



# Getting The Product Right: Understanding Customer Choice

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# Overview

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- Defining The Problem
- Common Approaches
- The Feature-Value Method
- An Example
- Applying The Method
- Time Line



# Winning With A New Product

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- How Competitive Will The Product Be?
- Do Customers Value Feature A Over B?
- What Is The Right Price Point?
- What Market Share Can We Expect?
- Will Feature A Be Worth The Investment?



# Common Approaches

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- Methods
  - Ask customers
  - Ask the sales team
  - Marketing & engineering dialogue
- Obstacles
  - Hard to judge qualitative data
  - Customers are cagey on price
  - No handle on competitiveness



# The Feature-Value Method

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- Show Customers Sample Product Configurations That Include Price
- Correctly Done, This Yields:
  - Relative value of the features
  - Demand curve as a function of price
  - Preference share
  - ROI for various alternatives

# Credit Card Example

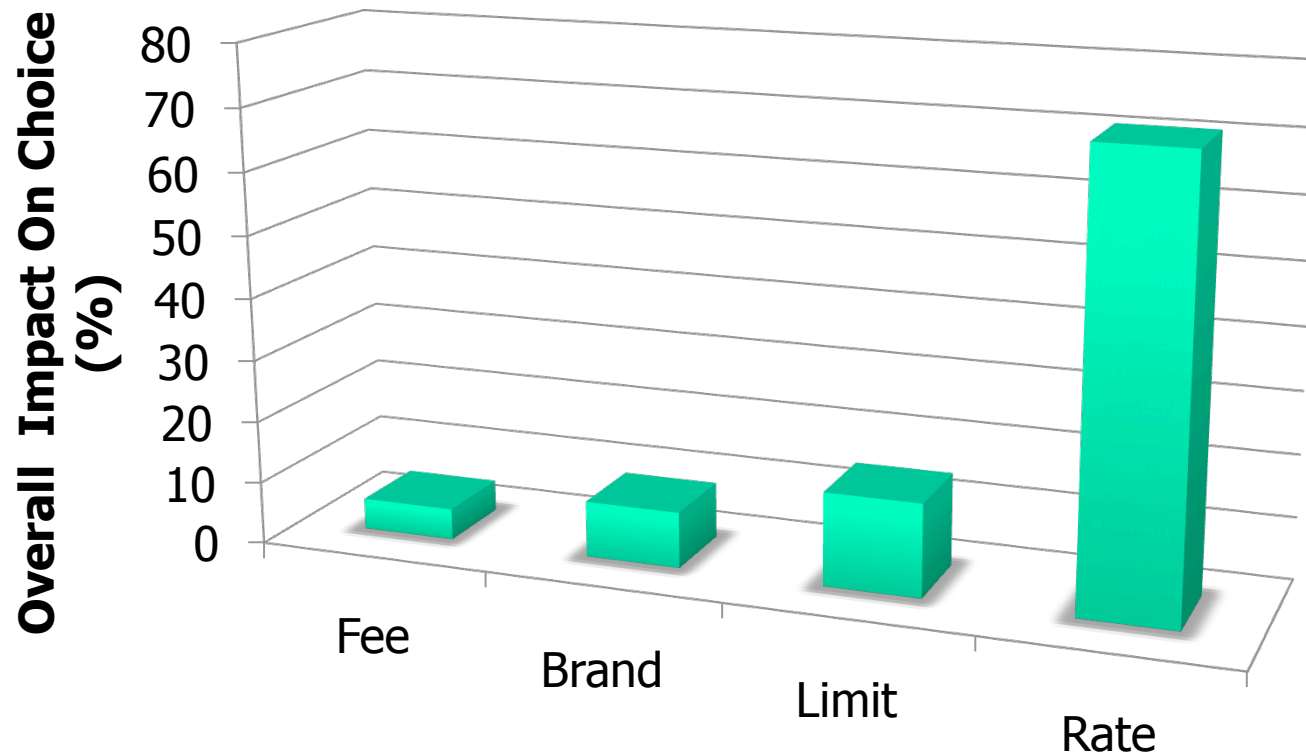


- Define Sample Cards
  - Brand (MC, Visa, Discover)
  - Interest Rate (9%, 12%, 15%)
  - Max Credit (\$4K, \$8K, \$12K)
  - Fees (\$50, \$100, \$150)
- Ask Customers Or Prospects To Rate Purchase Likelihood
  - 9 to 18 sample combinations

