

# New Product Blueprinting:

## How to Avoid Commercial Risk in



**T**echnologists in the coatings industry work hard to bring high-value innovation to their customers. Unfortunately, many of their technical successes fail for commercial reasons. In the future, this will change. If you make coatings for other companies—or ingredients for coatings producers—your business-to-business (B2B) customers can help you eliminate most commercial risk *before* you step into your lab. This article details how this can be achieved.

Imagine you are in the lab working on your next coating—or coating ingredient—and your only question is whether you will succeed technically. You have complete commercial confidence. If you can hit your technical design targets, you *know* the market will eagerly buy your product and pay a premium. And this will be true for your next project... and your next...

Does this sound like an alternate reality, a parallel universe you have not visited? I believe this will be commonplace in the future, at least for B2B innovators. Future innovators will look back at today's approach and chuckle. Or cringe. Today, many companies launch their products at customers, *hoping* they will like them. Can you imagine a less efficient way to understand market needs than going through the *entire* product development process first?

# New Product Development

By Dan Adams, The AIM Institute

Think about it this way: You have three major phases of product development: Front-end, Development, and Launch (Figure 1). When do you resolve your technical risk? Probably in the Development stage. At the beginning of this stage you do not know if you will succeed, but by the end of Development you are certain you either can or cannot—develop a good technical solution.

When do most companies resolve their commercial risk? Typically, this happens in the Launch phase.

**Question:** "Hey Joe, how's your new product working out?"

**Answer:** "Hard to say yet. We'll launch it next month and see if anyone buys it."

What if you built a "certainty time machine"? Instead of reaching commercial certainty in the Launch stage, you would do this in the Front-End.

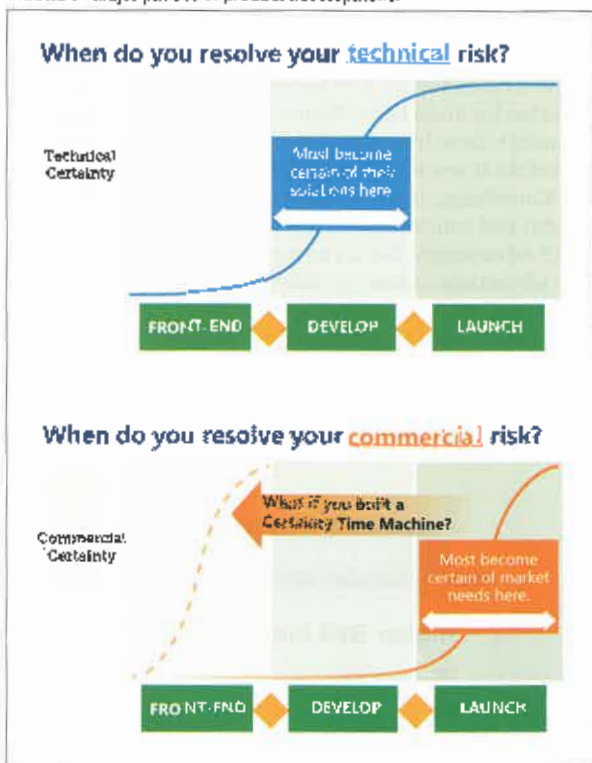
Is this possible? Perhaps not for consumer goods products. If you ask consumers what they want in the next video game, snack food, or sports jacket, they will probably need to play with it, taste it, or try it on (hopefully in this order.) The good news is your B2B customers are completely different.

## YOUR B2B ADVANTAGE

Consider the chemists, manufacturing engineers, and business professionals at your B2B customers. They have five characteristics that set them apart from most end-use consumers:

- **Knowledge:** Your B2B customers have had years of education and on-the-job training. And unlike consumers, they are spending significant time each week thinking about your topic.
- **Interest:** If you help your B2B customer contact make or save money, you could make him/her a hero at work. How interested are consumers? You have to pay them to come to a focus group.
- **Objectivity:** Your B2B customers are rational because they must be. They usually make group decisions, are held accountable for these decisions, and must follow company policies.

FIGURE 1—Major phases of product development.



- **Foresight:** Your B2B customers are in business to make money. They can tell you what would help them sell more, lower labor costs, speed up production, capture energy savings, etc.
- **Concentration:** There are millions of potential B2C buyers, but your B2B markets have far fewer customers. This means you can interact directly with them to understand their needs.

But it can be misleading to simply slap a "B2B" or "B2C" label on your target market. These terms are too blunt and imprecise. A *B2B Index* was developed to measure "how B2B" any market segment is.<sup>1</sup> The answers to 17 questions about the customer contracts in your target market reveal their level of knowledge, interest, objectivity, etc. You then receive a report assigning an index between zero (very B2C) and 100 (very B2B).

