

Guessing at Customer Needs



5 of 6 teams bet on the
wrong B2B product designs

A WHITE PAPER FROM THE AIM INSTITUTE
BY DAN ADAMS

*New research shows a disturbing lack
of customer insight by B2B suppliers.
Correct this with advanced interviewing
for your [best path to profitable growth](#).*

Guessing at Customer Needs

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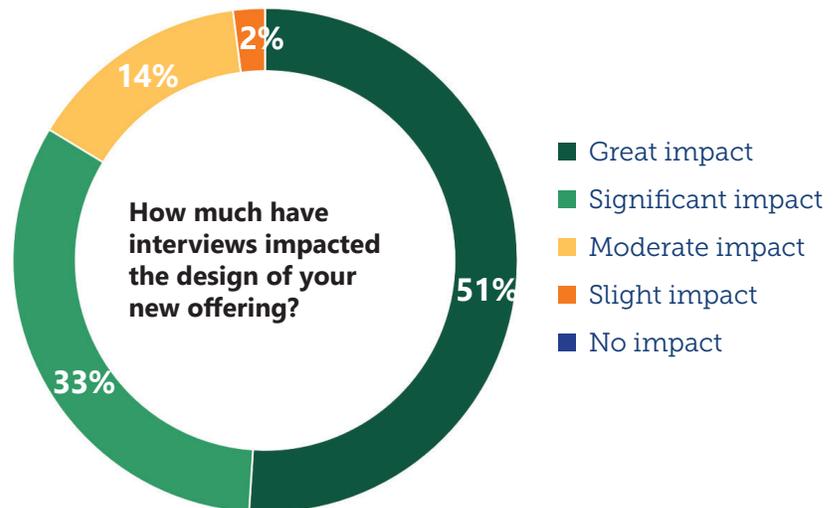


What are the chances your product development teams have enough customer insight to set the right new-product objectives? Picture a six-sided die with one “Yes” and five “No’s,” and you’ve got your answer.

How do we know this? The AIM Institute studied 50 new product development teams from 20 B2B companies (~80% Fortune 500). All had been taught AIM’s advanced customer interviewing methods. The teams conducted 875 interviews, and were asked how much these interviews impacted their product design. Only one in six said the impact was “slight” or “moderate.” Five in six said the impact was “great” or “significant.”

Consider two implications for your business. First, if you’re not practicing these methods (described later), your customer insight is probably no better than that of the 50 teams before their

Impact of interviews on product design



interviews. In other words, most of your teams would develop substantially different products if they had better customer insight.

Second, these teams showed there’s a better way for you to understand B2B customer needs. As you’ll see, the teams gained customer insight

that was *unexpected* and *unfiltered* to confidently set product objectives. Some early-adopter companies now use these methods to deliver high-value innovation to their markets. Increasingly, laggards will lose market share, unaware they are being out-innovated due to competitors' superior customer insight. The rest of this paper will explore the following points:

1 *Customer insight: key to growth:* Profitable, sustainable growth is harder than most think.

Your best path today is superior customer insight.

2 *Advanced B2B customer interviews:* B2B-optimized methods let you learn much more about the needs of knowledgeable, interested, objective B2B customers.

3 *Changing your organization:* This is the hardest part. Successful leaders correct three imbalances that all too common today.

Customer insight: key to growth

Is your business experiencing above-average, profitable growth that you sustain year after year? Or is your growth mediocre, spotty, something you can't count on?

If you're struggling, you're experiencing the "Red Queen effect." In Lewis Carroll's *Through the Looking Glass*, Alice was surprised after much running to see she and the queen were still in the same place. The Red Queen explained, "My dear, here we must run as fast as we can, just to stay in place. And if you wish to go anywhere, you must run twice as fast as that."

Does this sound familiar? Someone in your business says, "The market is growing at 3%...



Red Queen Effect

"Here we must run as fast as we can, just to stay in place."

so we should be able to grow 5% next year." It doesn't take much imagination to realize your competitors are also planning to grow faster than the market. Can all the suppliers to a given market grow faster than the market they serve? Of course not.

