

What is your Customer Really Buying?

A Whole Product Model

By
Noulan Bowker P.Eng., CMC
Management Consultant

At *VIA TeC*
October 26, 2004



What is your Customer Really Buying?

Agenda

- **Introductions**
 - 30 second “elevator pitch”
 - Name, Organization, Product, Market
- **Questionnaire - for *Your Product***
- **Presentation**
- **Discussion: Applying to your product**



The Whole Product Model is Part of the Marketing Strategy

- **Market Focus**
- **Positioning**
- **Channel (Sales and Distribution)**
- **(Whole) Product Definition**
- **Promotional Approach**



The Whole Product Model

Internal

Joint

External



Purpose of The Whole Product Model

- **Use the Model as a Checklist:**
 - For getting information you need to design, cost and market the product
 - For incorporating all the elements required by the customer in your product offering
- **Design the product to:**
 - Include everything important to the customer - to maximize price
 - Exclude everything that the customer doesn't care about or benefit from - to reduce cost
 - Further Differentiate it from Competition



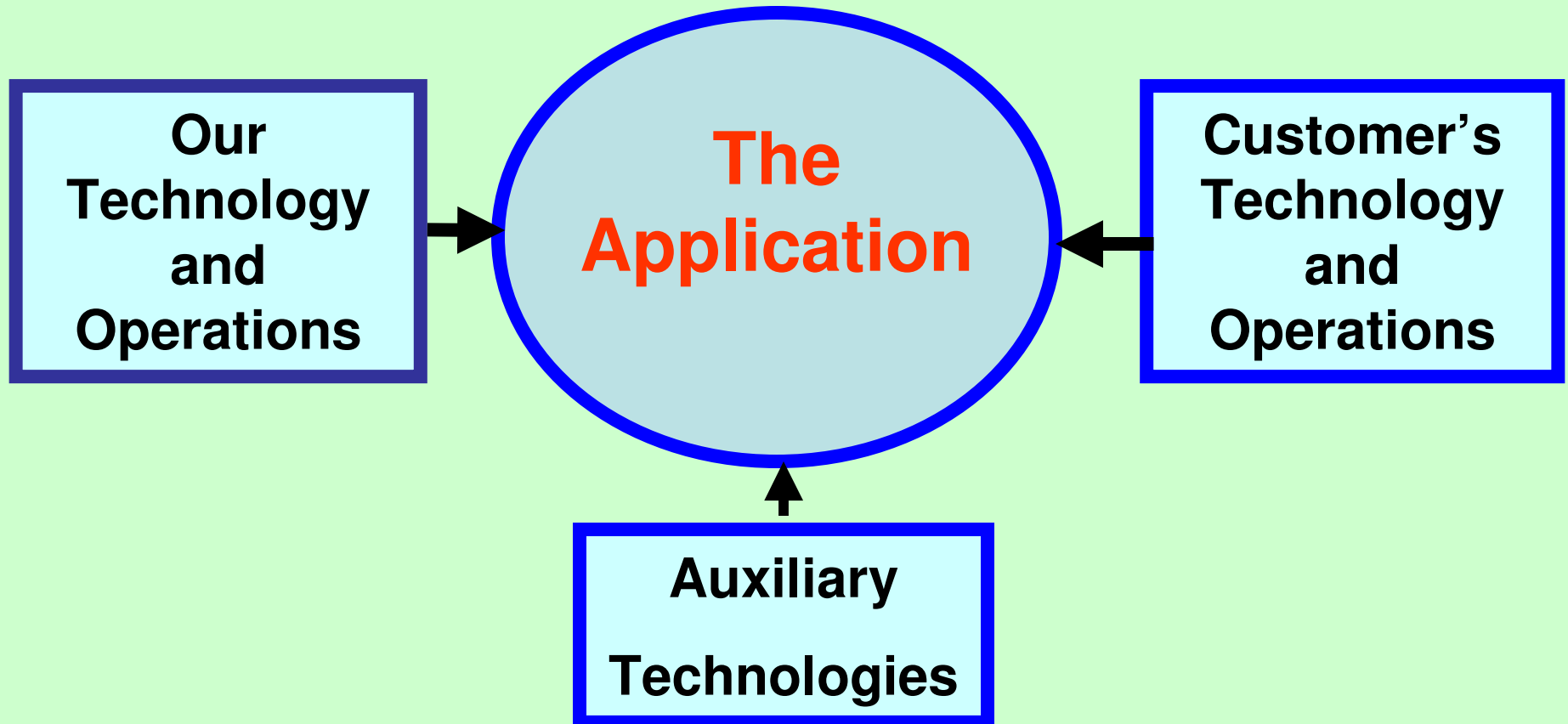
1. The Core Product

- **The Product Identity – what people normally call “the Product”**
- **It may be a Service instead of a “Thing”**
- **Exploits your Core Competencies**
- **Implements your Technical Competitive Advantage**



2. The Application

Integration



Application Examples

- **Moli Energy – Re-chargable Lithium batteries**
 - Core product was rechargeable lithium cells
 - Application – laptops, cell phones, 2-way radios
 - Customer needed custom battery packs, not cells
- **Vortek – 300 kW Light Bulb**
 - Core Product was very high power arc lamp
 - Many years before application commercially successful
 - Complex process and auxiliary equipment
- **Techware/Brooks Automation**
 - Core Product was 4th Generation Process Control Software Development Language for Thin Film process equipment
 - Application – control systems for semiconductor fabrication process equipment
 - Customers wanted complete solution – much higher value-add



3. The Value Proposition

- **Your Customer's Values and Priorities**
 - Objective Values – Vendor Qualification, meeting: specifications, standards, his Q/A requirements
 - Typical Professional or Functional Values
 - Personal Values - Often Emotion-Based
 - Q – “What is important to you about ...?”
- **Evidence Criteria – How the Customer measures your product against his values-**
