



## TOOLKIT 24 – DEVELOPING A SUPERIOR PRODUCT OR SERVICE

- ❖ **Gain a larger share of your customers' business.**
- ❖ **Create new winning products or service.**
- ❖ **Get new products to market more effectively.**

One of the key ways of building stronger partnerships with customers and staying ahead of the competition is to invest in new products and services. A survey by London Business School found that 62% of businesses believe that the intensity of competition is the principal external barrier to growth. This was caused primarily by a narrow product market focus. Creating new products and services therefore is a key way to break out of the competitive spiral.

The most effective way to gain competitive advantage and higher prices is to design and develop superior products and services. As one CEO elegantly put it 'you can't market rubbish.' Businesses often have to overspend on marketing and selling their products when they are just the same as their competitors. 'We are no worse than anyone else,' is how another MD described their mediocre product offering. The best way to build a business is to develop a superior product or service.

## **STORY – THE DUKERIES GARDEN CENTRE**

The Dukeries Garden Centre near Mansfield in Nottingham has developed superior products. They invested in developing plants for sale, which are the best available. They all look really healthy and are top quality. The packaging includes detailed planting and growing instructions written in an easy to read size for people with restricted sight. The products also come with a no quibble money back guarantee if they don't grow as you expect. Gardening advisors are on hand and willing to discuss your garden issues for free.

The signage in the garden centre is clear and guides you easily to whatever section you require.

The Dukeries really does put their competitors literally in the shade and has raised people's expectations about the standards that they should expect from a garden centre.

## **STORY –TRIPLE A ANIMAL HOTEL**

What do you normally get when you book your favourite pet into a kennel whilst you go on holiday? Your pet gets looked after with an occasional walk, and when you return they are delighted to see you. Not at the Triple 'A' ranch.

When you book your pet in they ask for your pet's favourite TV shows so that they can video them for your pet whilst you are away.

Your pet can have up to five walks a day with someone who is a real pet lover. Extras include aerobics for dogs and sports for cats. You can call in and talk to your pet direct via the portable telephone system. Your pet is so well looked after that when you return it does not want to come with you! But it does not end there. When you arrive home there is a postcard from your pet saying what a great time it had and when are you going on holiday again.

Ann Adlington and her team at Triple A have transformed commodity-type dog kennel businesses into a 5 star pet care service.

Her reward is that she charges twice as much as her competitors with a high level of repeat business and referrals.

Footnote: Ann Adlington sold her business for a substantial profit to an American business in 2000.

## Here's how to do it

### STEP 1 Create a vision.

Your vision needs to include becoming the industry leader. Create an exciting vision, which does not include compromising quality at any cost. Consider using 'Creating a vision for your business' toolkit 8.

### STEP 2 Get some new values and change your internal drivers:

- Attention to minute detail
- Uncompromising quality
- Push all the boundaries back
- Be the best we possibly can be
- Get the best ideas from outside the industry
- Constantly innovating
- Take responsibility for lifting the performance of the whole industry
- Dare to be different
- Etc.

### STEP 3 Look for opportunities to improve your product. Examine your product from every angle.

Q. Can we make it:

- Smaller
- Lighter
- Easier

Q. How could we improve its performance?

Q. What boundaries should we be pushing back i.e.,

- Technology
- Design
- Utility
- Simplicity
- Ease of use

Q. Could we work in partnership with a University research group in order to research and develop the product?

Q. If we held a focus group of customers and asked them what improvements they would like to see, what would they tell us?

E.g., 3M Innovation talk of their brand promise. For example, Post-it® notes are small yellow pieces of paper with glue on the back.

Their customers' perceive them to be 'really helpful ways of recording information quickly and with great flexibility.'

This customer perception of the brand promise allows 3M to create a whole range of new developments of Post-it® notes, which meet the customer's expectations of their brand promise. Including Post-it® notes in holders, coloured Post-it® notes, Post-it® notes with a company logo on to give away as gifts to customers etc.

So what's your brand promise to your customers? (You can find out by asking them how they perceive your product.)

Q. How can you leverage your brand promise by developing complementary products?

Q. What about the labelling and packaging, can we make it simpler to read and use not:

- Self-assembly furniture with 500 pieces and the instructions in Arabic!
- Shrink-wrap which is virtually impossible to remove.

## STEP 4

Get outside the box.

- Look outside your industry for state of the art new ideas or good practice.

E.g., A construction group thought it was buying well. They then asked the question 'Who buys well?' The answer was retailers buy well. But, which retailer? Walmart. So we got Walmart in to describe how they buy. The construction group found ways to take 9% out of their purchases over a 12-month period, which put 50% on to the group's profits.

- Book yourself a trip to California to see what's happening.
- Hold off the wall brainstorming sessions with your team.

- Monitor social trends and changes e.g., people eating out more has led to an annual 25% growth in the demand for sandwich bars.

## STEP 5

Force fit things together.

The Yo Sushi chain was developed as a unique product by fitting sushi eating (a growing trend) with robots from factories. This created a new dining experience where robots act as waiters and even cooked rice. Nothing had been seen like it before.

E.g., one business force fitted sports and pets together, which created a new product. They now supply all the UK premier football league clubs with dog leads and eating bowls in the club colours.

Snack Apple in Australia combined sweets and apples together to create a new product which children would eat. They cut apples into sections, covered them with a sweet (not sugar) coloured coating that tasted really good and looked attractive.

Brainstorm what you could force fit your product with, in order to develop a new winning product.

## STEP 6

Develop some prototypes for testing.

Turn your best ideas into some low cost prototypes in order to get some early customer reaction.

- Be persistent, this is new to your customers as well as you.

E.g., the person who invented Post-it® notes was initially faced with negative feedback i.e., 'What do we want yellow sticky bits of paper for?' Now it's a world-beating product.

