New Product Blueprinting: How to Avoid Commercial Risk in 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 solve a problem, 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 more follow company policies.
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1. Knowledge: Your B2B customers have had years of education and on-the-job training. Unlike consumers, they are spending significant time each week thinking about your topic.
2. Interest: If you help your B2B customer contact make or save money, you could make him/herself a hero at work. How interested are consumers? You have to pay them to come to a focus group.
3. 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.

Technologies in the coatings industry have had 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 your 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 Blueprinting

- **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, 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. The answers to 17 questions about the customer contacts 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. Knowledge, interest, objectivity, foresight, and concentration are wonderful B2B advantages.

For top-quality B2B 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. Choose 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 services, marketing, manufacturing, etc. They’ll discuss each other’s ideas and share unique perspectives. You’ll 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 hire 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 do that? How does this impact you?” Then you simply ask, “What other problems are you seeing?” Rilse and repeat. You might think you need your list of questions, but tens of thousands of interviews by our trained clients have proven otherwise.


7. Let your customers lead. After you hear, probe, and record an outcome, just ask, “What else?” This ensures customer-generated 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.

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

**QUALITATIVE DISCOVERY INTERVIEWS**

Imagine you want to develop a new ingredient for semi-gloss paint. First, you’ll interview six to ten 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 strength?” or “How do you understand your customers’ needs?”

Then ask for problems they encounter in their processes or products—and what their “ideal world” would look like. For each outcome, 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.)

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**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?
New Product Blueprinting

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

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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.

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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 max-
imize scrub resistance? (This is the “SAT” rating.)

You need to anchor these numerical ratings for the customer. On the satisfac-
tion scale, for instance, a “10” is totally satisfied, and a “0” is barely acceptable. After you capture these ratings, you cal-
culate 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 imagin-
able 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 unfilter-
ted, quantitative data like this.

HOW WELL DOES THIS WORK?

Considerable research has been conduc-
ted to see how these interviews perform. We surveyed 112 interviewees who conducted over 1,800 Discovery inter-
view sessions and found:

- 90% said they gained a deeper understand-
ing of customer needs.
- 88% said they learned more valuable information than from mail.
- 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 offer-
ing?” We were surprised to find six—
five of six teams—said these interviews had a “great” or “significant” impact on their product designs. 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 10% of project spending), and move them “up” to the front-end of inno-
vation. 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 ingredi-
ent supplier, conducted these interviews with their customers (coatings produc-
ers) 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 proba-
bly 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.14, 15

References

SPECIAL OFFER:
ACA is offering buyers special pricing for the purchase of both reports.

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