 - Q - “How will you know when you have it?”
- **Cultural Values**
 - Different Organizational Cultures
 - “Foreign” Cultures



4. Support Services

- **Services you include or sell to help your customer use your core product to implement his application – e.g.:**
 - Installation
 - Training
 - Technical support: on site or by phone
 - Warrantee
- **Implement directly or through partners, such as distributors**



5. Standards

- **Industry Technical Standards**
- **Regulatory Standards – e.g.:**
 - **Safety**
 - **Environmental**
 - **Electromagnetic Emissions**
- **Determine and accommodate early in the product development program**



6. Externally Supplied Items

- Items *specifically not provided by you* – but required for the customer to implement the application, e.g.:
 - Installation site with all equipment required
 - Personnel suitable for commissioning, integration, operation, maintenance
- Key Points:
 - Know they are included in customer's budget
 - A source of great risk – you don't have control
 - Specify them in the contract
 - Project Manage the customer to monitor and ensure they are available as required



7. The Deal

- **All Commercial Terms and Conditions**
 - Price, Payment Schedule, Product Acceptance
 - Delivery Schedule, Warranty, ...
- **Put all in writing and in detail for clarity – especially: exactly what you will provide and how you will get paid**
- **Protect yourself - not by relying on the threat of litigation, but by the inherent structure of the deal and by maintaining great customer relationships**
- **Understand that written contracts are not considered to be binding in many cultures**



8. Trust – The Relationship

- **Credibility and Trust is critical ingredient in decision to buy a technically complex product – rely on supplier to deliver and support**
- **Credibility – Personal, Corporate**
- **Gain Trust = Predictability**
 - **Mainly from personal contact - rapport**
 - **Maintain by delivering on commitments**
 - **Install Integrity as value in Corporate Culture**
 - **Install a Customer-Oriented Corporate Culture**



9. Your Roadmap

- **“Your Roadmap” = Your plan for developing your Product over the next few years**
- **Customer invests a lot in qualifying you as a supplier and in building his application with your product**
- **Customer wants to know now that he can add capabilities in the future without having to switch suppliers**

