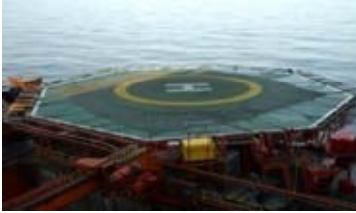


Understanding Customer Needs

Three Steps to Minimize Market Risk



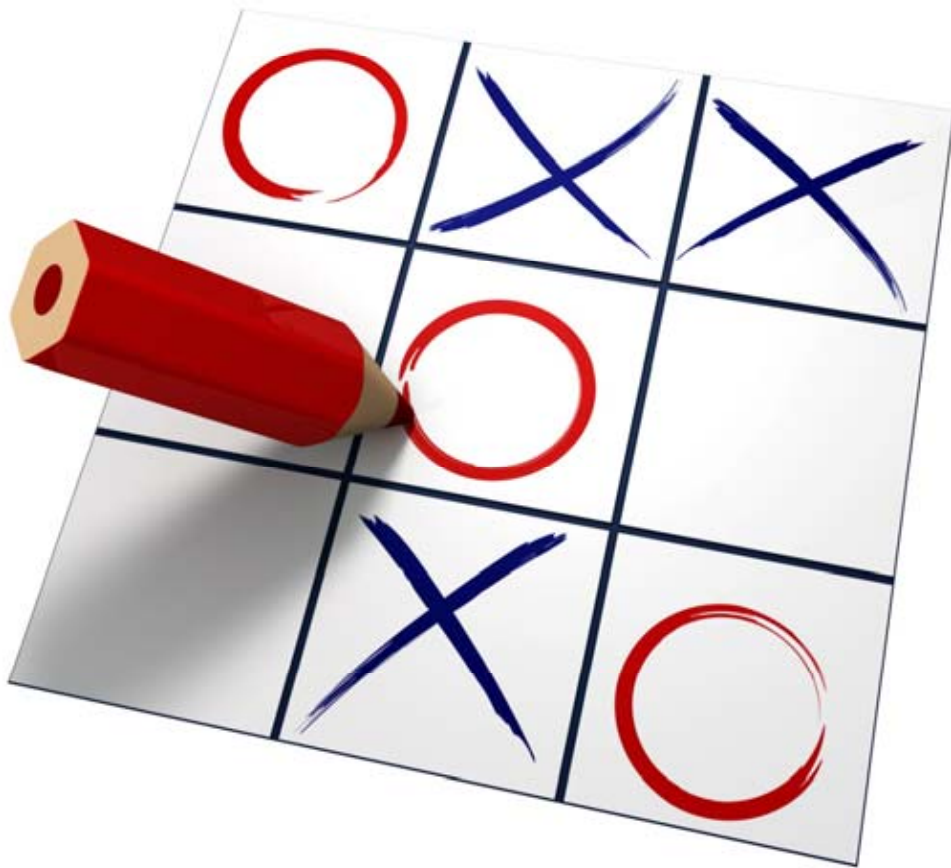
Gelb



Overview

- Customer needs are the source of economic value
- Product commercialization is the most expensive activity of the product development process
- Successful launches not only have clear financial benefits, but also support delivery of value to customers
- To minimize risk, there are three necessary steps:
 - Define strategic intent
 - Elicit market feedback
 - Assess market potential





STRATEGIC INTENT



Questions to Answer

- What needs does it satisfy?
- How will it be created...and delivered?
- Who do we expect will be willing buyers/users/recommenders?

- What is our strategic intent in delivering this product/service?
 - Maximize early revenues for early exit
 - Maximize profits for investment into other new technologies
 - Maximize market share to establish market familiarity
 - Grow revenues gradually to focus on service delivery
 - Improve internal efficiencies

- What is this offer's importance to the overall business strategy?
 - Product defines the company
 - Product is a significant new offering
 - Offer enhancement (e.g., Total Cost of Ownership)
 - Reduces internal costs



Market Information is Critical

- 80% of the **new product successes gathered and used more market information**
- 75% of the **failures knew less than average** about the market at project inception and gathered/used less market information during the product development process.

