Voice of the Market to Spur Innovation

A Path to Turn Voice of the Market into Insights for Innovation

- For over 20 years QDI has worked with clients to help create breakthrough "market understanding" to spur innovation in both products and go-to-market strategies.

- From years of experience, QDI learned how to most effectively integrate the Voice of the Market into a learning experience that supports client innovation and new business teams.

- Client teams that QDI supports learn how to engage the market to create a deeper level of understanding of customer needs and translate that market understanding into business insights.

- The following slides share QDI's experience, thinking and tools in how companies can bring Voice of the Market into their innovation processes

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Classic Breakthrough Dilemma: Customers Don't Know What They Need

An understanding of customer needs and your capabilities is required to innovate in products or go-to-market strategies.

Customer Needs

+

Creatively Mixed

Your Capabilities*

=

Innovations (Product & Business)
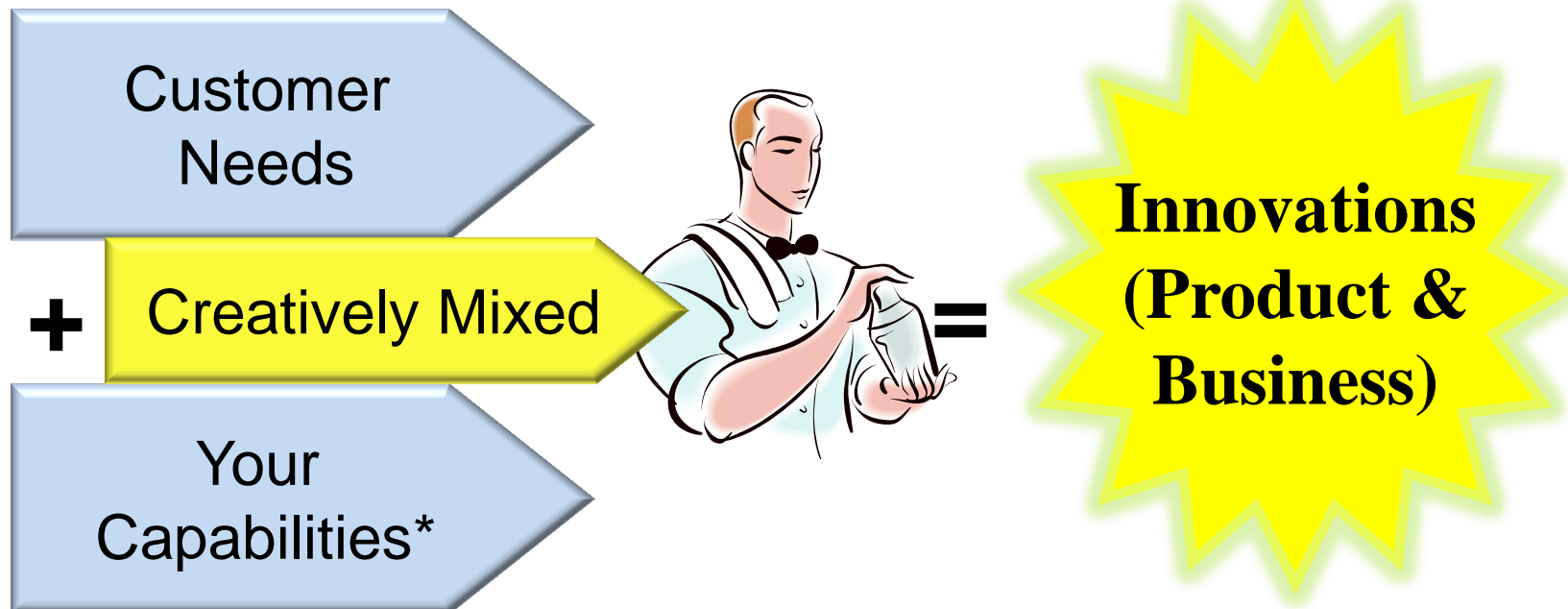
*Your Capabilities include capabilities you have or can acquire

If you are insightful and understand customer needs, and <u>continuously blend needs and capabilities,</u> then you will creatively figure out how to apply technology and new approaches to meet those needs.