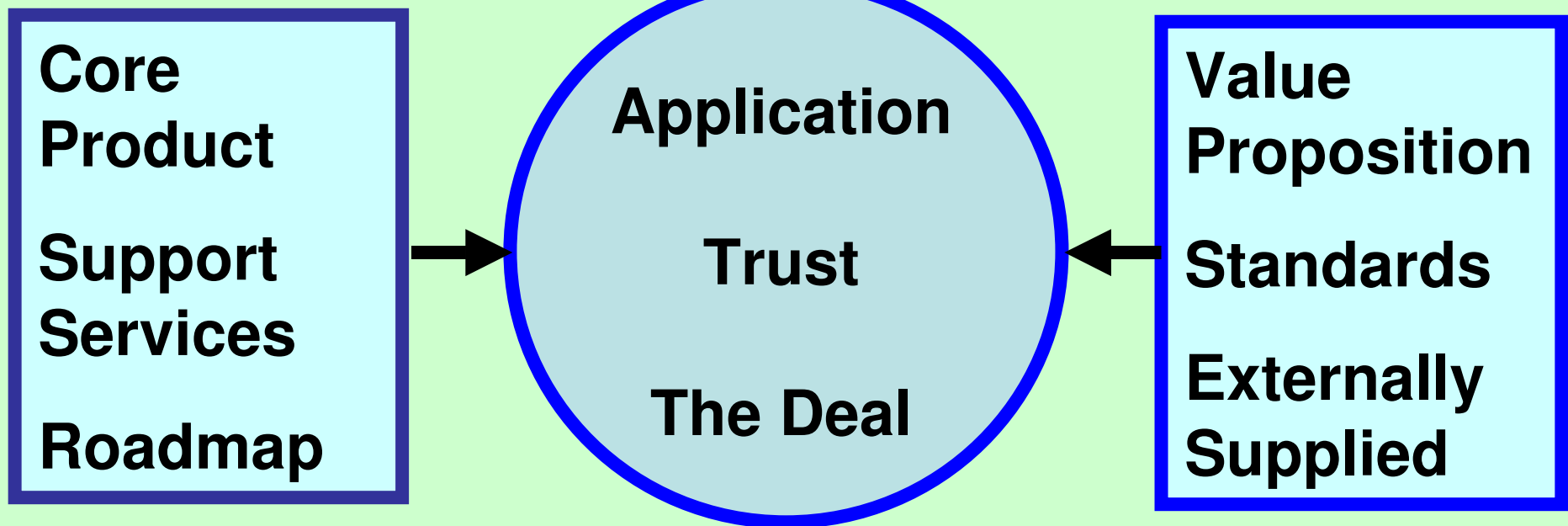


The Whole Product Model

Internal

Joint

External



Who is “The Customer”?

- **Often, Several Components to “Customer”**
 - End User often is not the one who pays you directly for the product
 - Several people in customer organizations may be affected by the product and contribute to the initial and then to the on-going buying decision
 - Distributor: your customer, but not the end user
- **Different application for each “customer”**
 - for the end-user, the intended application
 - For others – different benefits or problems
 - for a distributor, product = something to sell



The three keys to using the Whole Product Model

1. Look at the product from the customer's point of view
2. Understand the “Application” = Key to what the customer is really buying
3. To ensure the customer gets everything he needs, use all nine components of the model as a checklist.



Three Key Themes

- **Develop and Maintain Close Relationships With Your Customers**
- **Learn the Customer's Application and Point of View**
- **Address all components of the Product Model**



Now What?

- **Spend more quality time with customers to learn:**
 - How they use your product – their application
 - What they value the most and least about it
 - How they view your company
 - What you can do to profit more from the relationship
- **Selling should be 90% listening !**
- **Get the customer's value and evidence criteria – ask:**
 - “What is important to you about that?”
 - “How will you know when you have it?”
- **Extend product costing to cover all the product components → review profitability**



Now What (cont'd) ?

- **Identify Opportunities to:**
 - **Increase value → Price → Margins**
 - **Lower product costs**
 - **Reduce Risk by getting more control of the customer's experience with your product.**
 - **Change the Promotional Approach to address each of the components of your customer with the values that apply the most to them**



Additional Useful Sources of Information from Noulan

- **Book - *Celebrate Marketing***
- **Report to NRC and ASI April 30, 2004: *Commercialization Success Factors in BC's Wireless Industry* – available at:**
- **www.strategynavigator.com**