Contrast a B2B engineer buying a conveyor belt to a consumer buying a dress belt. The market for conveyor belts would have a much higher B2B Index than the market for dress belts (Figure 2). You can conduct these free assessments on your markets at [www.b2bmarketview.com](http://www.b2bmarketview.com).

Knowledge, interest, objectivity, foresight, and concentration are wonderful B2B advantages. But an advantage is no advantage unless you take advantage of it. So how do you tap your B2B customers' amazing reservoir of insight, so you know exactly what they want in your new product? You do this using two types of customer interviews—Discovery and Preference.

## QUALITATIVE DISCOVERY INTERVIEWS

Imagine you want to develop a new ingredient for semi-gloss paint. First, you'll interview six to 10 semi-gloss paint producers using qualitative Discovery interviews to understand their desired outcomes. You start with two or three current state questions to get them comfortable. Example: "Can you describe your company's major strengths?" or "How do you understand your customers' needs?"

Then you ask for problems they encounter in their processes or products—and what their "ideal world" would look like. For each outcome, you ask strong probing questions, and then ask, "What else?" to hear their next outcome. It may seem odd, but the customer guides the interview more than you do.

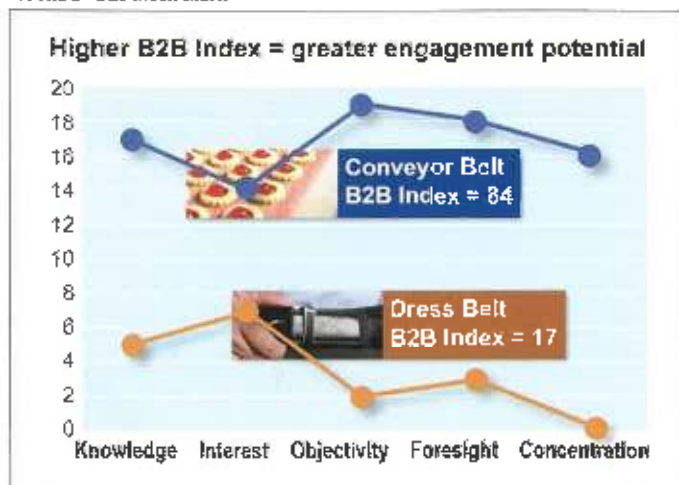
After analyzing their comments, you will return to these same companies to conduct quantitative Preference interviews. This helps you converge on the outcomes they are most eager for you to improve. (See next section.)

For top quality Discovery interviews, follow these 10 rules:

1. Use your own employees, not "hired guns." Your technical expert should attend so customers know they are talking to the person who can innovate for them.
2. Use a digital projector to display customers' comments on a screen or wall. They'll read your notes, make corrections, build off each other's thoughts, and be much more engaged.

3. Interview several customer job functions simultaneously, e.g. R&D, tech service, marketing, manufacturing, etc. They'll discuss each other's ideas and share unique perspectives. You will learn a great deal from their interaction while getting a broader company view, not a single-function perspective.
4. Interview multiple companies (separately) at each point down the value chain. The greatest value you can provide may be for your customers' customers. To avoid upsetting your direct customers, interview them first, and tell them you will share the market insights you hear from their customer base. In all cases, confidential data remains secure, as you "roll up" market findings (and later quantify them).
5. Forget your boring questionnaire. Do you like someone at your front door asking you to answer their survey questions? Your customers feel the same. For each problem or ideal-world outcome you hear, you probe with questions like, "Can you describe that? How often do you see this? How does this impact you?" Then you simply ask, "What other problems are you seeing?" Rinse and repeat. You might think you need your list of questions, but tens of thousands of interviews by our trained clients have proven otherwise.
6. Only seek customers' desired outcomes (desired end results) by asking about their problems and their desires in an ideal world. Never sell or solve during Discovery interviews. Just search.
7. Let your customers lead. After you hear, probe, and record an outcome, just ask, "What else?" This ensures customers generate outcomes they care about.
8. Don't "lead the witness," trying to validate your hypotheses. Customers will sense you are more interested in your preconceived ideas than their needs.
9. Listen and probe professionally by recapping, making affirming comments, appreciating silence, and using thoughtful, open-ended questions. "Active listening" techniques are very helpful.

FIGURE 2—B2B index chart.





10. Spark fresh thinking by displaying a "trigger map" (Figure 3). A map might show future trends that could impact the customer. This helps them generate new outcomes they would not have thought of otherwise.

## QUANTITATIVE PREFERENCE INTERVIEWS

You've finished your Discovery interviews and now have dozens of documented customer outcomes, each of which you have thoughtfully probed. But it is certainly not possible to target *all* these outcomes in your product design. How will you decide which to pursue? Which are the most attractive to customers and potentially profitable for you?

FIGURE 4—Market satisfaction gap.