So why will you succeed while competitors fail? Are your R&D personnel 20% brighter than your competitors'? Do your sales people work harder? Is your marketing staff more persuasive? Can you think of even one unassailable advantage that will let you “run faster” than competitors? If not, better learn to live with mediocre growth.

Or... find something that drives organic growth that you can do better than competitors. Today this is improved customer insight. Here's why: For above-average growth, *you must understand and meet customer needs better than competitors*. Period. Nothing else will drive

FOR ABOVE-AVERAGE GROWTH, YOU MUST UNDERSTAND AND MEET CUSTOMER NEEDS BETTER THAN COMPETITORS. PERIOD.

above-average, profitable, sustainable growth... not cost-cutting, not productivity gains, not quality improvements. Since these all operate on existing assets they can impact near-term

“The market’s growing at 3%, so we should be able to grow 5% next year.”



How fast are competitors planning to grow?
 Why will you succeed while they fail?
 How will you offer more value than all of them?

profitability, but never long-term growth.

You must both 1) *understand* and 2) *meet* customer needs. Most suppliers are fixated on the second part, *meeting* needs (developing solutions). Unless your R&D truly is smarter than competitors', here's a better strategy: Ensure your R&D works only on real needs customers care about... while competitors keep guessing what to work on. Your secret weapon: Develop a company-wide capability to know *precisely* which needs customers want you to address.

Advanced B2B customer interviews

Is it really possible to confidently know the needs of customers? Perhaps not for B2C. If you ask end-consumers what they want in a video game, a snack food, or an article of clothing, they might not give you much insight until they see a prototype.

It's quite different for B2B. Imagine you could interview end-consumers about dress belts, or B2B customers about conveyor belts. The B2B engineers and production staff could tell you more about their conveyor belt needs, given their high level of knowledge, interest,

objectivity, and foresight. They might say they want to disinfect conveyor belts faster, reduce bearing wear, or increase food oil resistance.

This lets you eliminate considerable risk in your product development. You'll still have *technical* risk, which you resolve during the development phase. What about *commercial* risk? Most companies resolve this by launching products at customers to see if they'll buy them. After the launch, they reach "certainty" that customers either love their product, hate it, or something in between.

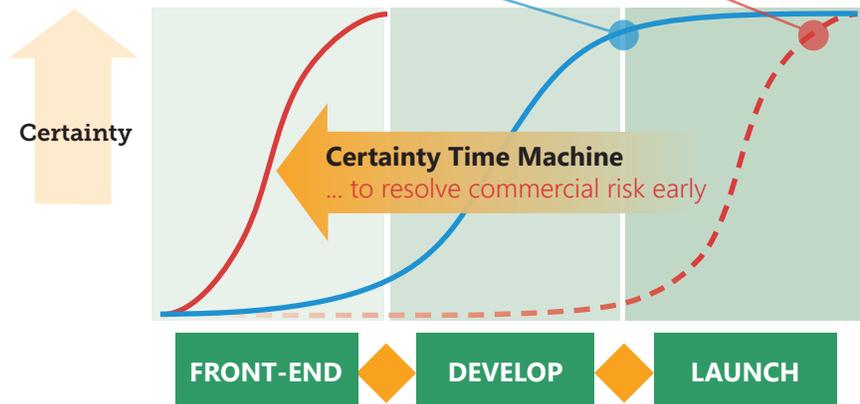
Advanced B2B interview methods let you build a *certainty time machine*. Most of your commercial risk can be resolved in the front-end, through intelligent conversations with B2B customers. Let's see how this is done.

There are two types of errors in understanding customer needs:

- *Errors of omission*: failing to uncover unarticulated customer needs
- *Errors of commission*: choosing the wrong customer needs to address

The 50 teams in our research used two types of customer interviews to avoid these errors. First, they conducted qual-

When do most resolve technical & commercial risk?



itative Discovery interviews. They projected their notes and used special probing techniques to engage customers and diverge to as many customer outcomes (desired end results) as possible.

Then each team conducted quantitative Preference interviews. They asked customers for 1-to-10 ratings on *importance* and current *satisfaction* for key customer outcomes. Those outcomes that were both important and unsatisfied generated high Market Satisfaction Gaps.