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The Process for Generating New Ideas Requires Two Linked Processes

- Generate enough new idea "sparks" to find a few major opportunities
  - (An idea "spark" is a customer need that you think you may be able to satisfy)

> **Customer Needs**

- Pursue the sparks to turn them into viable concepts
  - Explore the concepts to determine if they have any potential for your organization based on known technologies or business capabilities

> **Technology Capabilities**

Voice of the Market Challenges

Whether developing new product and business concepts or testing and validating a product at stage four in a Stage Gate Process, gathering the right voice of the customer and market dynamics present specific challenges:

- Getting prospects to spend time helping you
- Matching the conversation to the team's scope
- Seeing past the prospect's requests to the unstated needs
- Determining which needs are common
- Assessing the value to customers (Pricing)
- Detecting potential competitor/market dynamics

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1. Make Voice of the Market integral to the team

2. Identify / structure who you talk to

3. Provide a process of customer / market dialogs to discover unmet customer needs

4. Capture / organize "market learnings" to stimulate innovative ideas

5. Define / validate / quantify value

6. Quantify the business opportunity

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1: Make Voice of the Market Integral to the Team

Innovation comes from the intersection of customer needs and internal capabilities. Therefore, Team members responsible for marketing, technology and business capabilities should be fully engaged in the Market Discovery learning process.

Often teams are too distant from the market, hoping that external researchers will learn what the team needs to know. External researchers can learn a lot, but if the team is not an active participant in that learning, they will miss the best chances to discover true breakthroughs.

The Market Discovery activities should be part of the team's timeline /project management
• Defining what the team needs to learn
• Determining which customers/prospects to work with
• Bring the customer perspective into brainstorming sessions

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2: Identify / Structure Who You Talk to

Teams need a process to initiate and maintain dialogs with external sources

Target Interviewees
- Customers / Prospects
- Technical Experts

- Who do you talk with?
- How are dialogs started?
- What's in it for them?
- Who communicates with whom?
- How are ideas tested for viability

Design a proposed research sample and be prepared to vary from this as you learn. It's hard, time-consuming work to get people to talk with you. They are busy just like you. Your team members are often not customer facing personnel, so cold-calling to find the right people to talk with is challenging. It helps to use a research firm to recruit and get the dialogs started with these customers. The right dialogs can identify if the prospect is the right person and engage them in the topic. This uses your team's time more effectively and makes having these discussions much easier for team members who normally don't have customer conversations on a day to day basis.

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3: Provide a Process of Customer / Market Dialogs to Discover Unstated Customer Needs

To Discover Unstated Customer Needs You Have To Learn "What You Don't Know"

- "Discovery Research" is a learning process designed to help you deliberately listen for "what you don't know".

- Use Discovery Research when you
  - Want to know what customers are doing and why they are doing it
    - How customers perform their jobs?
    - Why customers use the tools and processes they do?
    - How customers shop and make decisions about products and services
  - Are willing to take a fresh look at how the market works

Simply put, "You don't know what you don't know!"

QDI recommends using Discovery Research to uncover unstated customer needs

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What is Discovery Research?

- Discovery research involves open, unbiased listening to what customers are saying. It is from understanding the patterns and consistency in what customer are saying, doing, and how they are behaving that enables project teams to build hypotheses about customer behavior.

- Discovery research is designed to provide a broad understanding of market behavior, letting the market dictate what is important, and what topics or issues we should explore. This leads to learning what is really important to the market and how to use that information to create a successful strategy.

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Key Steps To Discovery Research
Your Market Discussions

- Start with an open ended discussion guide that explores the topic you want to understand

- While a well thought out discussion guide can provide a framework to help you learn, follow the customer's lead in any dialog. They will talk about what is important them.

- Probe to understand what they are saying and why they are saying it.