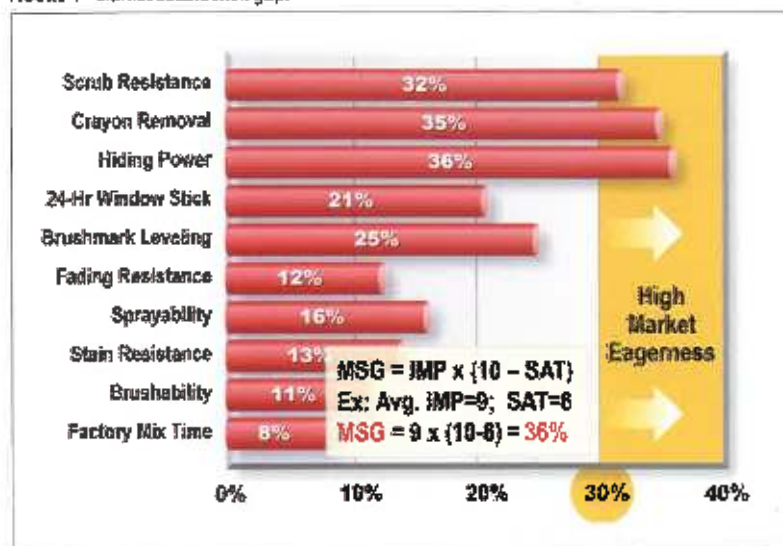
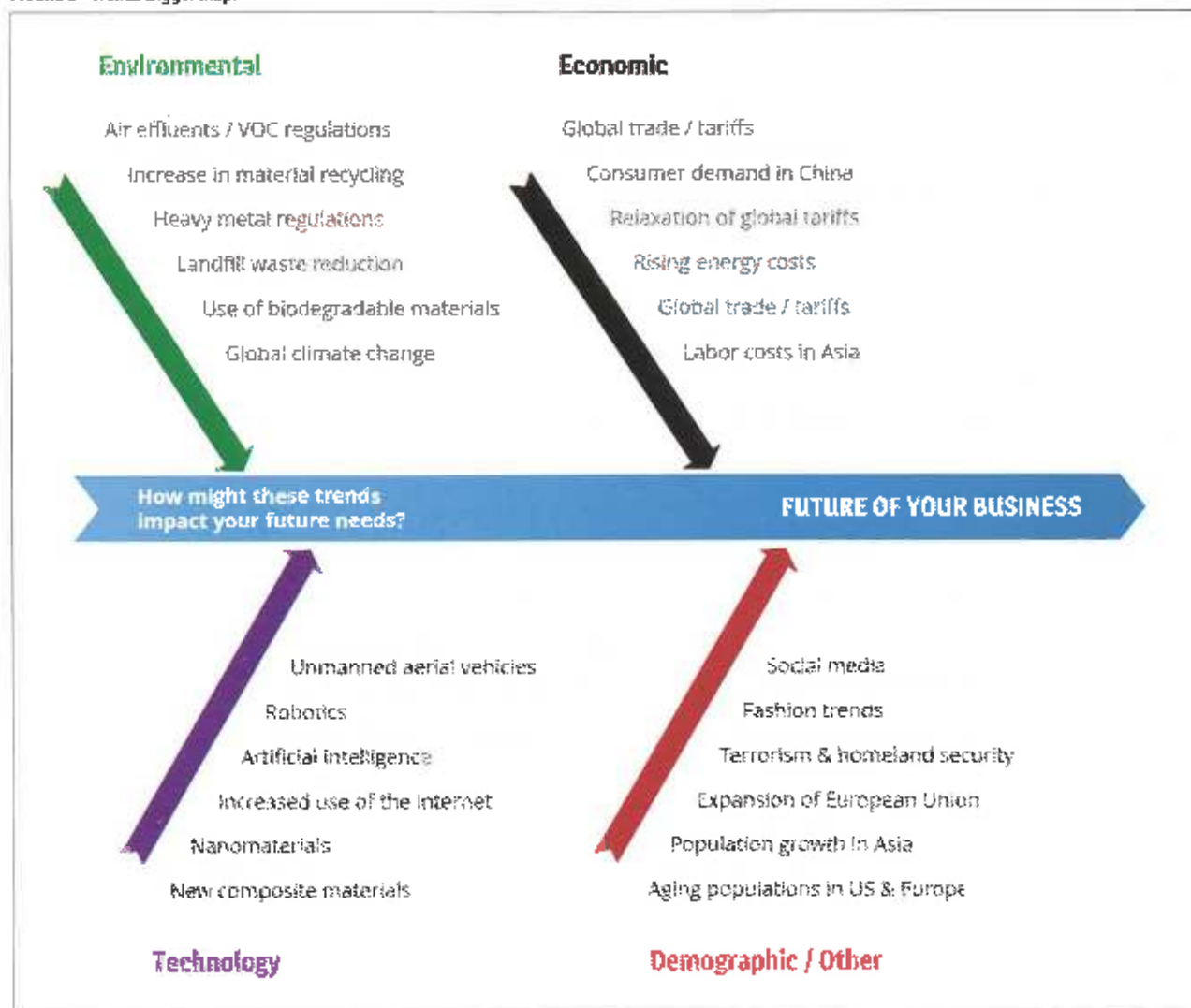


FIGURE 3—Trends trigger map.



