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Minute

# Improved Profit through Early Integration of Customers' Needs

*EDITORIAL*

Marketing research during product development is an essential investment in product success. Early integration of the voice of the customer as input to the product roadmap streamlines product development to avoid the wasted time and money of developing products that do not perfectly fit customer's needs and expectations.

Customer insights also brings together the development, marketing, and sales teams early in new product introduction planning. This critical interaction focuses future marketing and sales efforts by ensuring that campaigns align with customer needs and effectively communicate how their product meets them.

## MARKET

### Consumer Theory and Effective Spending

Consumer theory and measurement of preferences can guide engineering teams to improve the likelihood of development success. Per Utterback and others (ref?), 60-80% of successful innovations are a result of an identification of consumer needs. Understanding consumer needs enhances the creativity of development engineers and focuses resources on solving technological problems that customers truly care about. Analysis of consumer perceptions and preferences helps define critical solution dimensions that can be prioritized to help developers evaluate alternative solutions to consumer needs.

Marketing research provides the inputs that focus development, and ensure effective spending in all stages of the R&D process:

- Early in the design process, research must identify perceived needs and desired outcomes.
- Once engineering characteristics are developed, marketing research determines the physical and technical characteristics that best meet the consumers' perceived needs.
- After product definition, research determines customer perceptions, psychosocial cues, and situational constraints that will impact behaviors when interacting with the solution.

## CASE STUDY:

*An Informed Portfolio Design*

**The Company**: A market-leader in hospital devices was challenged with a significant delay for a new product introduction. The client needed to identify a launch and pricing strategy to minimize lost sales.

**The Challenge**: There was concern about lost sales to competitors, and significant lost near-term revenue as customers delayed purchase while awaiting the new product line.

**Our Solution**: Technical characteristics were already fixed and so marketing research focused on customer perceptions and situational constraints. A combination of In-Depth Interviews (IDIs) and a quantitative conjoint survey provided objective assessment of decision factors and the dollar value of buying decisions. A calibrated market simulator was developed to understand market impacts resulting from business decision available to the client.

**The Impact**: TMTG research and pricing models provided the client with a portfolio strategy and price points that maximized its profits or market share. Research showed that a segment of customers was not willing to pay a premium for the nextgen product features and preferred minor improvements to the current product line. Rather than ending the life of the existing product line, TMTG research showed that: differentiating a two-product portfolio with modified pricing of product and upgrade plans provided significantly more value to the market, reduced the revenue freeze, and improved revenue and profit for the client.

# INTERVIEW OF THE SEMESTER

## *Positive Effects of Early Marketing Research*

**Mr. Rich Fabian (RF),**
*COO of Fujifilm SonoSite*

**Interviewer: Christian Renaudin, TMTG CEO**

**Q: How closely do you think the typical R&D team works with sales and marketing when developing products? How closely should they work?**

**RF:** Typically in large companies, they do not work as closely as they should. In reality, customers need to be at the center of the decision and the roadmap of decision early in the process. I have seen examples where sales and marketing and customers have been involved early and examples where they haven't been involved. I think we all have seen missed expectations of what the market needs vs. what R&D wants to build. I think the gap often exists… The gap may lead to a product launch that is not successful or not profitable.

**Q: What pitfalls have you seen that result from poor communication between groups? What has been the cost?**

**MM:** The pitfall I have seen can be caused by over-pricing, which results in loss of interest and trust from not only your sales team but also your customers. I've also seen new product being underpriced, not capturing what the market was willing to pay. Organizations can lose millions of dollars with these pitfalls. Sometimes people could say it is okay to leave money on the table to gain some market share, but I challenge that. You could have gained the same market share but done it more profitably, possibly with better messaging of the value you delivered to the customers. In reality, it's more common to launch without the right analysis than to actually do it properly, even at some of the great organizations. Part of that is because processes can be imperfect (particularly between groups in a matrix organization) and this is where strong connections need to be in place and putting the customers at the center of what you do. That becomes not only a process but also a culture challenge for many organizations.

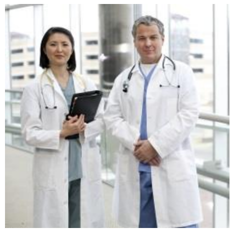
**Q: Some companies do post-development validation for products. Have you seen such a thing yourself?**

**RF:** Yes, I have. That becomes dangerous because you have already invested the money and you try to reverse engineer the pricing scheme that justifies the R&D investment but the market may or may not support the price level selected. It can be a very difficult position to be in if, after R&D investment, you discover that you created a product that either missed the market or the customer doesn't value enough to pay for that feature set.

Long version of this interview: [Positive Effects of Early Marketing Research]

# ON THE HORIZON

## Why is VOC so important for sales?



### *Facts*

- Ever since 1931 and Neil H. McElroy's famous memo at P&G, it is widely accepted that understanding the customer is an essential first step towards successful product management.
- The McElroy memo cautions that the first step in effective brand management must be to "study the past advertising and promotional history of the brand; study the territory personally first hand – both dealers and consumers – in order to find out the trouble."

### *At Stake!*

- The largest pitfall to avoid when seeking to launch a new product, or new version of an existing product, is to take for granted that the great idea from R&D is exactly what clients were waiting for.
- For McElroy the product manager had to be the voice of customer internally to the company, insuring that "good" ideas are confronted to the harsh reality of customer expectations.
- We all know that trying to sell a poorly adapted product to a customer is more painful and resource intensive than sell the product that precisely correspond to the need.

### *So What?*

- As McElroy would have advised, the first step toward success is to "listen to your customer" to better understand them and their expectations/needs.
- Relying on VOC marketing research specialist often provides you with key assets to grasp your customer psychology and true needs, It provides:
  - An unbiased vision, indirectly grasping your customer needs avoids potential interest influence at play when talking to a customer directly
  - An approach using well fitted methodology, marketing research is a "science" with multiple variables
  - Time saving, as VOC typically is a time intensive activity


THE MARKETECH GROUP

www.themarketechgroup.com

502 Mace Blvd., Suite 15
Davis, CA 95618

PH: +1 530.792.8400
FX: +1 530.792.8447

3, rue Emile Péhant
44 000 Nantes - France

PH: +33 (0)2 72 01 00 80
FX: +33 (0)2 40 48 29 40


MEASURING the VOICE-OF-CUSTOMER in HEALTHCARE