

Collaborating With Customers in Product Development

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published on BNET.com 10/10/2007

To some, “new product development” means inventing something new. In reality, though, most new products are modifications of existing products or ideas. Sometimes, adding an element of service onto an existing product is also referred to as new product development.

The power of new product development lies in the potential for your business to meet customers' needs more closely than the competition. Involving customers in the process is the key to developing a successful new product. In addition to facilitating a design that meets customer need, this involvement also strengthens relationships with customers, increases their loyalty, and provides a service that is mutually beneficial.

What You Need to Know

Is there risk in letting customers evaluate new products before launch?

There are risks to consider. First, the customer may be extremely disappointed with the product if quality is poor. Second, there is the risk that competitors will learn about your plans indirectly. The quality issue is one that you can control: if a product is not ready, it should not be supplied to customers in any form. It is not sufficient to promise future improvements. The security risk of a leak to competitors can be reduced through non-disclosure and confidentiality agreements, although these provide no real guarantee. Despite these considerations, the advantages of involving customers typically outweigh the risks, so evaluation of such a program is worthwhile.

How might customers and suppliers collaborate on product development?

There are different levels of collaboration. Some may involve occasional or regular meetings to provide input and review progress. These meetings can be held on-site or remotely using video- or teleconferencing. In other cases, customers may work alongside the supplier's development team for all or part of the project. This is a much closer type of collaboration that provides other benefit to the customer, such as improving the technical knowledge of their staff.

What are the risks of pre-announcing release dates?

Some companies, particularly in the IT sector, find themselves under great pressure attempting to meet a series of pre-announced release dates. Product development processes often run into unanticipated challenges and delays, however. The commitment to a pre-determined schedule can result in failure to meet the date(s), or the premature release of a product that is not ready for market. Both are potentially damaging outcomes.

What to Do

Ask Customers Early in the Product Cycle

If you are planning a new product or developing an update to an existing one, solicit your customers' views on the existing product and potential changes to it very early in the design process. This involvement creates the perception of your product or service being tailor-made for those customers; this is a powerful means of increasing customer loyalty. Such customer involvement also strengthens relationships and provides a service that is mutually beneficial. Topics on which to gather customer input include:

- How is the product used?
- How can we improve the current product?
- What problems have been encountered?
- What features of the current product are most important or useful?
- What new features would customers welcome?
- Do the current plans represent an improvement?
- What is the relative worth, to customers, of a product that includes the features they have highlighted?

Establish a User Group

Many companies form user groups to encourage feedback and build a sense of community. A user group operates as a forum for discussing issues of concern to customers—such as quality, performance, standards, and future development. The group should include representatives from a cross-section of a company's customers, as well as from the company itself. A user group provides valuable feedback on current performance, and also helps to identify needs that can be met through new product development.

Invite Customers to Evaluate New Products

Customer evaluation, or beta testing, is a well established mechanism in the software industry for involving customers in the product development process. Customer participants in a beta program test new products or upgraded versions, identifying any problems, before they are released in final form to the market. This type of program provides valuable feedback on a product's performance before its release to the general customer base.

Issue New Product Announcements

Another practice from the software industry is to pre-announce new products. For example, a company may announce a series of dates during the coming year when it will release new versions of products. The company outlines the new products and often offers customers an opportunity to provide input to the development process. While there are risks to the company in pre-announcing release dates, customers benefit from an ability to align their own development schedules to the planned release dates.

Work in Partnership with Customers

In some cases, product development is a joint initiative where a company works closely with specific customers to develop products that meet their specific needs. This approach is valuable when customers have complementary technology, and when they possess complementary market and technical expertise. In this case, a joint project can produce more effective results. Joint development projects can also strengthen relationships with key customers. Collaborative software tools make it possible to create "virtual teams" of key contacts (including suppliers and partners) who can collaborate as appropriate from disparate locations.

Understand Your Customers' Markets

Companies should view their new product releases as tools with which their customers can improve their own competitive performance. Thus, it is essential to understand customers' markets, in addition to informing them about your product plans and soliciting their input to your development process. With a good understanding of their markets, you can align your own plans with your customers', and develop products that are better-suited to their needs. Know the following about your customers:

- What are their main markets?
- What is their position in the marketplace?

- Who are their main competitors?
- What are the key success factors in the market?
- How does your product contribute to their business objectives?
- How could innovation help your customers to succeed?
- What new technical developments will be needed?
- Are your customers considering entry into new markets?
- Do you have product development plans that are relevant to the new market?

Understand Customer Strategies

It is equally important to understand your customers' business strategies—their corporate direction and key objectives, and how they aim to succeed. Align your product development objectives with your customers' strategies; demonstrate how your product or service can help them to achieve their strategic business objectives. This will greatly improve the chances of your new product's success.

Creating a good fit with your customers' business strategy depends on the situation. Perhaps your customers strive to become market leaders through innovation. You should assess how your new product development can deliver that innovative edge. If customers seek success via competitive pricing, contribute to their overall cost reduction by developing more cost-effective products.

Anticipate and Meet Customer Demands

Successfully developing products that customers need to meet their strategic business objectives will boost your products' adoption. The more a customer depends on your new product, the more demanding that customer will be. By anticipating and meeting these customer demands, you will increase their dependency on your product. This improves your business while simultaneously creating barriers for your competition.

Analyze Customers' Technical Requirements

When assessing new product development opportunities, consider how your products or in-house expertise might fulfill certain customers' own technical requirements. Consider offering privileged access to the technical skills of your organization, perhaps on a subcontract basis, to enhance the skills of a customer's technical staff. This type of partnership provides a customer with access to specialist resources or to additional research and development capacity to improve their own product

development processes. Essentially, a customer might leverage your technical expertise to develop new products that they could not achieve themselves.

What to Avoid

You Don't Involve Your Customers Enough

Product development is sometimes technology-driven, with no clear market focus. Instead, product development should be focused on customer needs. While most companies conduct some type of research before development, detailed customer input at an early stage is essential. If you can create customer dependency on your product, it is more likely to succeed. Thus, early and continuing customer involvement pays real dividends.

The supplier/customer relationship can take the form of a partnership, when a supplier's products are developed and/or customized specifically to help customers meet their own business objectives. It is essential, therefore, to make an effort to understand customers' markets and business strategies so that your organization's product plans can be aligned with theirs.

You Don't Leverage User Groups

Many companies establish user groups in response to a crisis, and then fail to leverage them. This is frustrating for customers and wasteful for the companies. User groups provide a valuable, real-world perspective on products and services, and this input provides real benefits for the product development process.

Where to Learn More

Book:

Ulwick, Anthony W. *What Customers Want: Using Outcome-Driven Innovation to Create Breakthrough Products and Services*. New York: McGraw-Hill, 2005.

Web Site:

American Marketing Association: www.marketingpower.com

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