

Blueprints for Growth

Ideas to Help Industrial Producers Build Profitable, Sustainable Growth

We help industrial manufacturers develop products their customers love, competitors respect and stockholders applaud... using new tools to uncover customers' deepest needs. Then we get out of the way.



Dan Adams
Advanced Industrial Marketing, Inc.
www.newproductblueprinting.com
dan.adams@aimtlead.com
330-715-8459

Are You Squandering R&D Resources?

Most industrial companies are. Funny thing is that many large corporations already know they are squandering at least half of their tens-to-hundreds of millions of R&D dollars. (Studies show companies waste 50-75% of their R&D on unsuccessful new products.) They just don't know which half. Well, they actually do, but not until after the money has been spent.

It's not that the labs are filled with technical people who can't find the right answers. They're just being asked the wrong questions. Questions that are unimaginative, being asked at too many other labs and—if solved—create too little value. Questions that are too obvious.

These questions fall into two camps: wrong-market questions and wrong-need questions. The former occur when scientists are asked to develop products for market segments that are either unwinnable or not worth winning. This is a terrible waste... an outrage... and the subject of another briefing. For now, let's consider wrong-need questions and the ensuing footrace.

What Footrace Are You In?

Does this sound familiar? An important customer tells your sales rep what they want. That starting pistol shot begins the race, and your sales rep quickly drops the request off at R&D's doorstep, properly packaged and labeled of course. R&D may ask the rep to go back and ask more questions, but once he's handed the baton to R&D, his leg of the relay is pretty much done.

If more than one of you crosses the finish line, you can forget that price premium.

Since the customer is a clever chap, your competitors' sales reps bring back the identical request to their companies. Terrific. Now you're all in the same footrace, with the customer waiting at the finish line. If more than one of you crosses it, you can forget that price premium.

What if you ran a different race? This time, you choose the race time and place by targeting an attractive market

segment opportunity... which you pursue with in-depth customer interviews. A two-or-three person technical-marketing team uses advanced probing to uncover *unspoken* needs. And since your team knows how to engage the customer in collaborative brainstorming, it will likely bring back *unimagined* needs as well. The race is on and your competitors don't even know it.

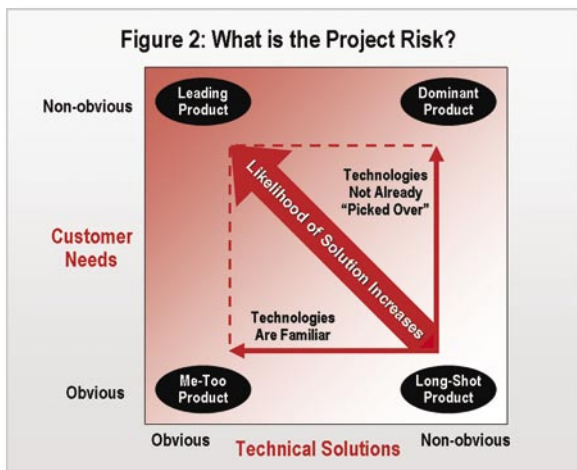
The new product you develop is like nothing the customer has seen before (nor will they for a long time if your patents are in order.) It delivers real value, which the customer shares with you by paying a fair price premium.

Moving into the NO-Zone (Non-Obvious)

Patents are only granted if they are useful, novel and non-obvious. So we already appreciate the value of non-obvious *technical solutions*. What about the value of non-obvious *customer needs*? If you'll work through the logic with me, you'll see this value can be enormous.

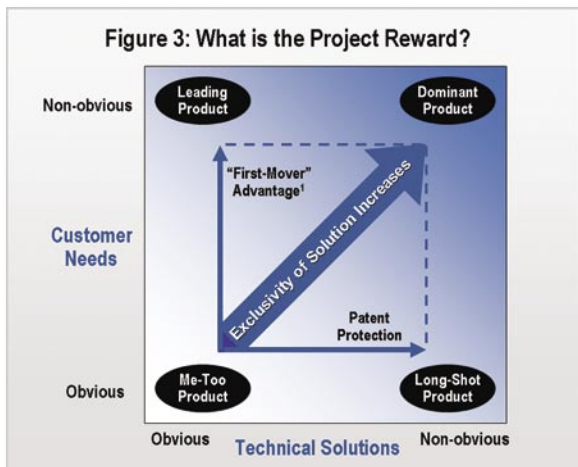
First, imagine your customer has obvious and non-obvious needs and that you can learn about both. If you could pursue any of the four product types shown in Figure 1—Me-Too, Long-Shot, Leading or Dominant—which would you pursue? It's a question of risk and reward where a) risk is driven by the *likelihood* you'll find a technical solution and b) reward is greatly boosted if you are the *exclusive* solution supplier. Let's explore.





