



## ***Commentaries and Insights from Allawos & Company***

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### ***The Customer Knows Best. Oh, Really?***

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“The customer knows best” adage leaves in its wake a graveyard of failed products, services and companies. While the phrase has become a truism, it is more like pop-psychology advice. As with most simplistic imperatives, it is just that, simplistic and often dangerous.

At its best the phrase implies a number of valid concepts related to the introduction of a new product or service or the growth of a company. Talking to current and potential customers, often under NDA, on feature-sets and pricing, the use of formal focus groups and beta test customers fall within these valid and commonly used actions.

But it must always be remembered that product, service and corporate development is also about determining what customers you want and which you don't want, not just about product features and pricing-points. Listening to customers should always include the

sub-text of evaluating the value or not of a given customer or market segment to your business. Part of the analysis side of those common actions mentioned, above, is “do we want their business?” Or at least should be.

In high-tech, in particular, where a potential new product may be game changing and hence will be disruptive to the dynamics of an established market segment there are other dangers. In these cases the customers in the existing segment can be the worst source of input.

In this situation, the potential target audience is often unable to comprehend the impact and advantages. Feedback is often either negative or a deer-in-the headlights. Such was the case with the 1st general-purpose microprocessors. In these cases a better source is third party experts including those familiar with a given technology or market space.

Beta testing, focus groups and interviewing should always include the concept of “customer load.” That is, is a given type of customer or segment worth the trouble to satisfy for a given return? It is an anticipatory ROI judgment. Instead, too often you find the process turns into the gathering of customer wish lists that drives a feature set that tries to satisfy every wish heard.

The fact is potential customers are invested and pre-occupied with their own success not yours. Much of what can come out of these customer engagements is shoot from the hip ideas which are either not worth the trouble because they are nitch issues or because the customers would buy the product or service anyway.

One of the funniest scenarios you see in focus groups in particular is one-upmanship where you get individuals determined to try and impress the rest. You don't want to bet a product or company on the unfiltered input of one of these open-loop sessions.

Another common approach that can be of great value is a series of one-on-one interviews done with current key customers to get input on a new product concept or feature-set. This can have its own pitfalls. To highlight just one is “account-loss-panic.” The desire to

keep a major account happy can lead to investments resulting in a net loss.

A major semi-conductor company ended up creating a new graphics chip based on a single major account one-on-one that resulted in a negative ROI. Fear of displeasing a \$100M account led in the end to substantial diversion of R&D resources with huge opportunity cost by focusing on a niche segment for one account.

They would have kept the account at any rate but the customer worked them. The central mistake in this example was having company management, including the account executive, as active participants in the review session with the customer. The existing relationships trumped rational self-interest. They couldn't say no since it was "just" a functional enhancement.

While most customers consider it a compliment to be asked to participate in such a process, which is a positive for customer relations their expectations must be managed in the process. They are there to get their point of view, not to get your commitment to act on it.

The voice of the customer matters hugely in any business but it should not be mindless and slavish. When it comes to introduction of a new product or service concept those that do not insert a third party buffer between themselves and the customers should think twice.

You should be engaged in all such customer feedback programs but it is better to have a hired gun there to lead the interaction and take the flack.

If not, you better have your A-game on and be ready to hear that your dog is ugly. At the extreme you may even need to be ready to do damage control with the very customers that put dinner into your food bowl.

The customer's main interest is their own success, not yours.

The customer is not always right, they just think they are.

## **About Allawos and Company, LLC**

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