-Ottum and Moore, Journal of Product Innovation Management





UNDERSTAND



In-depth Interviews

	Good	Better	Best
How	Telephone	Telephone with online presentation	On-site
Interviewer	Conducted by company representative	Conducted by objective third party alone	Objective third party AND technical lead
Audience	Individual with decision influence	Multiple individuals with influence and authority	Multiple individuals including technical champions
Scope	Areas currently served (i.e., people you know)	Areas currently served and areas of interest to the company	Areas with the greatest technical need

→ Greater Insight



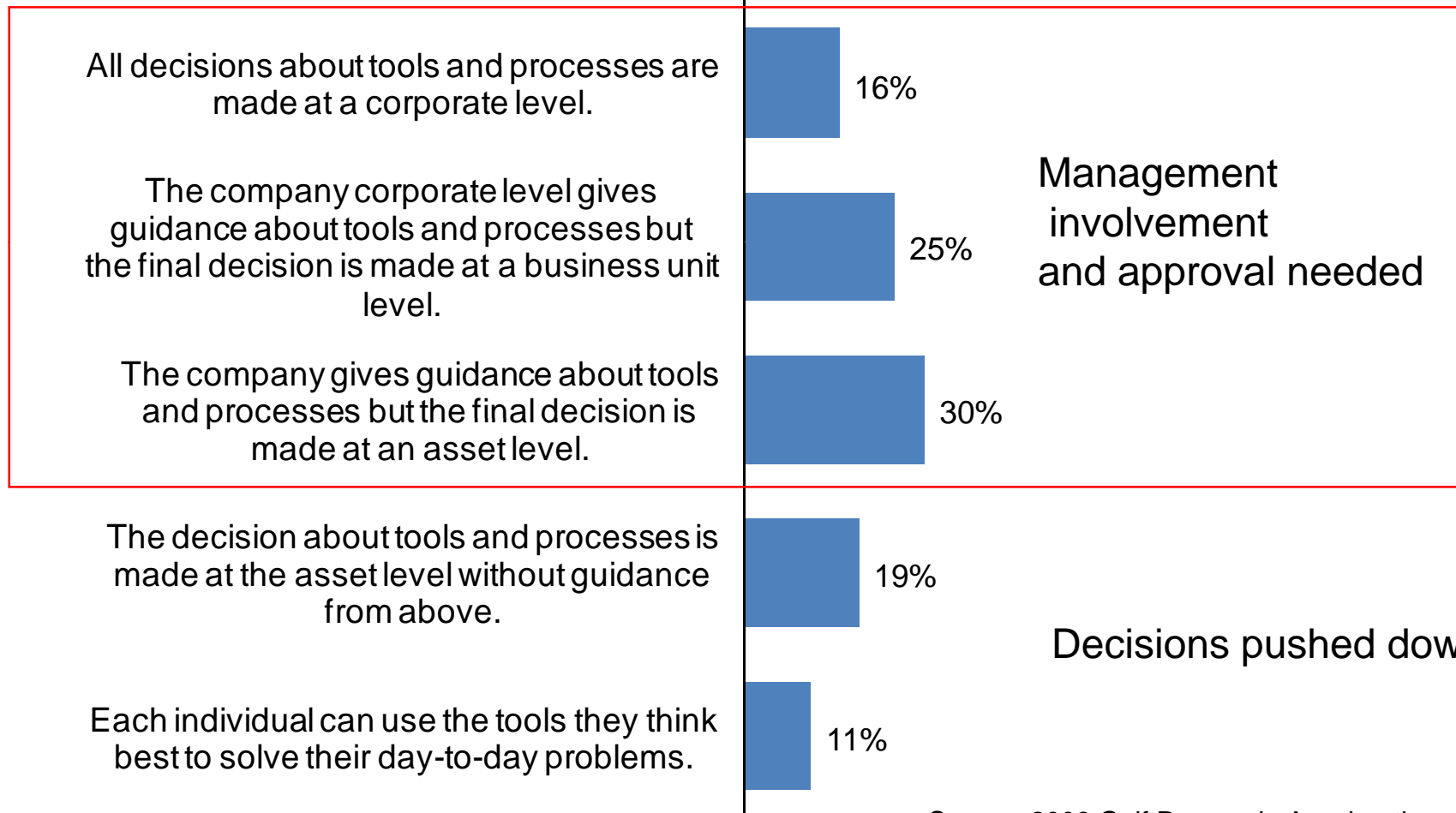
Discussion Areas

- Technical needs in the area of interest
