led* interview... and customers are about as excited as if a pollster came to their house

**In a customer-led interview, the supplier**

with a survey clipboard in hand. Now picture this: The supplier team asks *you* for the problems

## Launch



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## Today's Quote

*"Research is the transformation of money into knowledge, whilst innovation is the transformation of knowledge into money."*

-Dr. Geoffrey Nicholson, 3M

...then, the supplier has *no idea* where the customer will take them. learn about you for the problems you're having with *your* process or products. And then listens. They ask insightful questions, and even record your answers in digital sticky notes on a projection screen... so you can correct them. After each problem, they ask you for other problems you're having. This is a customer-led interview, and the supplier has *no idea* where the customer will take them.

Who "owns" each of these interviews? In the latter case, customers realize *they* are setting the agenda, not the supplier. So the customer becomes very engaged, opening up their world to the supplier and leading the supplier to outcomes the supplier could never have imagined. The supplier simply takes the role of a skilled facilitator.

### Shift 3: From "Competitive Products" to "Customer Alternatives"

If you asked me for the most important element in the front end of innovation, my vote would be understanding customer outcomes in depth. But if you asked me for the *most commonly overlooked* aspect, I'd say it was understanding customers' next best alternatives.

All suppliers want to create customer value, but to be successful they need to create value over and above customers' next best alternatives. If you just *match* the value customers get today, they'll just use you to beat down prices. We all know this, yet I'm impressed with how infrequently suppliers *quantitatively* understand customers' next best alternatives. Without this knowledge, it's impossible to know how to properly price and promote your new product.

A good starting "fix" for this is to think less about benchmarking competitive products *after* you develop your product... and think more about side-by-side testing of customers' alternatives *before* you develop them. If you're developing a new welding machine, you may indeed test competing welding machines... but you might also test mechanical fasteners and structural adhesives if these are viable customer alternatives.

And whatever you do, don't develop your "test methods" internally. Use your customer interviews to understand how they measure success for each outcome... and build your test methods accordingly. If a customer outcome is "minimize physical effort to drill holes," you need to learn how to perform this test internally... *from the customer*.

### Shift 4: From "Competitive Pricing" to "Value Creation"

When they develop a new product, many suppliers consider competitors' prices as they plan their pricing. Or worse, they think in terms of cost-plus pricing. Both of these modes are nearly irrelevant if you are introducing a product that delivers new customer value. Competitive pricing just helps you judge initial customer reaction, and cost-plus just sets the pricing floor. Neither tells you what customers will pay.

Suppliers would do better to think in terms of value creation and value capture. Value creation occurs when a supplier delivers value to customers they can get in no other way. In the B2B world, this value may help customers save money in their processes, or *make* money in their products. Value capture takes place when customers return a portion of that value by paying higher prices.

When suppliers get this right, they reap enormous profits. But relatively few do. That's because they miss Shifts #2 and #3: They fail to uncover outcomes that will truly excite customers, and they don't fully understand customers' next best alternatives.

## **Making the Shift...**

If your company is stuck in a supplier-centric innovation mindset, how do you shift into a customer-centric one? It's not easy and it won't happen quickly, but here's the good news: We see this shift occurring *all the time*. It happens when employees learn new customer-centric skills such as in-depth interviewing and customer tours... and are then rewarded for putting these skills to use in real new-product projects. To see examples and learn more, visit [www.newproductblueprinting.com](http://www.newproductblueprinting.com).