# How Features Affect Choice

Credit Card Example

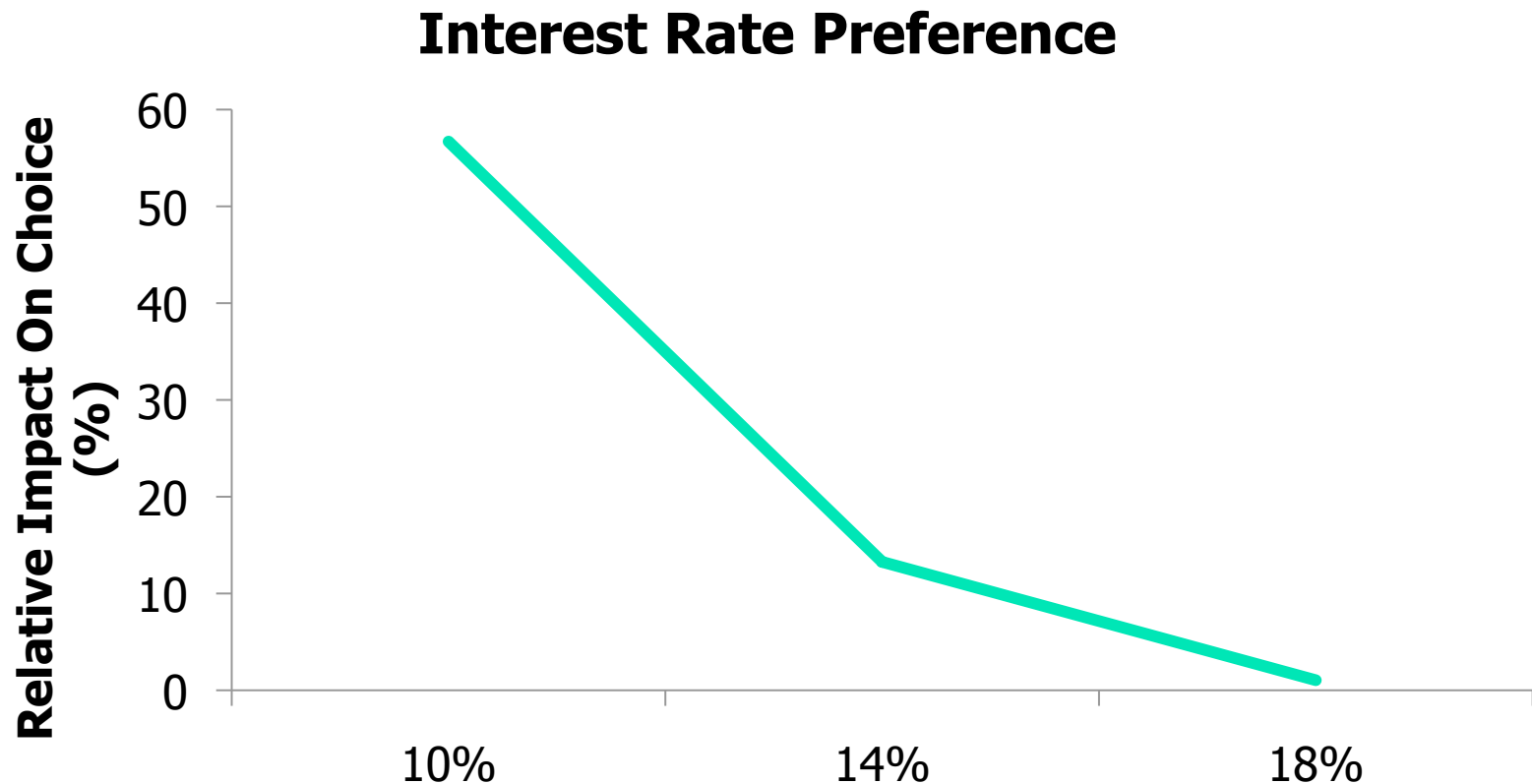
- Interest Rate Is The Most Important Feature



