

Product Commercialization Success Starts With Framing



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Overview

Are you selling a product or service to the oil and gas industry? Do you want to improve your sales and profits by improving or introducing a new product or service? Then, your chances of success will be improved if you first spend some time carefully thinking through and structuring your approach (called “Framing”) and, second, obtain Voice of the Customer (“VOC”) inputs from your customers. The combination of Framing and VOC input provides a sound basis for the third-phase work of new product or service strategy development. This approach provides an integrated, three-phase plan for success on your new product or service.

To illustrate the discussion in this article, we will use a specific example of a product improvement. Suppose you sell deepwater drilling equipment and you are considering possible improvements to your product to improve sales and margins. How should you determine which of many potential improvements your customer wants and is willing to pay for?

Phase I: Framing

Spending a day or two upfront in a Framing Workshop can help you carefully define your problem and determine how best to approach it. The purpose is to define the opportunity in sufficient detail for all participants to fully understand the opportunity and to guide follow-on VOC and strategy development. Specific Framing objectives are:

- Precision in defining the problem, bounds, risks, and objectives
- Alignment among stakeholders
- Efficiency: solving the high-level problem first, so that the focus is on the right big-picture solution before working 2nd order issues
- Guidance for the subsequent detailed science, engineering, and economic analysis
- Avoid premature locking on a single solution

A good Frame starts by clearly describing the opportunity, namely the question to be answered, actions in/out of scope, objectives, values, constraints on action, and other issues, risks, and uncertainties that might impact success. The group needs to assess which risks and uncertainties are likely critical for success. Doing this in a workshop setting with all key participants in the room, sharing ideas and perspectives, including “out of the box” thinking and divergent views, improves the value creation potential and the shared understanding. This requires a skilled facilitator to keep discussions moving and to create a safe environment where different ideas and perspectives are encouraged.

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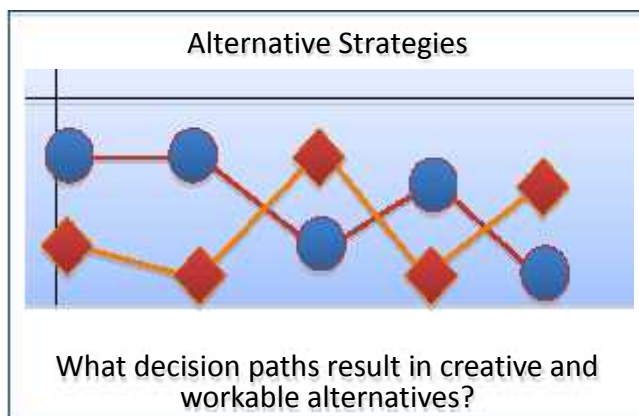
The second half of Framing identifies and describes the alternative approaches to consider. These should be very wide ranging, testing different ways to create value, achieve key objectives, focus on realizing key value drivers, mitigate important risks, or capture differing stakeholder-preferred solutions. By leveraging the earlier Framing work and holding a divergent thinking brainstorming exercise, participants generate a long list of ideas for alternative approaches. The team can then winnow these ideas to the handful of **Alternative Strategies** to consider. At this stage it is important to still “stretch the envelope” and explore all interesting paths. The output is a robust set of alternative approaches. This handful of alternatives for evaluation is then carefully defined.

This includes building a strategy table containing all key decisions that define the alternatives and all feasible choices for each decision. The **Strategy Table** is a way to define and structure the focus decisions by describing the range of choices for each. In the table, the column headings articulate each focus decision with the available, feasible choices listed underneath each heading, providing a valuable visual aid to help everyone understand the range of available choices for each focus decision.