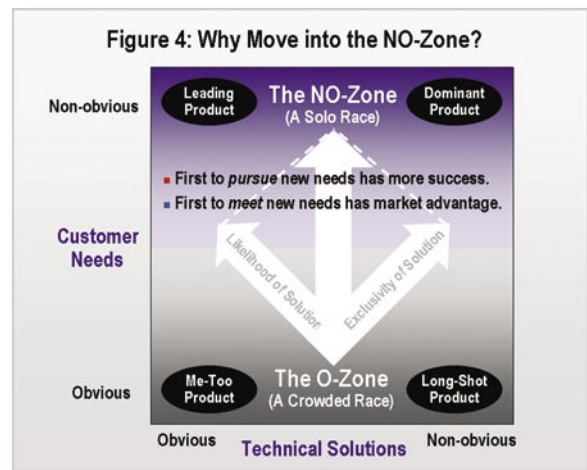
In Figure 2, the likelihood of technical success increases as you move to the upper-left. Of course, the “likelihood vector” points left because you’re using familiar technical solutions. But it also points up because you’re trying to answer questions never before asked. The technical solutions haven’t been picked over by others like the bones of a long-dead wildebeest.

The reward profile (Figure 3) is driven by whether you are the *exclusive* supplier of new customer value. You might price your new product to share value 50/50 with your customer. But if a competitor matches your product, nearly all of the value—and your profits—will immediately swing to your customer.



Your exclusivity increases as you move to the right, with a solution that is patented. But the “exclusivity vector” also points up, as you are the first to discover and satisfy a non-obvious need. You’ll gain first-mover advantages—branding, industry reputation, learning-curve experience, industry standard-setting, or even an application patent.

Since a project’s attractiveness is a combination of its risk and reward, the vectors should be added together, as in Figure 4. By pursuing non-obvious needs (the NO-Zone), you’ll be the first to uncover important needs. This makes it more likely you’ll succeed technically, and gives you first-mover market advantages if you do.



So Which Projects Should You Pursue?

I believe most companies can help themselves greatly by spending less time in the O-Zone. It’s far too crowded and frankly, it’s just plain *hard* to win here. But under the right circumstances, there’s room for each project type:

- *Me-Too*: These won’t bring you much value, but some may be needed to fill out your product line.
- *Long-Shot*: While these can be a resource sink-hole, they can be worthwhile if you have a likely technical path.
- *Leading Product*: Make this your first line of attack in most cases. Only move off this if you can’t uncover any non-obvious needs or obvious technical solutions.
- *Dominant Product*: These can give you blockbuster value, but don’t start here: What’s the point of a patented solution if competitors can find an obvious solution?

Shifting Your Workload

By moving into the NO-Zone you can get much more out of your R&D organization without adding resources. But you will have to shift the workload... by moving work *forward* and *outward*: Forward in time by interviewing customers before starting costly product development. And outward by spending more time with customers. The pay-off will be in far greater R&D efficiency. Your cost will be a fraction of what you would have wasted.

When you do this, you’ll be adding a dimension to your thinking that your competitors lack. They’ll be working on project portfolios in the O-Zone, balancing Me-Too and Long-Shot projects, completely missing the dimension of non-obvious needs. They’ll be squandering resources in the zone of lowest possible R&D efficiency. Meanwhile, you’ll be competing where your competitors are *not*... by asking better questions. You’ll be running a footrace by yourself. Now that’s a race you can win.

Learning More...

At Advanced Industrial Marketing, Inc., we specialize in helping large industrial companies meet non-obvious customer needs—through training and software. Learn more at www.newproductblueprinting.com.