



# The MarketTech Group

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# Minute

## INTERVIEW OF THE SEMESTER

*Integrating marketing research at early stages of R&D ultimately saves money and time in the creation / launch of new products.*

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

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INTERVIEW

**Interviewer: Christian Renaudin, TMTG CEO**

**CR:** 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. R&D is interested in solving complex and interesting engineering challenges; whereas, especially in today's world, a lot of customers are requesting improvement in workflow, efficiency, access to care, integration with informatics, etc. If you are not able to work closely between what customers need and what engineers think they should work on, there will be a gap. The gap may lead to a product launch that is not successful or not profitable.

**CR:** Do you find that companies that integrate these departments launch more successful products?

**RF :** I'll give the example of SonoSite. SonoSite was created out of market demand and was awarded with a DARPA (Defense Advanced Research Projects Agency) grant from the US military, who requested a compact ultrasound to be deployed in the field. A deep understanding of the customer needs was crucial because this was the first time we heard from the market that a compact ultrasound needs to go to where the patient is. Prior to that, patients had to go to where the ultrasound equipment resided in the hospital. This is a great example of having a very solid understanding of what the market is looking for and how to create an incredible product.



In my previous experience with working with TMTG we saw great examples of bringing in market intelligence and research early in the process, and they helped to validate our R&D projects and sometimes modify the R&D plans as they were not aligned with the market expectations.

Some of the work we've done with TMTG and the analytics created provided marketing and sales with the basis for discussion with R&D. They facilitated critical communications and were a solid basis and starting point for discussions that were necessary for R&D

**Some companies do post-development validation for products, like “after the fact rubberstamp.” Have you seen such 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. However, I would say it's better late than never because you at least start to understand what the market would bear and pay for each feature set prior to launch.

**CR: Are you aware of companies where marketing research is part of best practice to make pre- launch and pricing decisions? Why was this best practice developed?**

**RF:** In my previous experience, marketing research was best practice for some businesses but not universal. Those who did use it maximized their choices in prioritizing the R&D roadmap as well as maximized their pricing models that were fair for both the customers and the company. I think the organizations that don't use marketing research usually set price based on cost and margin targets which often means that you are over-pricing a product for the market or you are leaving money on the table because you don't understand the value you delivered to the customers. Many times, without market research upfront, we would have undervalued our products if we simply used the margin targets..

**Was the practice of underpricing influenced by sales force or something else?**

**RF:** Sometimes it's influenced by the sales force and sometimes influenced by the marketing team going with the margin targets. Without conjoint data you do not understand the value and customers' willingness to pay. Some organizations sometimes may just not want to know the answer because they are determined to move towards a certain direction.

**CR: To what extent does the novelty of the product drive the level of marketing engagement in the R&D process?**

**RF:** It differs by organization and businesses within an organization. If you have the right collaboration between marketing, sales and R&D, it just becomes part of how you conduct businesses. For incremental improvement from rev1 to rev2, organizations often do not see market research as necessary because it's not a breakthrough. And I think that's when the challenge really comes in because sometimes the linear path of innovation that appears to be a logical next step from a R&D perspective may not be what the customer is asking or requiring. That may create a significant miss in R&D.

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

**RF:** I have seen it on both sides. 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.



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