Focus Decision	Decision 1	Decision 2	Decision 3
Alternative Choices	Choice 1-1	Choice 2-2	Choice 3-1
	Choice 1-2	Choice 2-2	Choice 3-2
	Choice 1-3	Choice 2-3	Choice 3-3
	Choice 1-4	Choice 2-4	Choice 3-4
	Choice 1-5	Choice 2-5	Choice 3-5

Example focus decisions and choices for our product improvement example might include:

- Redundancy: No more redundancy, add backups for all functions
- Reliability: Improved field engineering support, fewer variables
- Simpler Product: More modular, more work space



Each alternative is then described in this strategy table as a coordinated set of choices among the strategic decisions. This careful approach to alternative creation provides several benefits. First, it provides clarity and understanding of each alternative. Second, it allows the facilitator to test with the group whether the alternatives have really stretched to consider all reasonable approaches to creating value while still feasible. Third, because

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the alternatives are in part based on the preferred approaches of key stakeholders, it promotes alignment among stakeholders.

Example alternative strategies for our product improvement example might include:

- Incremental Improvements, Close Competitive Gaps
- Higher Reliability
- Simplification

Phase II: Voice of the Customer

In Phase I, we saw how your chances of a successful product introduction will be improved if you first spend some time “Framing” by carefully thinking through and structuring your approach to the product and its introduction. We’ll now discuss how to obtain meaningful Voice of the Customer (VOC) inputs. The combination of Framing and VOC input will then provide a basis for Phase III, new product or service strategy development.

By identifying the critical decisions and uncertainties for success, Framing provides clear direction to the Voice of the Customer research. These are the attributes that the subsequent market research needs to assess. To plan VOC studies, you need a compelling description of your product or service and a focus on what information to collect in your limited interaction with potential customers. How would your customers make trade-offs on critical decisions? What uncertainties and risks do they actually worry about?

For our product improvement example, key trade-offs that we might want customer prioritization and insight around might include: lighter weight, lower cost, better reliability, more modularity, shorter delivery times, and better spare parts availability.

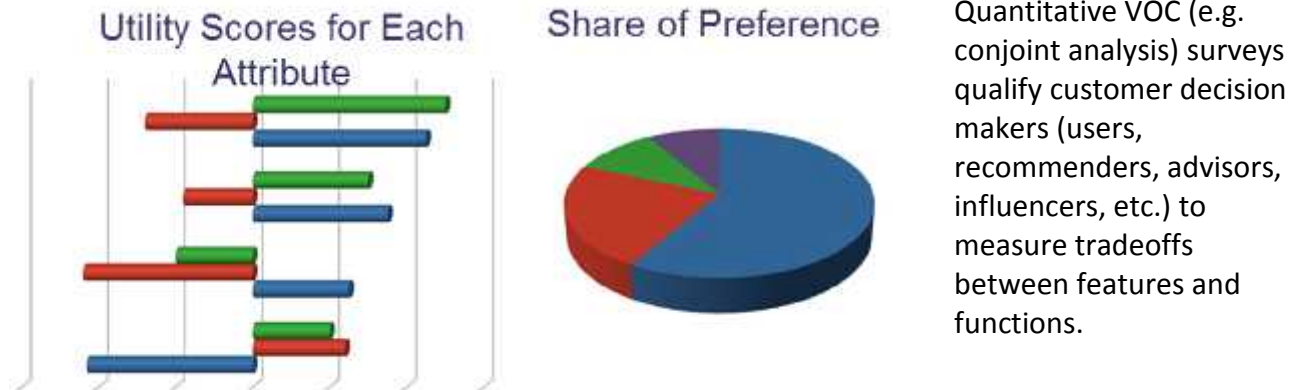
The objectives of VOC market analysis are:

- Gather VOC data (customer surveys, interviews)
- Assess needs by customer segment
- Identify high-value differentiators vs. competition
- Prioritize market opportunities
- Optimize product feature set using conjoint analysis
- Address objectives and actions identified during Framing

Qualitative VOC in-depth interviews are used to develop an understanding of market needs, barriers and enablers for adoption, and identify potential partners for development/field testing. These would usually be in depth interviews with appropriate decision makers among a few of your

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target potential customers. The output of the qualitative interviews is insight and understanding about your customers and how they will receive and assess your product or service offering.



Quantitative VOC (e.g. conjoint analysis) surveys qualify customer decision makers (users, recommenders, advisors, influencers, etc.) to measure tradeoffs between features and functions.

