

Gillum Strategy Partners



V I E W P O I N T

**Driving Adoption of New
Product Launches**

Rapid product adoption impacts shareholder value:

Shareholder value is determined by the size and timing of cash flows – effective product adoption strategy impacts both levers of value creation

Identify the Decision Makers:

By focusing on your customer's key decision makers, you improve the opportunity for successful product adoption

Build a Better Mousetrap and the World Will Beat a Path to Your Door...Or Will It?

It has been said, "Build a better mousetrap and the world will beat a path to your door". This is not true. The history of modern business is filled with products which were clearly superior and yet failed in the marketplace because insufficient effort was invested in driving product adoption. Companies have made the mistake of thinking that once they have made an improved product the market will immediately see the benefits and "beat a path to their door". The classic example of this mistake is the Sony Betamax videotape recorder. Sony had a superior product but lost to competitors because it neglected to consider the product adoption imperative.

Executing an effective product adoption roll-out is not a simple task – especially when faced with a tightening economy, soft markets or increased competitive threats. Yet, the financial impact of an effective product roll-out strategy is profound. Therefore, product roll-out strategy should be carefully crafted in order to maximize value. If done correctly, product roll-out can impact two important value levers: 1. Total market penetration; 2. Speed of adoption. Total market penetration is important as this will determine the total revenues the new product ultimately generates. Speed of adoption is important because value creation is properly measured using net present value (NPV) metrics. Timing of cash flows is important – the sooner the

better. The benefits of an effective product roll-out strategy are greater market share and improved shareholder value. The tragedy of ignoring product roll-out strategy is that the investment in a "better mousetrap" languishes, the company loses market share to an inferior product (e.g., Betamax vs. VHS) and destroys shareholder value.

Gillum Strategy Partners (GSP) works with a range of clients many of which are in the industrial products manufacturing business. Below, we outline product roll-out lessons learned from one of our clients, an industrial equipment manufacturer. This client provides a good illustration of seven imperatives which will maximize the likelihood of successful product roll-out.

1. Identify Key Decision Makers

Within each customer organization there are individuals whose opinions carry significant weight. In the case of our industrial products client we identified three groups, within their customer organization, whose buy in was critical to achieve rapid new product adoption:

1. Plant Manager

This individual has ultimate responsibility for the quality of the product manufactured at the plant. Therefore, the introduction of a new subcomponent, as in the case of our client's product, will be carefully scrutinized by the plant manager.

2. Engineering Team

The engineering team has the primary

Voice of the Customer (“VOC”) Feedback Must Be Incorporated:

Understanding customers' potential concerns with adopting new products is critical to a successful roll-out

responsibility for product design and functional success. Any new subcomponents will need to meet the Engineering Team's technical requirements. Successful early adoption will focus on proving the value of new product performance to Engineering.

3. Product Maintenance

This group has primary responsibility for product warranty issues. Any product failures will be their “headache”. The introduction of a new product from a supplier has the potential to make their life much better or create a whole new set of time consuming issues. Therefore, it is essential to convince the Product Maintenance team that the new subcomponent will make their end product more reliable and decrease in field failures.

Our client found that in talking to each of these decision makers, it was important to tailor the communication of the communication of their new product advantages in order to address each decisions maker's concerns.

2. Articulate Product Advantages

The product improvements were made in order to address observed customer needs (e.g., longer lasting, less maintenance). The product development team (PDT) will have to translate these needs into engineering performance parameters. Once engineering performance has been verified, it is

important that the improved product capabilities be stated in a way which is meaningful to the customer.

In working with our industrial products client, GSP identified five high-priority questions asked by their customers as a precursor to adopting the new product which our client had developed:

1. Do you understand my business?
2. How will this new product enhance my product's performance?
3. What is the total cost of ownership of this product?
4. Will you help me implement your new product?
5. Have you invested in infrastructure and training to provide product support?

While our client had engineered a superior product, they still needed to communicate these improvements in terms which were meaningful to their customers.

In order to achieve effective product adoption, companies must translate engineering performance specifications into language which answers customers' most pressing questions and concerns.

Implement Roll-Out with Help from Early Adopters

3. Reduce the Risk of Product Adoption

Proving out the product's advantages is easier when you enlist assistance from key

Develop a Portfolio of Implementation Success:

Provide free product implementation to carefully selected customers in order to create a new product track record

Get Sales and Distribution Staff On Board:

Provide special incentives to the sales staff and distribution partners in order to "jump start" new product adoption

customers. As we talked with our client's customers, they consistently told us that having successful test implementations was the single most important factor in their willingness to purchase our client's new product. In order to create a portfolio of successful implementations, our client provided its product for free to a number of key and trusted customers. In selecting customers for the pilot program, we used two criteria: 1. We wanted customers who had a long history of working with our client and as a result they were very willing to participate in a pilot roll-out of our client's new product; 2. We wanted customers who represented key target industries for our client's new product.