Qualitative Discovery Interviews



to stop errors of omission

Quantitative Preference Interviews



to stop errors of commission

Calculating Market Satisfaction Gaps from Preference Interviews

1. Data-mine Discovery Interviews for the outcomes customers seem most eager to improve.

2. Ask customers for 1-10 scores on importance (IMP) and satisfaction (SAT) during Preference Interviews.

3. Be sure to anchor your 1-10 ratings. Example: A satisfaction score of 5 = "barely acceptable."

4. Calculate Market Satisfaction Gaps for key outcomes. (See formula to the right.)



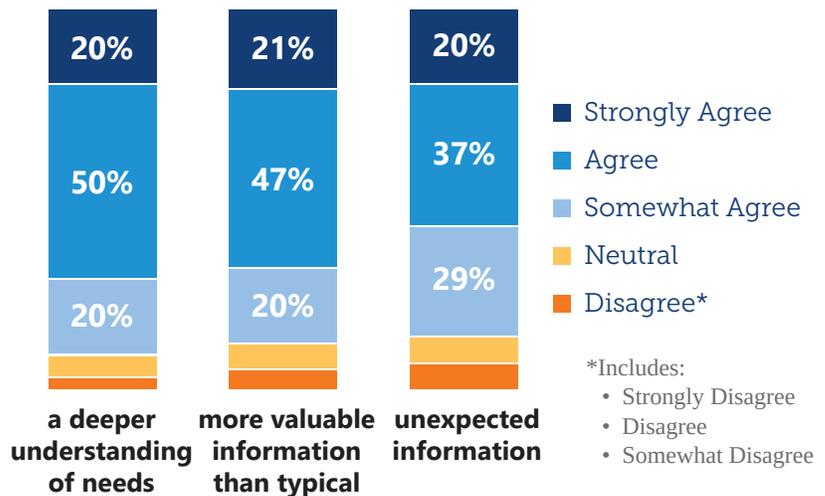
5. MSG over 30% indicates high market eagerness. Higher scores indicate even more desire for change.

The combination of these interviews proved highly effective. In a separate AIM Institute study, 397 survey respondents described their experiences with more than 1800 Discovery interviews. (See *Discovery Interview Research Report* at www.aimwhitepapers.com.)

Their Discovery interviews typically led to a *deeper* understanding of needs... with more *valuable* information than from typical customer interactions. And the information was generally *unexpected*. These teams were gaining insights normally overlooked in errors of omission.

The teams' performance with Preference inter-

As a result of Discovery interviews, we gained...



views was just as impressive. The results of the 875 interviews were analyzed, and the teams were interviewed to better understand their experiences. (See *Preference Interview Research Report* at www.aimwhitepapers.com.)

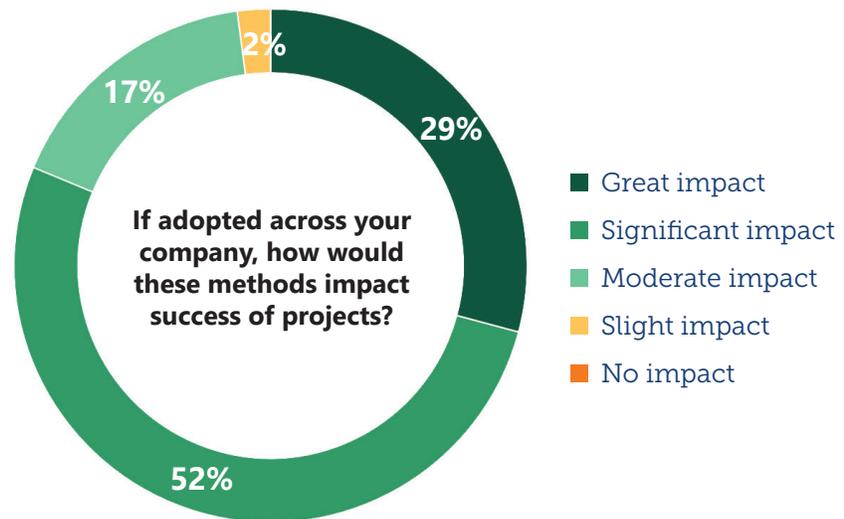
The teams overwhelmingly felt these advanced interview methods would substantially improve the success of projects across their companies if adopted broadly. (See chart.) As mentioned earlier, five of six teams changed their product *design* as a result of these interviews. Surprisingly, nearly half also changed their project *scope*

“greatly” or “significantly.” (These teams redirected their efforts to a different customer “job to be done” than originally planned.)