Conjoint analysis measures the relative importance of product features and optimizes the feature set by market segment in a market simulator.

This quantitative VOC study is typically done with a larger set of respondents to provide statistically meaningful information. Respondents are presented with complex choices of bundles of attributes and asked their preference among the bundles. For example, they might be asked to choose between a product attribute bundle providing high reliability, limited information, and a modest price vs. a product attribute bundle providing high reliability, extensive and real time information, and a high price. By learning from respondent choices, the survey can dynamically develop bundle choices that probe the key areas of focus for respondents, refining customer trade-off understanding.

The quantitative VOC output is a simulator capturing customer preferences. The analytical results from the simulator provide guidance on which bundles of attributes are most/least preferred, including willingness to pay and market share for the bundles. This can guide optimization of the product or service and its marketing plan. It also provides solid information of likely market success.

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Phase III: Strategy Development

In this phase, we use strategy workshops and analysis to compare alternative product/service strategies to develop an optimal strategy. This work includes a review of VOC results and efforts to address decisions identified in Framing. Goals include:

- Identifying target markets and selecting opportunities to pursue
- Defining the product positioning and value proposition
- Collecting cost data
- Determining marketing communications
- Identifying technology development plan / gaps
- Developing sourcing strategy
- And, ultimately, developing product strategy

We start with the original Frame and refine it in a workshop based on the VOC understanding. This provides a clear understanding of the opportunity, well-defined objectives and values, customer preferences and willingness to pay for key product/service attributes, and customer behavior information on key risks and uncertainties.

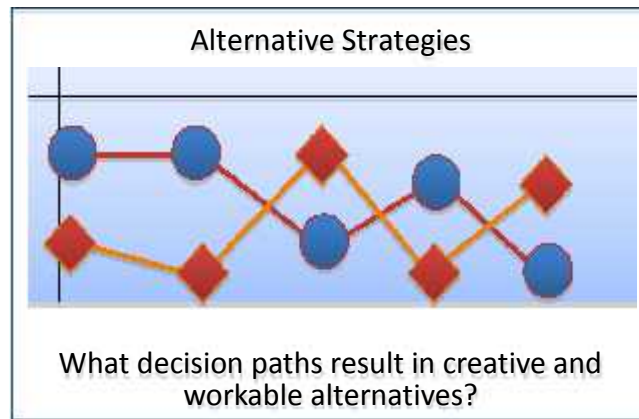
We then collect and evaluate any further needed information, e.g. costs, detailed product/service attributes, competitor likely responses, supply chain capabilities and preferences, technical risks, and potential risk mitigation actions. We can test our ideas further with key customers, suppliers, and marketing partners. We develop detailed plans for introducing the product/service and the associated marketing communications.

This information, along with the customer preferences contained in the VOC simulator, now permit a full analytical comparison of the alternative strategies. The purpose of this analysis is to learn which approach, or combination of approaches, is better by asking a series of questions:

- If one alternative looks very attractive, but risky, can we modify it to mitigate or monitor the risk prior to implementing it?
- Is there another alternative almost as good, but with less risk?
- Is there an idea in a less attractive alternative that adds value that we can cherry pick and include in our recommended alternative?
- Might we modify the approach to avoid or mitigate implementation issues?

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This kind of learning and analysis enables us to build a “hybrid” alternative that is better than any of the original set of alternatives.



For example, in our product introduction example a hybrid alternative strategy might combine Simplification and Higher Reliability, including choices like: more modular, more work space, fewer variables, and minimal redundancy.

The final output is a clear, compelling strategy for introducing the product or service improvement or new offering. By looking at a wide set of approaches to value, incorporating all factors in the evaluation, bringing all key stakeholders on the journey, explicitly including risk and uncertainty in the evaluation, and using customer understanding and preferences to drive strategy, we maximize the value of the product or service.

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The firm's 40 year heritage has produced a substantial portfolio of proven methodologies, deep operational insight and broad industry experience. This experience enables our team to quickly understand the dynamics of client companies and markets. Endeavor's clients span the globe and are typically leaders in their industry.

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