

# Lead Users and Exceptional Utility

## a customer based and a systematic internal brainstorming approach

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**Abstract** – In a few pages this paper uncovers the field of creating exceptional Utility in products and using Lead Users to succeed. This paper is intended to be a literature study and an overview of relevant theories of innovation for this subject.

### 1 INTRODUCTION

This paper is structured as follows:  
 Section 2 focuses on creating utility in the six stages of a buyer or users experience cycle. This also considers how to price tag your innovation.  
 Section 8 is about customer driven innovation and the importance of asking for description of desired outcomes as opposed to detailed solutions together with a short look at the Lead User term.

### 2 CREATING EXCEPTIONAL UTILITY

Kim, W. C. & Mauborgne, R. (2000), presents the idea that the likelihood of a customer being attracted to a new idea can be examined by a 6 by 6 matrix model called the Buyer Utility Map. The model rests on the knowledge of that customer values utility of new ideas and products. The model sculpts the landscape of where and how a new product or service will change the lives of the potential customers. The utility of a product is not to be mistaken with the technical possibilities a product offers, Kim, W. C. & Mauborgne, R. (2000) claims that majority of successful innovators focuses the utility of the product as opposed to the technologies in use.

#### The Buyer Utility Map

By locating a new product on one of the 36 spaces shown here, managers can clearly see how the new idea creates a different utility proposition from existing products.

		The Six Stages of the Buyer Experience Cycle					
		Purchase	Delivery	Use	Supplements	Maintenance	Disposal
The Six Utility Levers	Customer productivity						
	Simplicity						
	Convenience						
	Risk						
	Fun and Image						
	Environmental friendliness						

The Buyer Utility Map maps six levers of customer/user utility against six stages of buyer/owner

experiences. Mapping your innovations to this and walk through the uncovered areas to see if the product utility can be increased. So the model can be used for validating/scoring ideas and for improving existing innovations.

The six stages of the buyer/owner experience Cycle are:

- Purchase, including the browsing and scoping of new products.
- Delivery.
- Use.
- Supplements.
- Maintenance.
- Disposal.

The six utility levers are:

- Customer Productivity.
- Simplicity.
- Convenience.
- Risk.
- Fun and Image.
- Environmental friendliness.

#### 2.1 Price target

To succeed with the innovation in the market a proper business model must be selected together with the right price tag.

In the current economy the right price from the beginning is important to attract a large pool of customers, product lifetimes are shorter, which leaves no room for changing prices later and re-launches. In knowledge intensive products and companies the expenses of bringing forward a product is now more and more in the development of the product compared to the actual production of the product, (Kim, W. C. & Mauborgne, R., 2000). Setting the price right can be achieved by mapping the prices of competitive alternatives, and setting the price where the most buyers are in the industry. The mapping of price levels can be done separating alternatives by the following three types: Same form, Different form same function and different form and function but same objective, (Kim, W. C. & Mauborgne, R., 2000). Three parameters should also be taken into account when setting the price: Degree of legal protection of the product, degree of resource protection in the industry and the effort it would take to imitate the product.

### 3 CUSTOMER DRIVEN INNOVATION

This section examines the ideas put forward by Ulwick, A. W. (2002) on how to succeed in using customers input for new innovation.

Ulwick, A. W. (2002) identifies the main problem with using customers input for innovation as: Customer will tend to provide solutions instead of desired outcome, but their solution space is very small with only little insight in the possibilities of the given industry and it's supply chains.

*"It is like Taking orders and rushing to fulfill them in a fast food restaurant."*

Customers will be unlikely to ask for solutions which include emerging materials and technologies which they do not know of yet. In best case scenarios the customer input can lead to incremental improvements of products already in the market as long as one keeps asking the customers for solutions in stead of what outcomes they would like to be improved.

Ulwick, A. W. (2002) describes a five step approach to listening to your customers for outcomes that could be improved.

- Plan outcome-based customer interviews.
- Capture desired outcomes.
- Organize the outcomes.
- Rate the outcomes for importance and satisfaction.
- Use the outcomes to jump-start innovation.