We wanted to know if *any* voice-of-customer methods would have given the same results: 95% of the teams said these advanced interview methods provided more insight than other voice-of-customer approaches.

These interviews represent the highest level of innovation maturity, *Level 3: Market Insight*. Many companies operate at *Level 1: Solution Push*, and get no customer input before product launch. Other companies operate at *Level*

Likely impact on all our company’s projects

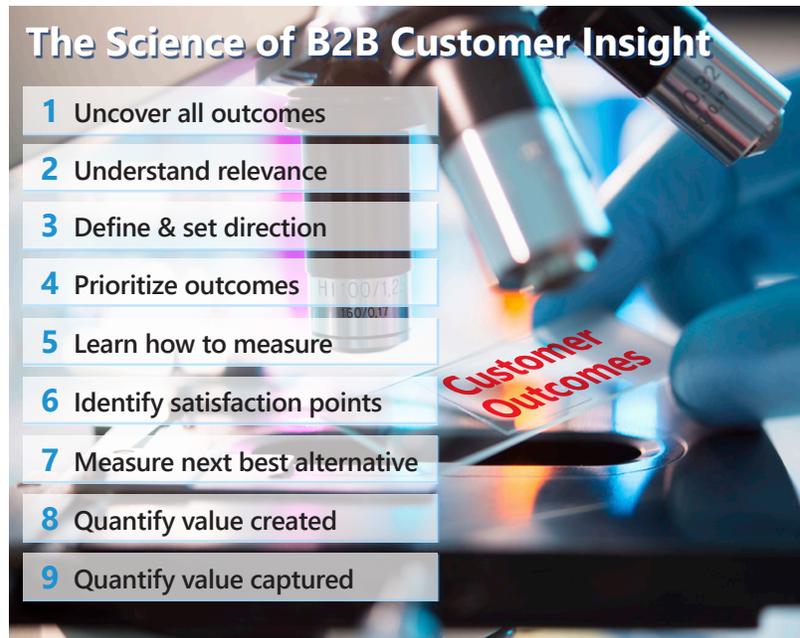


2: Solution Validation. They think they’re doing good voice-of-customer work by trying to “validate” their idea with customers. But they suffer considerable *confirmation bias*, only hearing what they want to hear. And they don’t really understand market *needs*. Just market *reaction*... to one idea... their idea.

3 Innovation Maturity Levels



At the most fundamental level, Level 3 succeeds by focusing your teams intently on *customer outcomes*. Imagine a microbiologist putting a specimen under the microscope, and turning up the magnification. The same thing happens with customer outcomes in this “science of B2B customer insight,” as you explore key outcomes at nine levels of increasing detail and understanding.



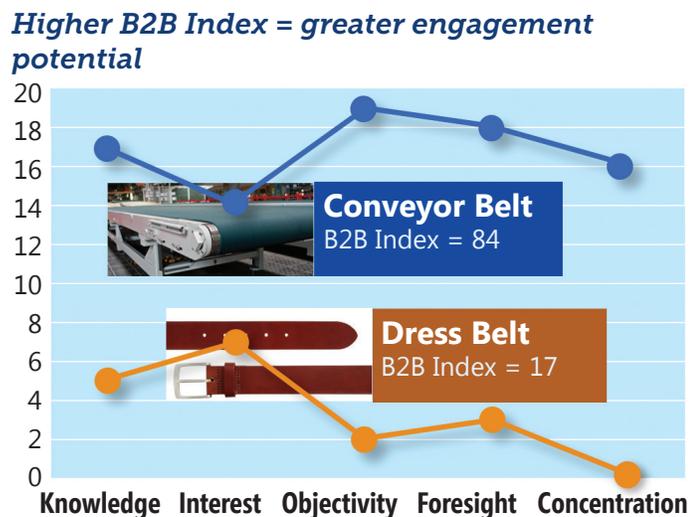
You begin by uncovering all customer outcomes in Discovery interviews, learning why they matter. You define and set direction for each outcome. You prioritize the

outcomes in Preference interviews, selecting important, unsatisfied ones. You ask customers how they measure outcome performance, and

Will these methods work for your business?