The pilot program had two primary advantages:

1. Our client was able to make final product adjustments before making it available to the broader market.
2. It created a portfolio of successful product implementations. This provided risk adverse customers with the assurance of the new product effectiveness.

To further allay customer new product adoption concerns, our client identified target customers in five key industrial verticals. These customers were made aware of the successful implementation of our client's product in the pilot roll-out program noted above. They were also provided a significant purchase price discount for our client's new product. Finally, these target customers were given a

"60 day test drive". That is, the customer could return the product with a full refund at any time within a 60 day period. This demonstrated our client's firm commitment to their new product and their willingness to mitigate their customer's perceived risk of new product adoption.

Invest in Product Adoption

4. Secure Channel Alignment

Even after you have fully established your new product's advantages by testing and launching a successful pilot program, product adoption can be derailed if your distribution channel is not actively selling the product and cannot address your customers' questions or concerns. It is crucial to align marketing and distribution activities and incentives with the goals of new product roll-out.

Make it easier for your distribution channel to sell the product by offering flexibility in structuring an offering. Allow those channels who have strong relationships with the end users to tailor the offerings to meet their customers' needs. Provide an incentive for early adopters, including discounts on the product itself, credit towards replacement products and credit towards spare parts.

Incentivize your key distribution channels as well as channel partners with sales commission and cash compensation for deals secured. Modify existing incentive agreements to focus efforts on selling this new product.

Target the Marketing Message:

Know the major customer segments “hot button” issues with respect to new product adoption – tailor the message to address their concerns

For our client, we developed a commission structure which favored the sale of their new product. Sales and distribution staff were compensated at a greater rate for the sale of each new roll-out product. Additionally, they were given higher compensation as they achieved specific unit sales targets.

5. Provide Extensive Training

Training is imperative to successful new product adoption. In developing a training plan, it is important to think about the specific needs of each group which will be trained. For our client, training had to be conducted for distribution and sales staff, and key customer personnel. Some of the specific training activities we recommended include:

- Specific in-person briefings to present the new product to key customer staff (plant manager, engineers, maintenance). These forums help end users quickly obtain a general overview of new product features and applications.
- Educate and train channel partners such as engineering firms. In our client's case these firms are often involved in writing product specifications. Therefore, their familiarity with our client's new product was important as they would be able specify our client's product in the design parameters.
- Develop and distribute product overview presentation and documentation material. This includes “blocking and tackling” tools such as price lists, and product performance documentation.

Get the Word Out

6. Enhance Marketing and Communications

Traditional marketing activities are an essential component to enable rapid product adoption. For our client these included the following:

- Developing comprehensive marketing material including written collateral and effective demonstration platforms. These efforts were further leveraged by utilizing web based tools which demonstrated product advantages.
- Incorporating testimonials from the pilot roll-out and the 60 day test drive implementation with trusted customers. This attests to the products performance and capabilities in the field.
- Creation of targeted marketing campaigns for each unique customer segment. It is important that the new product advantages speak to the specific issues which are pertinent to the customer's industry. In our client's case, some of their customers were concerned about performance while others were most interested in reducing the amount of maintenance needed. The client developed materials to address each unique customer concern.

7. Position for International Sales

Traditionally, international sales have been considered once the domestic market for a

International Product Adoption Should Be Considered Sooner Rather Than Later:

International sales have become significant for many companies; therefore new product roll-out in international markets should be carefully managed

product is well established. This is no longer the case. International sales have become an important source of revenues in most industries. Therefore, an effective product adoption strategy must address how the new product will be introduced to international customers concurrently or soon after domestic market introduction.

Working with our client, we identified a number of initiatives in order to spur the international adoption of their new product:

- Increase their participation in global tradeshows. This required considerable investment in time and money in the development of multi-lingual collateral. The result was dramatically increased visibility among international end users.
- Strategic partnerships with original equipment manufacturers (OEM's) and engineering firms. Specifically, our client targeted OEM's and engineering firms who are working in key targeted international markets.

Gillum Strategy Partners (GSP) is a boutique strategic consulting firm based in Chicago, providing services to top tier clients in a broad base of industries, including technology, manufacturing and services. GSP's areas of expertise include go-to-market strategies, marketing effectiveness, channel and alliance management, growth strategies, sales productivity and operational improvement. We emphasize pragmatic solutions with measurable results and often work with our clients through implementation.

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