# Drill Down On Key Feature

Credit Card Example

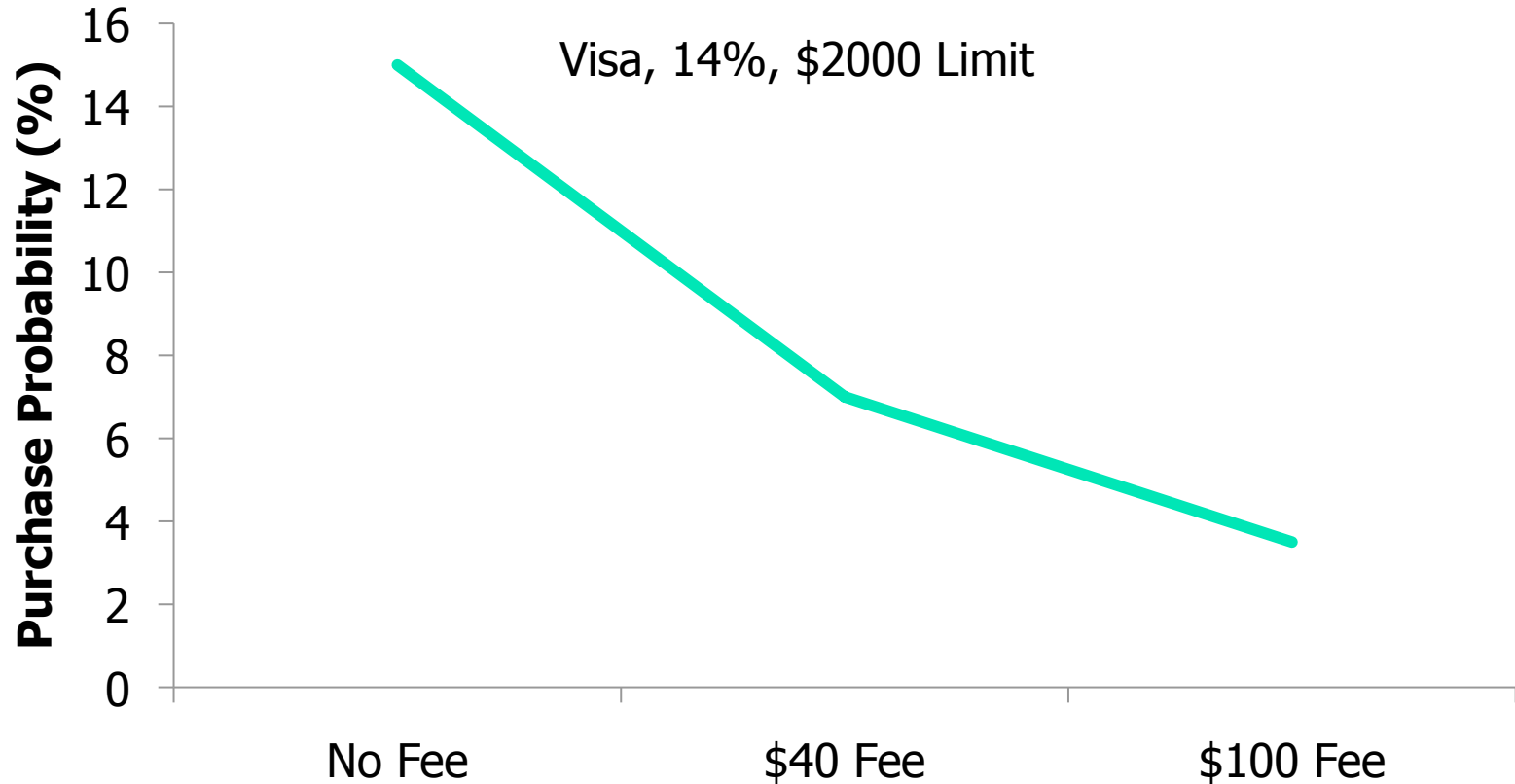
- A 10% rate is significantly better than 14%
- The difference between 14% and 18% is minor