These interview methods were developed for B2B companies, not consumer goods producers. But B2B vs. B2C can be a blunt, imprecise determinant.

A better indicator is the B2B Index developed by The AIM Institute. Just go to www.b2bmarketview.com and answer 16 questions about your target market. You'll receive a free report showing your market's B2B Index.



It doesn't matter what your product is... be it a material, component, equipment, or service. What matters is the nature of your customers. The higher your market's B2B Index, the more valuable these interview methods.

what test results would be barely acceptable and totally satisfied. You use these test methods to measure customers' next best alternatives.

Finally, you build a value calculator—based on economic data you gathered in interviews and tours—to set new product pricing.

Changing your organization

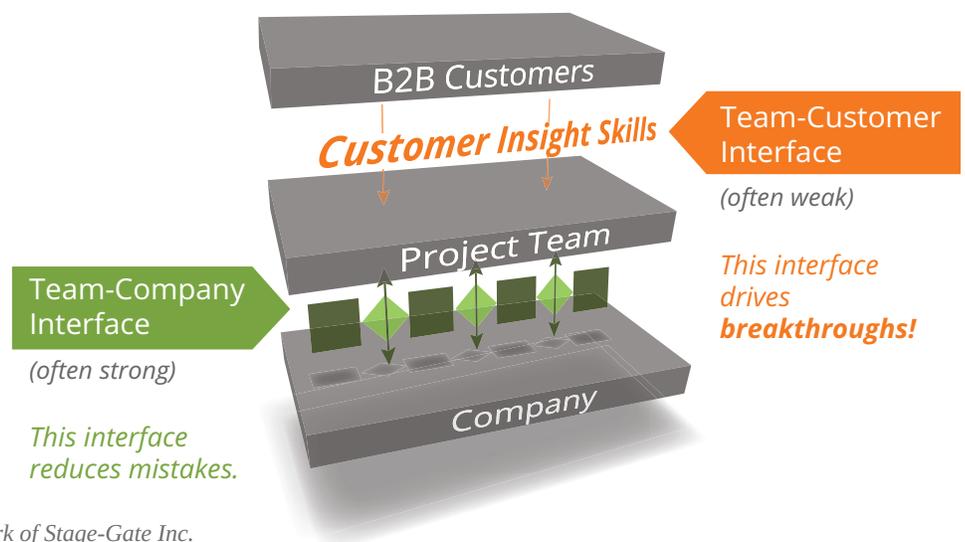
The AIM Institute has taught the science of B2B customer insight—which we call [New Product Blueprinting](#)—to over 5000 B2B professionals all around the world. The size of our client companies ranges greatly (with ~70% Fortune 500), as does the nature of clients' products... from sewer pipes to satellite components. But one thing is constant: Changing the DNA of an organization requires true leadership. The most effective leaders we've seen balance three things well.

1. Balancing process and skills: Most of our clients have a Stage-Gate® process¹. We applaud this “interface” between the company and project teams because it helps the company plan resources, optimize its portfolio, limit liabilities, etc. By itself, though, this process can foster analytical thinking and a checklist mentality.

Another interface is needed between the project team and the customer: insight skills. You need both interfaces. The former reduces mistakes. The latter drives breakthroughs.

2. Balancing short and long term: Mediocre performers have short time horizons. Many years ago, my company president asked what I thought of a financial review meeting we'd just left. I said it felt like we had been fixating on an extruder die. I explained my first chemical engineering job was night-shift foreman for an extrusion operation. If the rubber coming out the extruder die was out of specification, I didn't

What Stage-Gate® does—and does not—do¹



¹ Stage-Gate is a registered trademark of Stage-Gate Inc.

exhort the die to do a better job. I checked the raw material going into the feed hopper.

