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Lead Users generate innovative ideas and great returns

Among the most-satisfying experiences for an engineer is to be part of a product that's New to The Industry or New To The World. The satisfaction of seeing your creation touted by the media, consumers, and the like is hard to match. Yet, a very small percentage of products released to market are truly new.

How do you increase the odds of designing a completely new product? Consider these questions. Does your company:

- Execute focus groups better than its competitors?
- Do a better job mining the plethora of data available from customer tracking and point-of-sale systems than its competitors?
- Have significantly more capable people in it than other companies in your industry?

If the answer to these questions is generally no, you and your company may want to investigate Lead User Analysis (LUA).

Several companies have developed successful new products, thanks to LUA. **Bose Corp.**, for example, can trace its meteoric rise in the stereo-equipment industry to an analysis that showed in the 1960s that there was a large market of high-end audiophiles who would pay thousands of dollars for speakers with accurate sound reproduction. **Sony** used LUA in developing the WalkMan, a product that kicked off the wearable electronics movement in the early 1980s. **MiniMed's** wearable insulin pump in the early 1990s, now a **Medtronic** product, was also developed in part due to LUA.

LUA has been around for several decades, yet few companies have systematically deployed it. Instead, companies continue to center on focus groups, data mining, emotional intelligence studies, and the like. That's because these techniques are familiar and do not require something different be done for every project, and management readily accepts them. However, they rarely result in truly new products.

If you query "Lead User Analysis" on an Internet search engine, you will likely get more than 100 million hits. It is far from a pie-in-the-sky or luck-of-the-draw thing. Eric

von Hippel at MIT is generally credited with fleshing it out as a repeatable process that can be successfully used to identify Lead Users.

To paraphrase von Hippel, Lead Users have need for a product long before the general marketplace develops any awareness, and those users stand to benefit significantly from finding the solution. Both conditions must be met. As you can see, Lead Users are usually quite removed from the cast of candidates who would typically be rounded up for a focus group, and way removed from being culled out of a data-mining effort of sales already recorded. One has to go looking for these folks and they are typically not easily found. Worse yet, companies that task product managers and developers with finding Lead Users often end up with lists of regular users and key customer contacts because the folks responsible for LUA use their own interpretation of von Hippel's guidelines.

In our fully globalized world, competition is greater than ever before. Western companies generally do not enjoy cost of operations advantages and must compete on innovation advantages that enable high prices. Listening carefully to bona fide Lead Users is one way to gain an innovation advantage, which often translates into a financial advantage as well.

To paraphrase W. Chan Kim's book *Blue Ocean Strategy*, blue oceans are where products do not yet exist and red oceans are where competition is currently taking place. In any given year, only 14% of new products are launched into blue oceans. Yet, this 14% generates 38% of all corporate revenues and an unbelievable 61% of all corporate profits.

Give Lead User Analysis a try. It is personally satisfying and your company will love the financial results. **md**

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