- Ask lots of "why" and "how" question. Get examples. Feel free to discuss what you are hearing in other discussions and get their reactions.

- You are trying to learn things you don't know – not confirm what you do know. So listen.

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Key Steps To Discovery Research
Listening to What You Hear

- In all research, particularly discovery research, it's easy to collect a lot of information. Information does not equal insight.
- The key to discovery research is to ask yourself frequently, "What am I learning?" Our consultants often spend much more time discussing what they heard and or saw in an interview than the time it took to conduct the interview.
- Learning includes the fact that people do different things or do the same thing in different ways
    - Do you see these patterns?
    - Do you understand why?
    - Look for these frequently --- often after each interview or at least after every two to three interviews

- Discovery research is designed to identify important behaviors / customer needs that your organization has a chance to impact in a positive way
    - The discovery research process is moving from market information to building hypotheses about these customer behaviors and needs
    - As you become more confident in your hypotheses and are better able to explain why this behavior or need exists, you can change your research methodology to a more traditional survey methodology with validates your hypothesizes and determines the portion of the market that exhibits the behaviors you care about.

Discovery Research Identifies Needs that Arise Throughout the Customer's Life-Cycle Interaction with a Product or Service

Discovery research enables understanding customers through their life cycle of interactions with a product or service

Use

Purchase

Replacement/ Termination

Customer Self-education

Need Creation
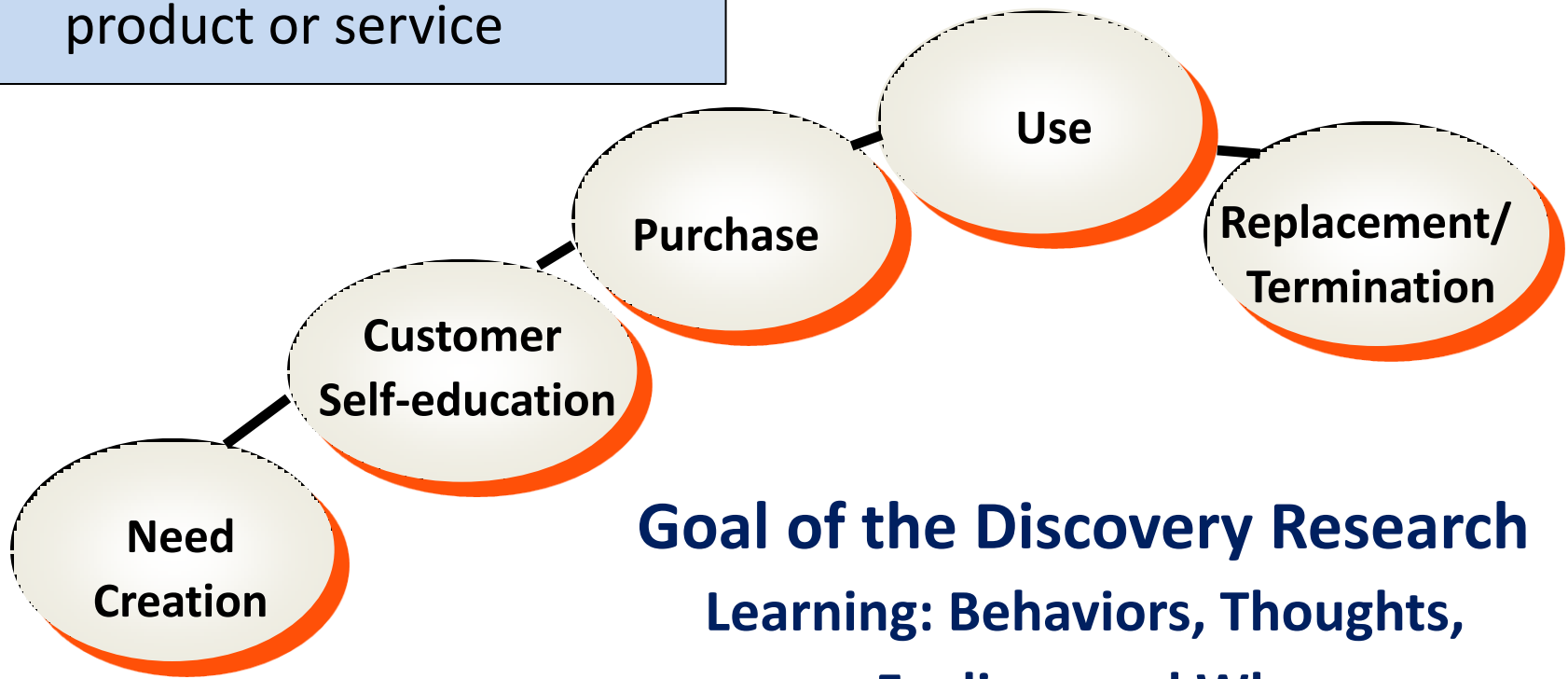
Goal of the Discovery Research
Learning: Behaviors, Thoughts, Feelings and Why