- Needs they perceive the offer to satisfy
- Perceived strengths and weakness of the offer
- Role/importance of your offer in their workflow
- Key buying factors for purchasing similar products/services
- Competitors who are currently satisfying similar needs
- Perceived strengths and weaknesses of competitors
- Willingness to change to new methods (e.g., barriers)
- Recommendations for launch (I.e., critical success factors)



New technology decisions require approval at the business unit or corporate level

Which of the following statements best describes how technology is brought into your company and used?



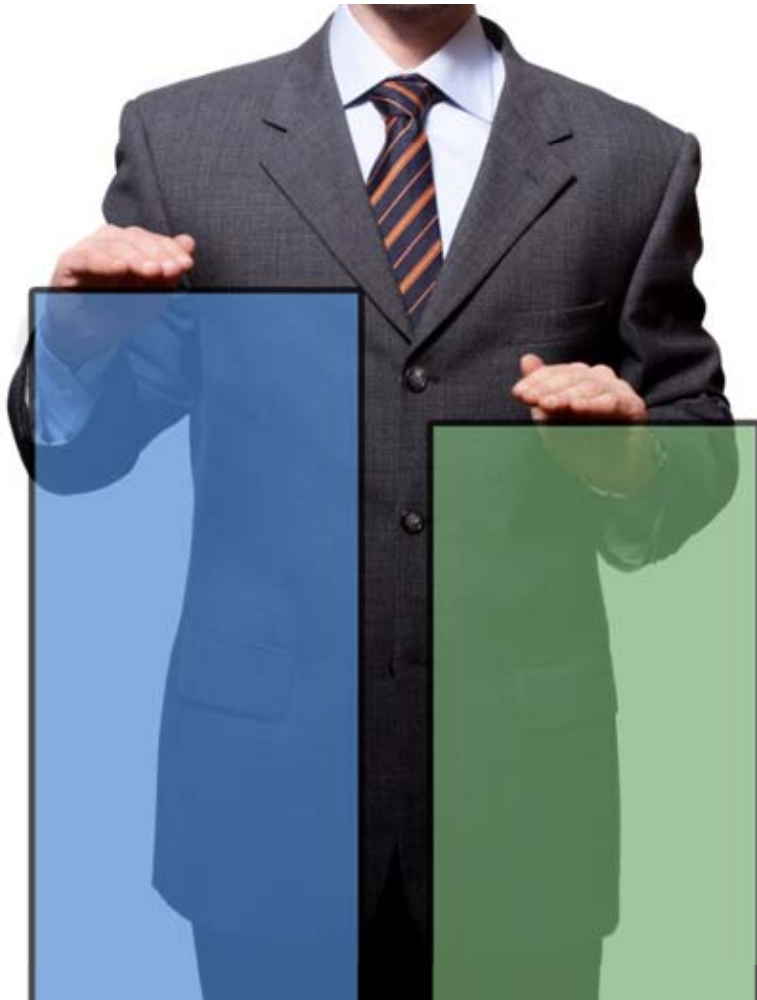
Source: 2008 Gulf Research: Accelerating Adoption of New Technology