#### Plan outcome-based customer interviews

Step by step deconstruction of the processes and activities associated with the product or service. Carefully select customers that will participate, they must be directly involved with the product. Within the possible participants select an interview group, which is as diverse as possible.

#### Capture desired outcomes

The interview facilitator must be able to distinguish between outcomes and solutions, besides being able to see through vague statements, anecdotes and irrelevant comments. The facilitator must keep the interviewees minds set on the processes and activities of using the product; this will help keep the focus on outcomes. Outcome statements can often be formulated with minimize this ..., increase that ... and should preferable include unit measurements such as time, number of or frequency etc. The facilitator must help formulating the outcomes and get confirmation from the customer.

#### Organize the outcomes

Make a list of the outcomes and remove or collect the possible duplicate statements about outcomes, preferable the list is also categorized in a meaningful

way that can be linked to steps in the process or activities of using the product.

#### Rate the outcomes for importance and satisfaction

Ask the customers via a quantitative survey how they judge the outcomes by importance on a scale of 0 to 10 and the degree of the outcomes already being satisfied in existing products on a scale of 0 to 10. This will help reveal the attractiveness of each outcome by ex. using The Opportunity Algorithm:

$$opp = imp + POS(imp - sat)$$

*opp = Opportunity*

*imp = Importance*

*sat = Satisfaction*

*POS only the positive values, else = 0.*

This will give a usable expression of the attractiveness of the outcome to the customer.

#### Use the outcomes to jump-start innovation

The last step is to use the collected data to brainstorm the opportunity areas for possible new product developments. The Data also holds potential to find new possible segmentations of the market and users, by looking at which type of customer values which outcomes.

This focus on basing the customer inputs on outcomes and the mathematical approach to judge customer value of different outcomes can also be found in the QFD (Quality Function Deployment) program and it's House of Quality model. The House of Quality takes this a couple of steps further adding the engineers feedback on difficulty of implementing each outcome and the interrelations of each outcome, e.g. if we increase this ... another outcome will be affected in a non desirable way.

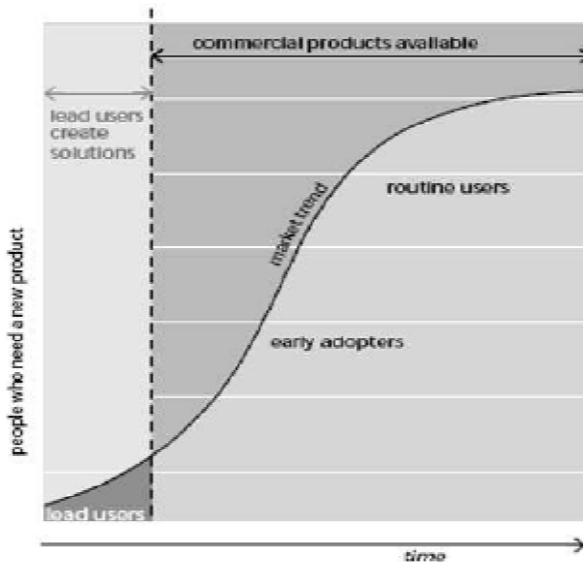
### 3.1 Lead Users

Hippel, E. v. (1986) puts forward the concept of adopting applications and prototypes already developed by lead users, defining lead users as:

- *Lead users face needs that will be general in a marketplace – but face them months or years before the bulk of that marketplace encounters them, and*
- *Lead users are positioned to benefit significantly by obtaining a solution to those needs.*

The lead users are utilizing products or solutions that are not yet available in the broad market place.

A generic market trend is illustrated by a curve below, the lead users can be seen to be ahead of the early adaptors, starting the trend with own applications or product modifications before there are any commercial products available (Hippel, E. v., 2005).



Often these types of lead users autonomously innovates new products and processes, typically because they can gain utility for themselves with the new product or process, (Harhoff, D.;Henkel, J.; & Hippel, E. v.; 2003). The lead users have unique insight in the future of the relevant product/market area and are capable of spotting the new trends of the industry.

Two major challenges come to mind when considering how to utilize lead users in the innovation processes:

- How can we find such relevant and skillful lead users for our particular industry?
- What can we do to encourage and motivate lead users to share their invention with us?

## REFERENCES

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