Most of what’s discussed in financial reviews—revenue, prices, margins—was determined years earlier by the products and services created for customers. Top performers spend more time at the feed hopper than the die... ensuring that what comes out in 2-3 years will make future review meetings much more satisfying.

Think of it this way: If your company’s stock P/E ratio is 20, investors are valuing this year’s earnings performance at 1/20th (5%) of your company’s value. The other 95% is what investors think your company will do in the future. Why spend so much time on the 5% “now” part instead of the 95% “future” part?

3. Balancing results and capabilities: In his classic, *The 7 Habits of Highly Effective People*, Stephen Covey said we need to balance “production” with “production capability.” Underperformers focus far too much on this year’s results (production), and then hit the “reset” button next year to repeat the process.

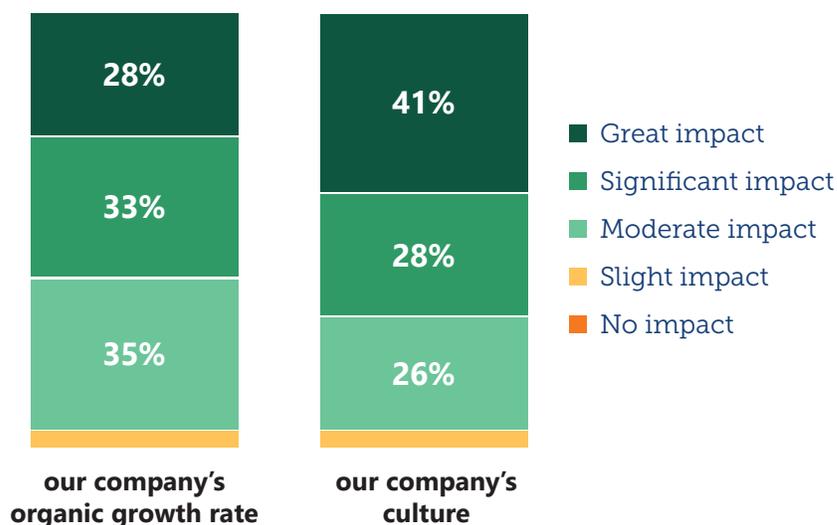
Growth-oriented leaders love to compete against such companies. While they can’t ignore current-year results, leaders know

they’ll win in the long-haul by building key capabilities lacking in competitors. If you were going to compete in a chess, tennis or boxing match, wouldn’t you want to train and build your skills first? This simple logic seems lost on many business leaders.

Which capabilities do you focus on first? We made the case earlier that B2B customer insight was key to organic growth. We tested this with the 50 teams that had conducted Blueprinting interviews. As shown in the chart below, all 50 teams felt these interviews would have a positive impact on their company’s organic growth rate if broadly adopted. Over 60% said the impact would be great or significant.

We know an “outside-in” culture is also important to a company’s success. As Peter Drucker said, “culture eats strategy for breakfast.” As

Likely impact of Blueprinting interviews on...



shown, teams felt the practice of company-wide Blueprinting interviews would have a very positive impact on company culture.

When's the best time for *your* company to develop great customer insight capabilities? That's a decision for your leadership team, but remember history has been unkind to laggards when it comes to mission-critical capabilities. The white paper, *Catch the Innovation Wave* (downloadable at www.aimwhitepapers.com) looks back at the earlier Quality and Productivity Waves. Detroit automakers paid a heavy price for lagging Japanese counterparts in the Quality Wave.