Implications

- In-depth interviews can provide meaningful qualitative input for product/service design
- This insight also helps understand key buying factors
- However, it is necessary to assess the product's appeal at various levels/areas of the organization for product launch (and success)
- Therefore, a quantitative survey is needed to determine:
 - Attractive market segments
 - Price sensitivity
 - Utility of product attributes
 - Competitive strengths (e.g., brand)





MARKET POTENTIAL



Trade-Offs

- Univariate techniques fail to recognize how users make decisions
- Choice-based Conjoint Analysis is the “gold standard” of marketing research techniques for measuring:
 - Price sensitivity
 - Elasticity of demand
 - Tradeoffs buyers make between features and cost
- Trade-offs are important to avoid product launch mistakes such as:
 - Over-engineering
 - Under-pricing
 - Targeting the wrong segments
 - Failure to recognize competitors/alternatives



Simulating Purchase Decisions

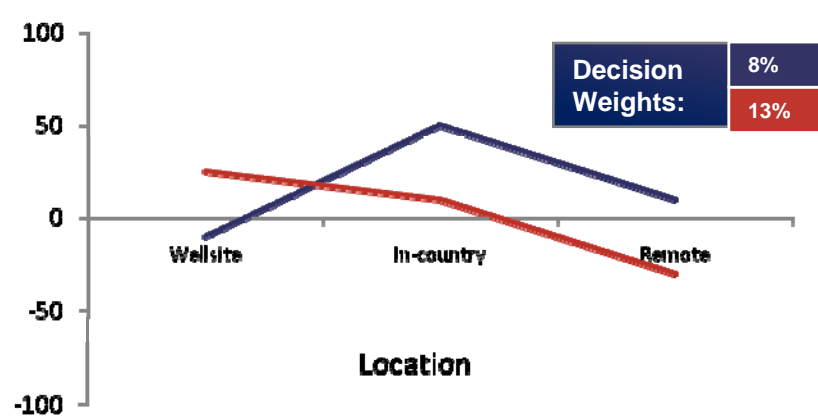
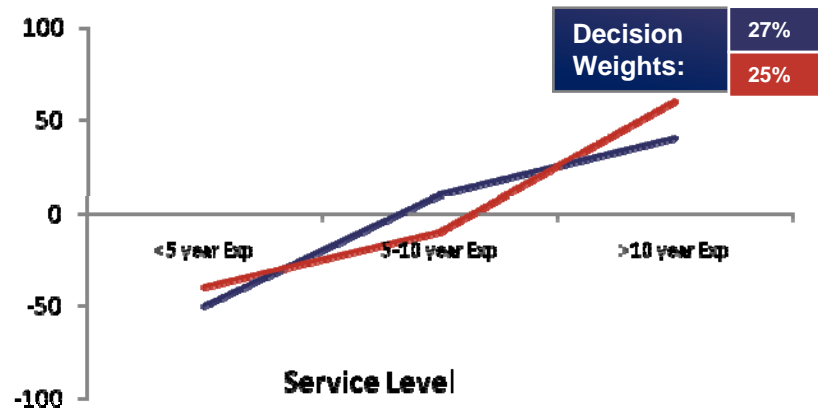
If the solutions below were available today, which would you choose?

Click the option below.

	Option 1	Option 2	Option 3	None
Price per image	\$5,000	\$70,000	\$20,000	None of These Options
Measurements provided	Absolute and Relative Permeability; Capillary Pressure	Resistivity; Elastic Properties; Absolute and Relative Permeability; Capillary Pressure	Resistivity; Elastic Properties	
Turnaround time	24 hours	1 Week	48 hours	
Location of imaging equipment	In-country lab	Houston-based lab	Rig site lab	
	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>