Turn the best prototype into products, test them and monitor customer reaction.

The acid test is that if you really have developed a superior product or service then you should enjoy these benefits:

- You can put your price up significantly higher than the competition.
- You will get opportunities from repeat business and word of mouth recommendations.
- You will not have to promote your product using expensive marketing and sales methods.

If you do not enjoy these benefits then it's back to step 1, I am afraid.

## STEP 7

### Continuous development

Your competitors won't stand still so you need to create a culture where everybody is encouraged to contribute ideas on how to improve any detail of the product.

E.g., the female dog handlers at Triple A Ranch contributed most of the ideas which made the business the best in the industry over a ten year period.

Continuous improvement (like a dog) should be for life, not just for Christmas.

## 12 KEY NEW PRODUCT DEVELOPMENT (NPD) LESSONS FROM SUCCESSFUL BUSINESS PEOPLE

1. The success rate of NPD can be enhanced by including it as part of the development of partnerships with customers and the movement to improve supply chain management.

E.g., the Egan proposals for supply chain management in the construction industry.

2. Leaders of NPD need to understand the difference between an idea (something we are obsessed with) and an opportunity (something that meets our customer needs).

E.g., Clive Sinclair was obsessed with his C5 car – the customers hated it.

3. NPD should be a commercially led activity.

E.g., 3M Innovation described their definition of innovation as the commercialisation of new ideas.

4. Get very early input from the target customer on the product concept.

E.g., Northern Foods Plc developed a new concept including different coloured packaging for different products. Early customer focus groups suggested that they wanted one colour simple packaging. 'This was the breakthrough that allowed the product to be a success,' NPD Commercial Manager.

5. Learn to really listen to customers right from the concept stage.

Problems with internal experts are that because they are experts they often have too big an ego to listen to people both internally and externally.

E.g., '90% of business problems would disappear if they only learned to talk to each other more internally and listen to customers externally,' O'Shea and Madigan 'Dangerous Company'.

6. Create a culture internally where anybody feels able to suggest ideas for new products regardless of their job role or status.

Bring Silicon Valley into your business. Silicon Valley works because it has created a free open market for talent, ideas and capital. They care less

about status or rank than they do about the quality of the product ideas. How many new product ideas do you get from your people? Actually watch out for the power principle i.e., the CEO dines out at a fine restaurant in Madrid and then insists that the NPD team focus on trying to reproduce that meal – despite internal protests.

7. Get focus into your NPD.

Companies that have developed their NPD process often report that initially they went for quantity i.e., lots of ideas at the concept stage – few of which turned into winners. This can be very expensive. They then move into a much more selective stage with a much higher rate of success.

8. Get really close to the commercial user of your product.

Many companies who sell through intermediaries e.g., retailers or distributors, have found significant benefits by getting closer to their customer's customer.

E.g., many food manufacturers are going direct to consumers in order to identify new opportunities and then working with the retailers in order to develop the products.

9. Make the process market led not production driven.

There is a significant difference for example between the drivers of entrepreneurship in the UK and Australia. The Aussies I found were much more likely to search out opportunities and then worry about the resources to take up the opportunity later. In the UK, businesses often start with their existing capacity and look for ways to use it. 'Sweat the assets' as a CEO of a railway business described it.

The consequence is that NPD is a marginal process refining existing products rather than creating new ones. This narrows the product/market focus and intensifies competition.

10. Be persistent

NPD is a creative process often involving science, intuition, analysis, good marketing skills, and creativity but probably most importantly hard work.

E.g., 'It took me 587 attempts to develop the Dyson Cleaner', James Dyson. Now that's persistence!



11. Set objectives for innovation.

3M Innovation's objective is that 25% of all sales should come from products launched within the last four years.

12. Encourage skunkworking.

Skunkworking is doing things around the fringe of the business – not mainstream. Entrepreneurial NPD process often involves a passionate individual who spots an opportunity and won't let go of it.

E.g., Arie De Gaus, the Corporate Planner for Shell, researched organisations that have succeeded for over 400 years for his book 'Living Company'.

<b>Date</b>	<b>Step</b>	<b>Actions</b>	<b>Outcomes</b>
4/1	<b>Link to vision</b>	<i>(example) in the next 3 years we will offer exceptional aftersales service for our alpha range of products</i>	
4/1	<b>Highlight differences from today</b>	<i>20% of calls are dropped before we can answer then 10% of calls are handed off because the agent does not know the answer</i>	<i>These are also highlighted in customer complaints Agents often leave because there do not have great job satisfaction</i>
4/1	<b>Key product features that require changes?</b>	<i>Improved call handling techniques Better training and coaching for telephony agents</i>	<i>Happier customers Happier agents Improved sales Reduced staff recruitment costs</i>
4/1	<b>What industries are you going to get net perspectives from?</b>	<i>Banking- there is another way Personnel agencies Teaching</i>	<i>Marketing ploy – still get poor service! Helpline and f2f training for customers Have lots of people asking questions all at the same time!</i>
11/1	<b>What new links have you found?</b>	<i>Technology means that CC can be virtual. Therefore we can use our SME's better. Working with the product for one day far exceeds computer based training Good teachers have fantastic product knowledge</i>	<i>Link preferred customers to others and offer a discounted service if they assist in training On the job training for CC staff with above preferred customers Make supervisors into teachers</i>
11/1	<b>Who can help you develop a low cost prototype?</b>	<i>M Jones (customer) T Hudson (frustrated customer) D Hall (teacher)</i>	<i>All agreed on the condition that I will cook them my famous rum and raisin cake!</i>
20/2	<b>Who is going to give you honest feedback?</b>	<i>5 x customers 3 x agents</i>	<i>Better but need to think about implementation.</i>

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