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4: Capture / Organize "Market Learnings" to Stimulate Innovative Ideas

The customer discussions need to be captured in detail so that you can:

- Provide everyone on the team with the insights learned at each customer interaction.

- Compare findings from one discussion to the next to create a hypothesis about common opportunities.

- Constantly compare what you are learning from different parts of the market to see if there is consistency in behavior that supports the hypotheses.

Teams need to develop processes and skills to support this learning

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Tricks to Group Learning

- Put it on the wall!
  - Map out processes you learn about
  - Draw pictures that represent customers and behavior
  - Create affinity diagrams
- Refer to what you have learned before to assess the new things you are learning
  - Compare and contrast
  - Change your process maps or pictures
  - Challenge your affinity diagrams
- Look for segments
  - There will be different behavior groups
  - Identify them and describe them
    - Demographically
    - Behaviorally

Ask:
"What does this mean to us?"

"What can we do or offer to meet this need?"

What capability or technology would we need to do so?

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5: Define / Validate & Quantify the Value

- Success in a market venture requires several things to go your way.
  - The market has to be big enough to justify your investment – so you have to size the opportunity
  - You have to have market access – so validate that you have or can create effective channels to reach these customers
  - Your value proposition must be compelling - so **DEFINE – QUANTIFY and VALIDATE** your value proposition

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Define and Quantify the Value

Investing in innovation development requires estimating the potential value of the innovation. QDI's **Value Management Workbook™** provides the structure for this analysis by forcing a definition and quantification of value.

THE COMPONENTS OF VALUE

Value$_P$ = Value Perceived

$$\text{Value}_P = B_P \, / \, \$C_T$$

B$_P$ = Benefits Perceived
Product, Service, Relationship, Brand (Benefits)

C_T$ = Total Costs
Purchase Price / Buying and Adoption Costs / Risks (Costs)

Quantify <u>Your</u> Value Using
QDI's **Value Management Workbook™**

Buyer Benefit Expectations

Benefits	Category Importance	Description	Benefit Criteria Weight	Performance					
	Relative Importance of Category (100 Point Allocation)	Category Benefit Description	Item Importance Scores One of a kind with no competition 9 / Much Better than Average 8 / Better than Average 7 / Just Above Average 6 / Average 5 / Just Below Average 4 / Below Average 3 / Poor 2 / Very Poor 1	YOU	Competitor 1	Competitor 2	Competitor 3	Competitor 4	Competitor 5
Product Benefits			Performance Scores						
Service Benefits			Performance Scores						
Relationship Benefits			Performance Scores						
Brand Benefits			Performance Scores						
Weighted Scores = Sum of weight times score for all items should equal 100; if the cell to the right is not 100, re-allocate so that this sum equals 100	0		Sum of the performance scores	0	0	0	0	0	0