Utilities



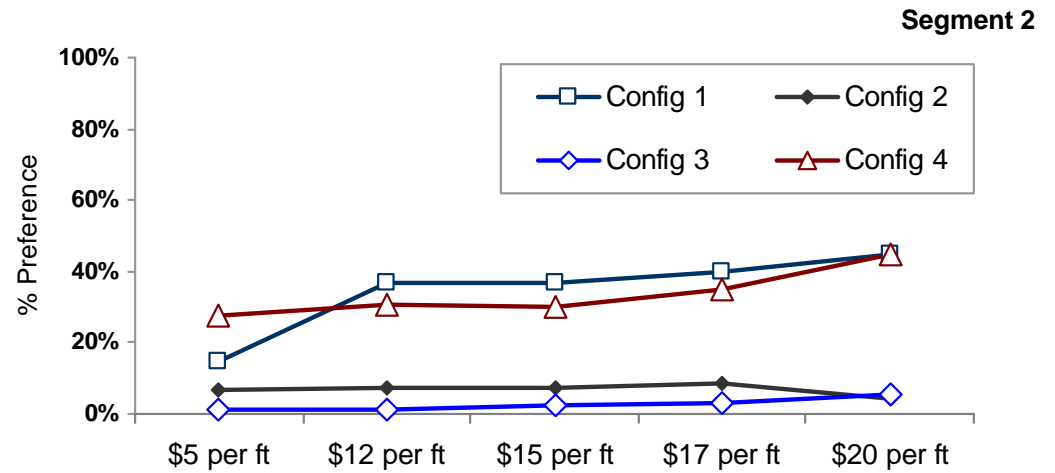
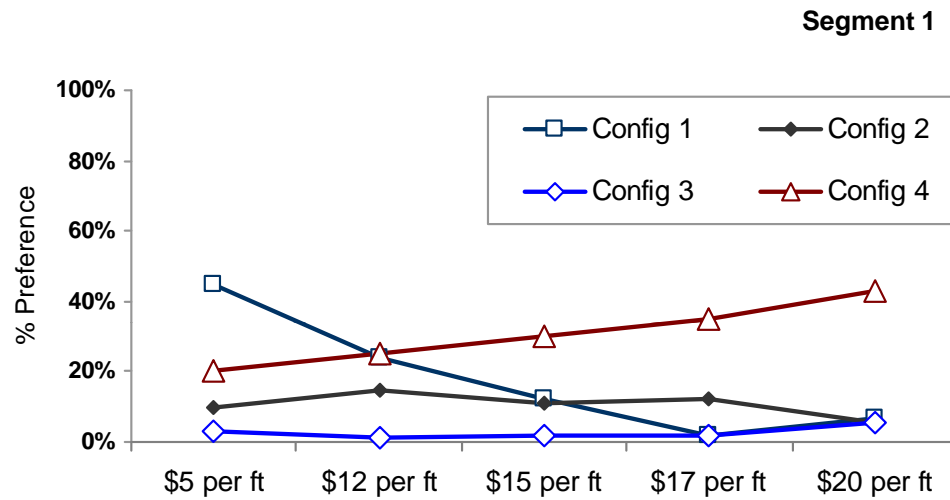
— NOC — IOC