# New Product Blueprinting

This is where quantitative Preference interviews help. If one of the outcomes is "maximize paint scrub resistance," you ask two simple questions:

1. On a scale of 1 to 10, how important is it to maximize scrub resistance? (This is the "TMP" rating.)
2. On a scale of 1 to 10, how satisfied are you today with your ability to maximize scrub resistance? (This is the "SAT" rating.)

You need to "anchor" these numerical ratings for the customer. On the satisfaction scale, for instance, a "10" is totally satisfied, and a "5" is barely acceptable. After you capture these ratings, you calculate Market Satisfaction Gaps (MSG) for each outcome (for the entire market), using the formula shown in Figure 4.

Hundreds of new product teams have done these interviews in every imaginable B2B industry on six continents, and here is what has been found: If the MSG is around 30% or more, the market is eager to see you improve this outcome. The higher the MSG, the more eager the market is. We frequently find severely underserved markets. Our research shows nearly half of all markets have at least one outcome with an MSG over 50%!

## WHY DOES THIS WORK?

These two interviews slash commercial risk because they address the two most common types of errors: errors of omission and errors of commission. An error of omission is failing to uncover unarticulated market needs. No team is ever faulted for this, because no one notices the omission—at least not until a competitor launches a blockbuster.

An error of commission is choosing the wrong outcome(s) to pursue. This happens all the time. The primary cause

is *confirmation bias*, the tendency to seek and interpret information in a manner that supports our pre-existing beliefs. This is so powerful that our brains get a little shot of "feel-good" dopamine when we hear confirming information.

Unless you can control your brain chemistry, it is critical to get unbiased, unfiltered information on customer needs *directly* from customers. If you are looking for the single most important way to boost innovation and reduce squandered R&D in your company, here it is: Don't begin any significant product development lab work without unfiltered, quantitative data like this.

## HOW WELL DOES THIS WORK?

Considerable research has been conducted to see how these interviews perform. We surveyed interviewers that conducted over 1,800 Discovery interviews and found:

- 90% said they gained a *deeper* understanding of customer needs.
- 88% said they learned more *valuable* information than normal.
- 86% said they learned *unexpected* information.

We also interviewed 50 teams that had conducted both Discovery and Preference interviews. Naturally, these teams had some product design targets prior to their interviews. Our question was, "How much have these interviews impacted the design of your new offering?" We were surprised to see 86%—five of six teams—said these interviews had a "great" or "significant" impact on their product designs.<sup>2</sup>

It's probably not a big leap, then, to say most new product teams lack a good understanding of market needs today if

they are *not* doing such interviews. The remedy is simple: Move your resources "up and out." Take some people now dedicated to "the solution" (typically ~90% of project spending), and move them "up" to the front-end of innovation. And instead of talking among yourselves about customer needs, it is crucial to get "out" and talk to those you are innovating for—your customers.

We'll close with an example from the coatings industry. Our client, an ingredient supplier, conducted these interviews with their customers (coatings producers) and customers' customers [Original Equipment Manufacturers (OEMs)]. The ingredient supplier then showed one of the coatings producers quantitative data proving the coatings maker had serious misconceptions about what the OEMs *really* wanted. The result? The coatings producer is now learning these interview methods.

There will still be plenty of challenges in your lab, and the answers probably won't come easy. But if advanced methods to understand B2B customer needs are learned and applied, you can be confident that you are working on answers to questions your customers care about. <sup>3,4</sup> ❖

## References

1. See [www.b2bmarketview.com](http://www.b2bmarketview.com).
2. See research at [www.guessingatcustomerneeds.com](http://www.guessingatcustomerneeds.com).
3. More information on Voice of Customer (VOC) is available by watching the video, "Reinventing VOC for B2B" at [www.voiceforb2b.com](http://www.voiceforb2b.com). For greater detail on New Product Blueprinting, see Adams, Dan, "New Product Blueprinting: The Handbook for B2B Organic Growth," accessed at [www.theaiminstitute.com/insights/books-e-books/](http://www.theaiminstitute.com/insights/books-e-books/). Select chapters are available for free download.

DAN ADAMS, the AIM Institute, 2206 20th St., Cuyahoga Falls OH, 44223;  
[dan.adams@theaiminstitute.com](mailto:dan.adams@theaiminstitute.com)