Numbers you should enter

Numbers that are calculated

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17

Define the Value Your Offering Provides

Elements of Value	Definitions	Specifics – What We Offer – List Each One Separately To Score Vs. Alternatives
Product / Service	Functionality, fit (ease of use and adaptation), and form (ease of replacing the present product, service or function)	What specific functional, fit or form benefits do we offer? Why are they important to the customer? Can we determine what they are worth to the customer?
Service	Ease of doing business together – service quality. Service empathy – the customer's perception that someone cares	What specific do we offer in terms of ease of doing business? Why are these important to the customer? Can we determine what they are worth to the customer?
Relationships	Personal linkages to the supplier	What unique relationships do we have? Why are they important to the customer? Can we determine what they are worth to the customer?
Brand	The fit of your brand image with the customer's perception of risk and product suitability, i.e. are you a reliable supplier, and a leader in this product class?	What about our brand has value to the customer? Why? Can we determine what it is worth to the customer?

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Score Your Offering Vs. Alternatives – Usually Competitive Offerings but Sometimes Doing Nothing is a Reasonable Alternative

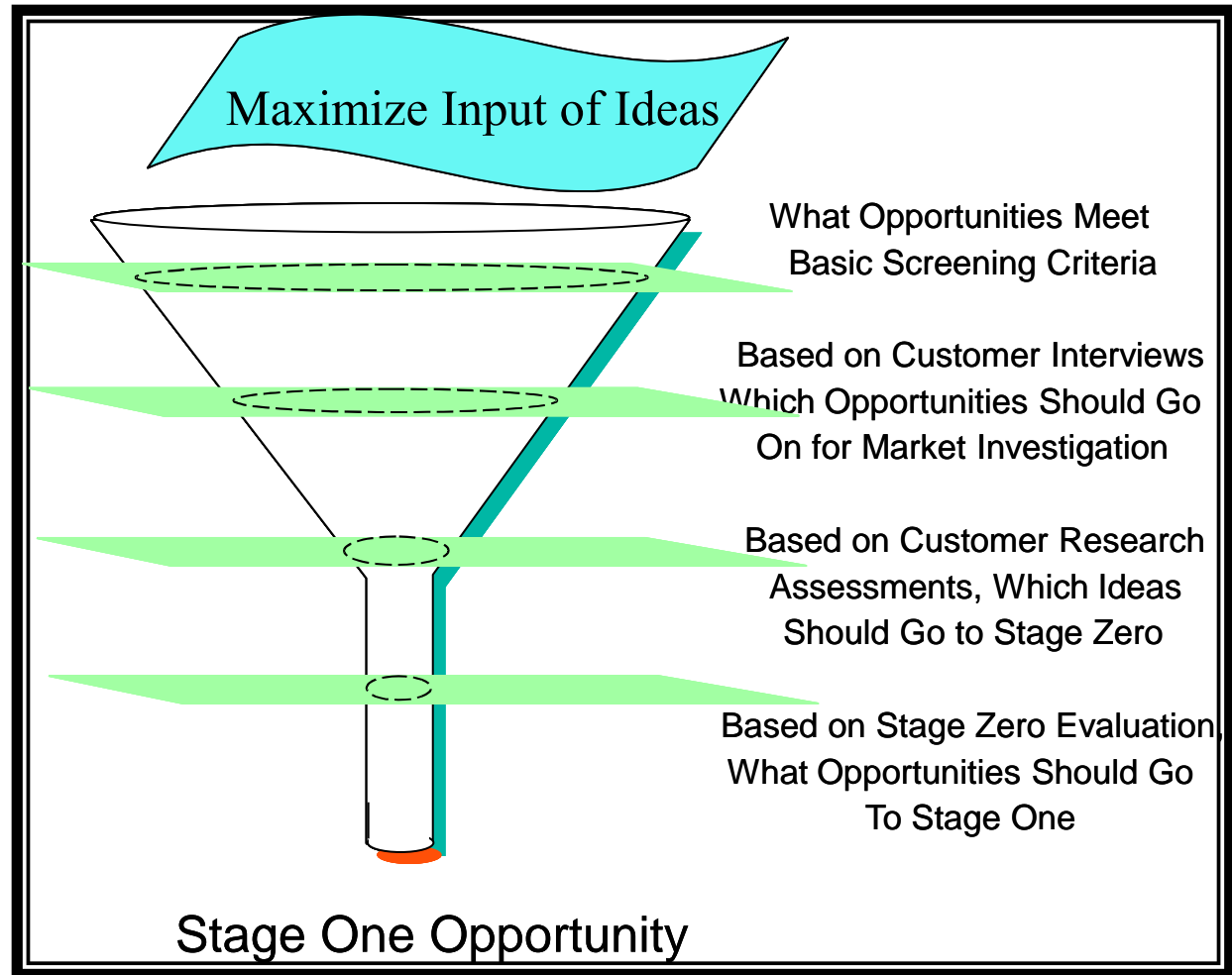| Numbers that are calculated	2.3 Detailed Buyer Benefits								
Benefits Items	Category Importance	Description	Benefit Criteria Weight	Performance					
Category Listing and Item Names	Relative Importance of Category (100 Point Allocation)	Benefit Item Description	Importance Scores	Your company	Competitor 1	Competitor 2	Competitor 3	Competitor 4	Competitor 5
Product Benefits Category		In the expanded column below, describe each criterion in as much detail as possible	**100 Point Allocation of importance scores**						
Product Benefits Category Totals		**Weighted Scores**		0	0	0	0	0	0
Service Benefits Category		In the expanded column below, describe each criterion in as much detail as possible							
Service Benefits Category Totals		**Weighted Scores**		0	0	0	0	0	0
Relationship Benefits		In the expanded column below, describe each criterion in as much detail as possible							
Relationships Benefits Category Totals		**Weighted Scores**		0	0	0	0	0	0
Brand Benefits		In the expanded column below, describe each criterion in as much detail as possible							
Brand Benefits Category Totals		**Weighted Scores**		0	0	0	0	0	0
Weighted Scores	0	Sum of weight times score for all items		0	0	0	0	0	0