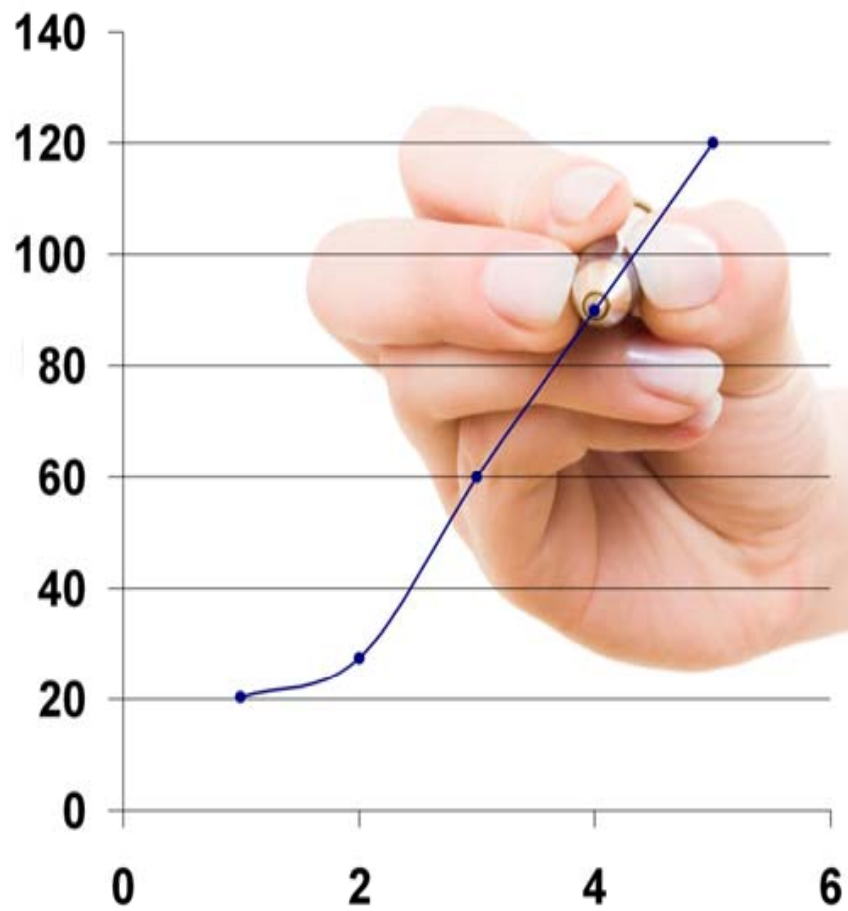
Values graphed represent relative 'utilities'

↑ Customer Value



Price Sensitivity Analysis



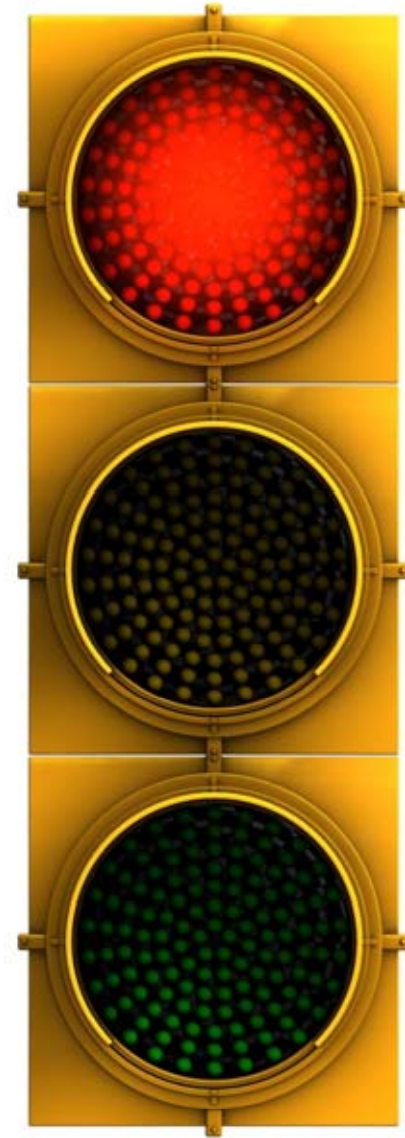


ACTIONS



"The essence of strategy is choosing what not to do."

Michael Porter



Actionable Research

- Use data resulting from market survey to guide your team in making decisions to prioritize market segments
- Review the strategic objectives, integrate guidance from the interviews, and examine trade-offs from the market survey
- Simulations from your quantitative market survey can guide decisions regarding:
 - Pricing
 - Distribution
 - Priority in the product portfolio
 - Product feature optimization
 - Positioning and targeted marketing
 - Acquisitions/alliances



John McKeever
President, Gelb Consulting Group

jmckeeper@gelbconsulting.com

281-759-3600
1011 Highway 6 South, Suite 120
Houston, TX 77077

www.gelbconsulting.com