# Understand Demand Curve

## Credit Card Example

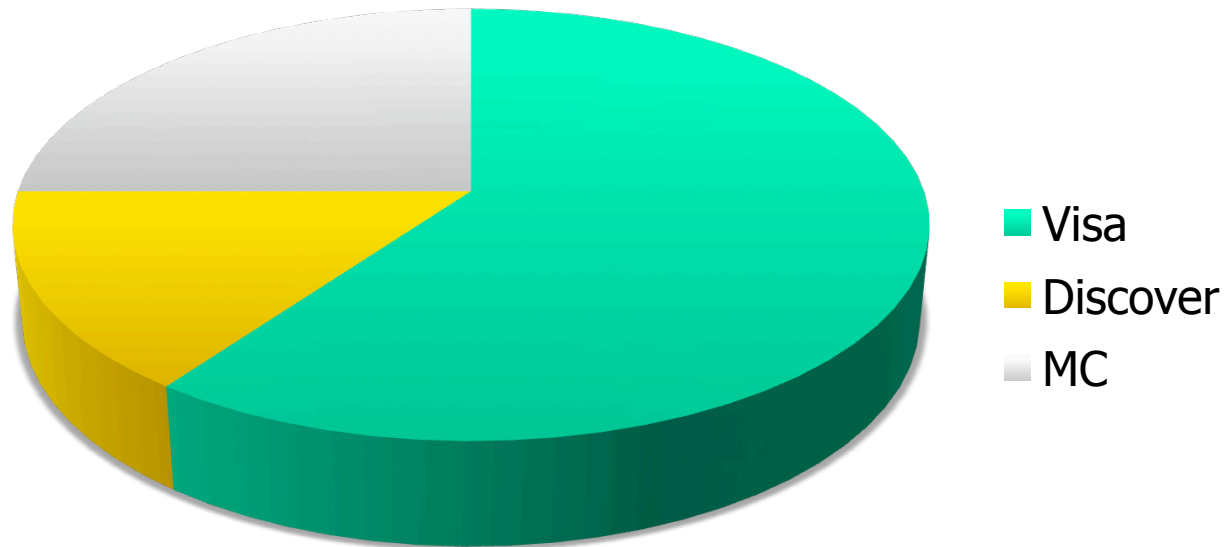
- The demand curve is non-linear
- A \$100 fee and \$40 fee is perceived similarly



# Forecast Share Of Preference

Credit Card Example

- A Visa card with features as shown could achieve ~70% market share against the Discover and MC cards



Visa, 10%, \$2000 Limit, No Fee  
MC, 14%, \$5000 Limit, \$40 Fee  
Discover 18%, \$5000 Limit \$60 Fee



# Calculate ROI

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- Using projected share, price and total available market provides an estimate of total return
- This can be compared against the cost of developing and marketing the product to compute ROI



# Applying The Method

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- Understand The Feature Set
  - Customer discussions
  - Applications/Sales/Engineering input
  - Survey
- Select Features
  - Ignore features that every product must have
  - Focus on either/or features
  - Focus on high cost features
  - Select 3 to 5 features
  - Each feature is usually represented at 3 values