- Score your specific benefits in each category
  - Weight the relative importance of each category to the customer
  - Score your performance vs. alternatives
- Calculate your total relative value

> The higher your relative value vs. alternatives the easier it is to sell and the more likely you can get a price premium

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The business potential of alternatives should can be quantified using a basic screening approach to identify where to invest.

QDI can help you screen Stage One opportunities as well as identify how fast the market will develop for an innovation

Maximize Input of Ideas

What Opportunities Meet Basic Screening Criteria

Based on Customer Interviews Which Opportunities Should Go On for Market Investigation

Based on Customer Research Assessments, Which Ideas Should Go to Stage Zero

Based on Stage Zero Evaluation, What Opportunities Should Go To Stage One

Stage One Opportunity

Use Market Discovery Learning and Structured Assessment of Opportunities to Drive Innovation

Improving performance in these six steps will increase your innovation research return.

1. Make Voice of the Market integral to the team
2. Identify / structure who you talk to
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4. Capture / organize "market learnings" to stimulate innovative ideas
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QDI Can Help Your Innovation Team

- How we can help:
  - We can bring a structured Voice of the Market process into your team and facilitate Voice of the Market Research whether developing new products and business concepts or testing and validating stage 4 products
  - We know how to find the right contacts, get them to engage in your discussion, spot unstated needs and track what's being learned, so your team can be productive immediately
  - We know how to represent the customer in the brainstorming sessions, so your team can focus on finding the innovations

- Tools used to support the team's business assessment
  - Value Management to determine market viability
  - Value Capture to determine potential pricing
  - Market modeling to determine the size and adoption rate

QDI can be part of your team's Voice of the Market resource

For Voice of the Market Innovation Assistance

- Innovation's are all about learning. Contact us to learn more about how we help you learn.

Steve Bassill

President

QDI Strategies, Inc.

Sbassill@qdistrategies.com

847-566-2020 x229