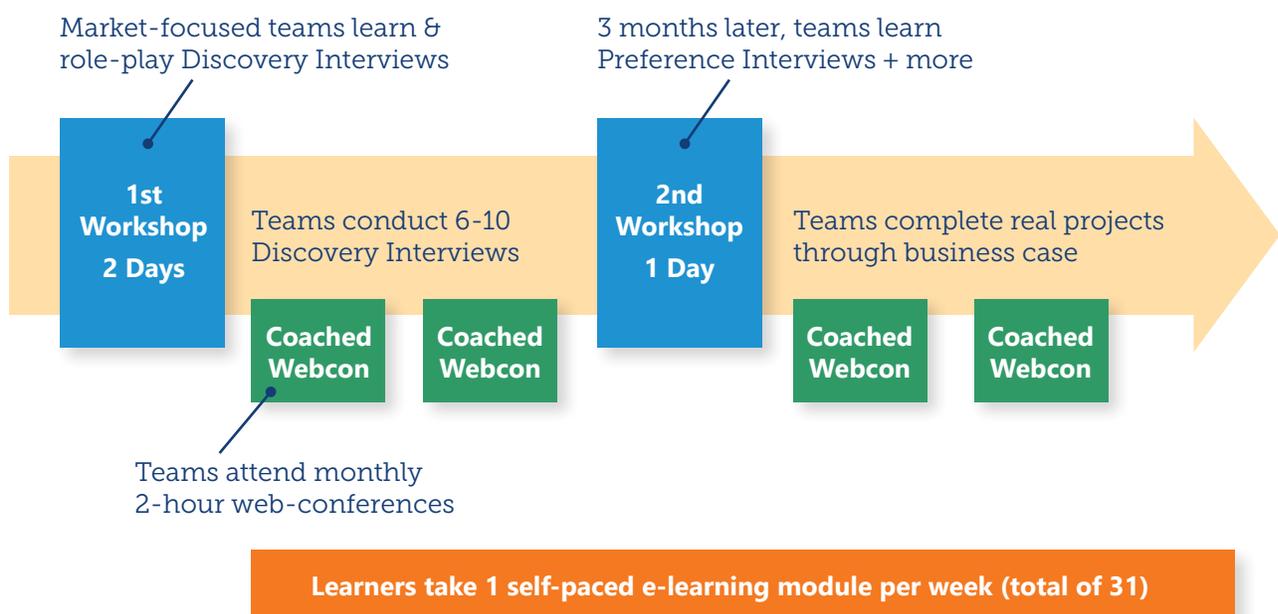
How are these skills and capabilities built? A single workshop doesn't get the job done. You can learn *about* these methods in a workshop,

but you only *learn* them by putting them into practice.

We typically "blend" workshops, follow-up web-conferences, job aids, software, and self-paced e-learning over many months. The key is real teams work to develop real products and services for their target market.

It's exciting to see this approach play out. High-value products and services are delivered to markets. A new outside-in culture takes root. Businesses begin to enjoy profitable, sustainable organic growth. For us, the best part is seeing new skills and passion develop in B2B professionals. They learn how to gain insights competitors lack... as they stop *guessing at customer needs*.

The blended learning approach



Learning More

To help your company move toward customer-centric B2B innovation, consider these resources...

- Download a free PDF of this and other white papers at www.aimwhitepapers.com
- Visit www.newproductblueprinting.com for videos and other resources.
- Download free e-book, *Reinventing VOC for B2B* at (www.newproductblueprinting.com/ebook)
- Contact AIM (www.theaiminstitute.com/contact) to set up a private phone- or web-conference



The best way to explore? Attend the next public Blueprinting workshop. Before dismissing this, ask yourself...

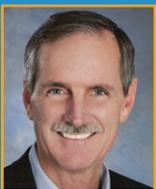
1) How effective is our current approach for understanding B2B customer needs?

2) If it's OK today, might it be superseded eventually by newer methods?

3) How are we exposing ourselves to newer methods, so we don't fall behind?

Blueprinting public workshop info:
www.blueprintingworkshop.com.

Dan Adams



Dan Adams is the Founder of The AIM Institute, and author of the book, *New Product Blueprinting: The Handbook for B2B Organic Growth*, the weekly blog, *Awkward Realities*, and the newsletter, *B2B Organic Growth*. He is a chemical engineer, and holds many patents and innovation awards, including a listing in the National Inventors Hall of Fame. An award-winning speaker, he has trained thousands of B2B professionals all around the world in his methods.



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