# Applying The Method (cont.)

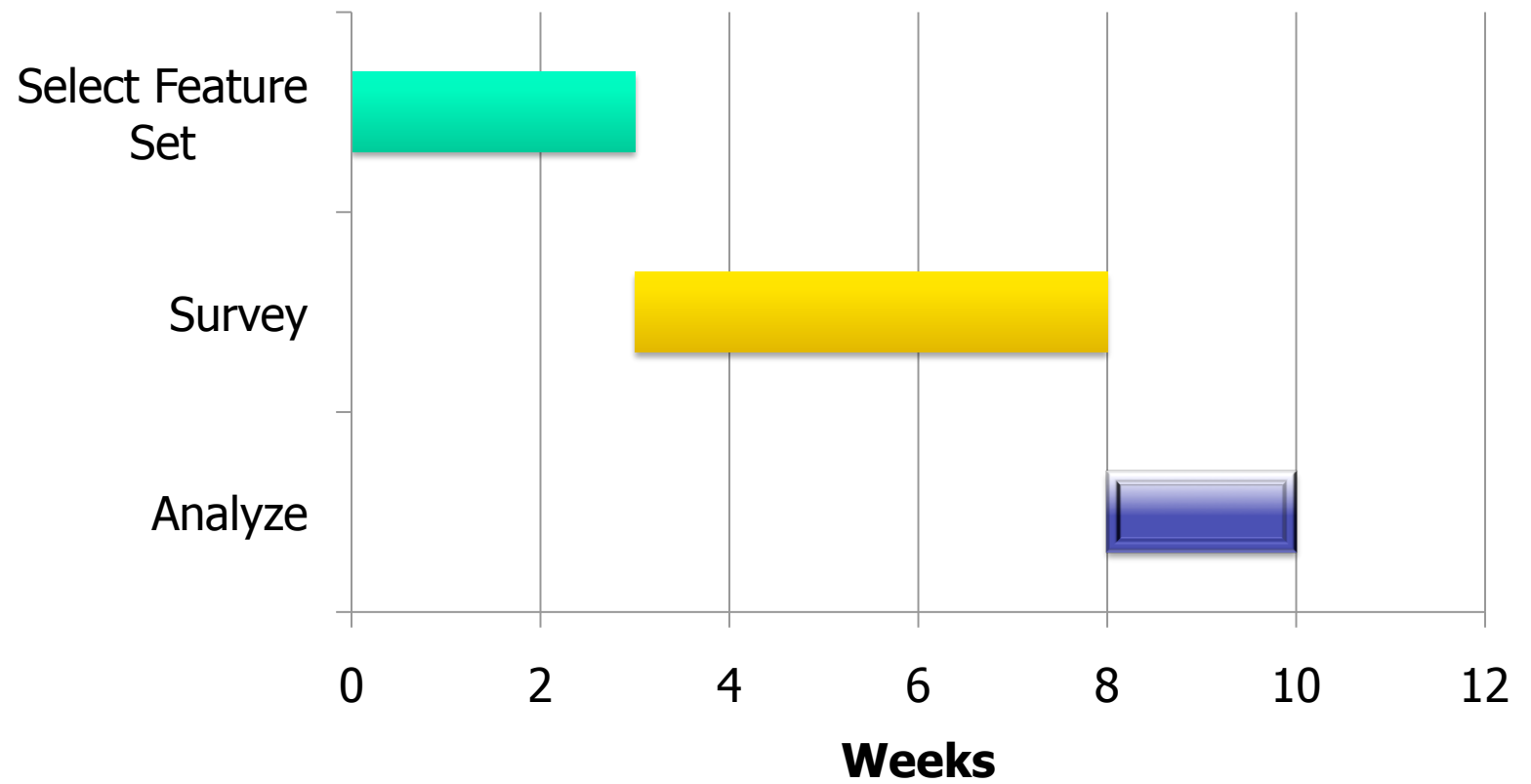
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- Collect The Data
  - Key customer calls or visits
    - Focus on customers who drive your business
    - Sample size must be about 20
  - Internet survey
    - Broad coverage if market is diverse
    - Opportunity to look for segments



# Timeline

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# Summary

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- Proven Path To Sound Product Development Decisions
- Improve Competitiveness, Market Share And ROI