

New Product Commercialization

Is there a business behind your product?



Overview

Do you have a new product or looking to create a new business within your organization? Taivara's experience in building businesses, not just products, has made us experts in the 4th key element of product creation, Commercialization.

New product commercialization is a set of business activities that run in parallel with ideation, and product development processes so that a new product can become **commercially viable**.

Commercialization is a vital part of product creation because the way a product is deemed as successful is directly correlated with if it can make money. It is an integral part of each step starting at ideation, worked consistently through development, and culminates in a scalable product. It is not a separate task bolted on after a product is built.



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Definition of Commercialization

Commercialization is the process or cycle of introducing a new product or production method into the market. The actual launch of a new product is the final stage of new product development and the one where the most money will have to be spent for advertising, sales promotion, and other marketing efforts.

Commercialization is often confused with sales, marketing or business development.

The Commercialization process has three key aspects:

1. The funnel. It is essential to look at many ideas to get one or two products or businesses that can be sustained long-term.
2. It is a stage-gate process, and each stage has its own key goals and milestones.
3. It is vital to involve key stakeholders early, including **customers**.



Commercialization for New Product

Commercialization overlaps with many of the steps in Taivara's 8-Key Elements of Product Success. While Commercialization is one key, it is dependent on output from some, and will run parallel to others. Commercialization also has stage gates, though it is not itself gated by any of these other Keys. The figure below attempts to illustrate this.



When things go as planned, the product will achieve product/market fit and scale either organically or through sales & marketing. At these later stages, we take products we have co-created and hand off a repeatable process to a team capable of managing for success, optimization, and growth.

Alternative commercialization stage-gate models are discussed here:

<https://www.designorate.com/stage-gate-new-product-development-process/>



Commercialization Workflow



Key	Commercialization Action	Commercialization Objective
Prioritization	Scoring feasibility, viability and desirability using in-house, cross-functional expertise	<ul style="list-style-type: none">• Does it make business sense?• Is it a current priority for you or your company
Analysis & Validation	<ul style="list-style-type: none">• Customer discovery, talking to target customers• Review competition for messaging and price points• Killer issue deep dives• Lean canvas critical factor resolution	<ul style="list-style-type: none">• Confirm customer problem, value proposition, scale, and importance of the problem• Identify market price ranges• Verify growth potential and critical dependencies
Commercialization	<ul style="list-style-type: none">• Customer development• Identify acquisition channels and costs	<ul style="list-style-type: none">• Move from discovery to selling the solution• Line up first customers: POC/Prototype/Pilot
Product Management	Business management of the product	<ul style="list-style-type: none">• Determine near/long-term ownership of the product• Work through all aspects of the lean canvas• Own delivery: POC/Prototype/Pilot
Design & Development	Execution of building the product	<ul style="list-style-type: none">• First version of the product in market• Continuous improvement/product iterations



Prioritization & Commercial Potential

If you're at the idea stage, we recommend scoring the commercial potential of the product idea. You may be doing this already as a broader innovation initiative like we describe in our simple Product Prioritization system.

For any idea, score it using the following five criteria to determine if it should advance. Score the idea with a high, medium or low for each criteria, or on a scale of 1 - 10. If your company prioritizes somethings more than others - adjust the weight of the criteria. Using a cross-functional team draws upon a range of expertise and delivers excellent results in a short amount of time.

Criteria:

1. Strategic fit/alignment to the organization
2. Level of effort, efficiency of execution and capabilities
3. Impact to the organization or the bottom line
4. Time to market, how fast can the work get done
5. Probability of success

Add any criteria important to your organization, but keep it lightweight. More detail will be added for approved ideas and with actual customers.



Analysis & Validation Commercialization Inputs

In Taivara's [Opportunity Triage](#), we illustrate our process for Analysis & Validation of early stage new products. Some of that work is essential to guiding commercialization efforts. The findings from Validation & Analysis get real-world testing during Commercialization efforts with Customer Discovery & Development. A few examples follow:

Competitive Landscape

- Alternatives - whatever is being used today is the biggest competitor. We need confirmation we offer enough value to change behavior.
- Unmet needs - always be listening to prospects as their objections and complaints will tell us how to distinguish our product.

Key Findings & Killer Issues

- Issues & opportunities - we need to address the riskiest parts of our product. Commercialization efforts allow us to put better data behind our assumptions.

Customer Segments

- Value proposition, pains & gains - keep testing the language we use to see if we're addressing the market in a way meaningful to our customers.
- Subject Matter Expert opinions - Test their guidance with a more statistically significant number of interviews.

Lean Canvas

- Key dependencies, revenue and cost - the critical Lean Canvas components need to be resolved enough to proceed with the product.



Customer Discovery (1 of 2)

In Validation & Analysis, we did some lightweight confirmation of our value proposition. The connection between the customer, the pain they need resolved, and the benefits of the product solution are vitally important. To ensure alignment, our goal is to talk to at least 100 customers.

- Include each customer type, e.g. the buyer may be different from the end user. Each customer will relate to the problem/solution in their own way.
 - ◆ Determine if there's a difference between our market perspective and theirs.
 - ◆ Is the problem high enough of a priority they will find the budget for the product?
- Value proposition, pains & gains
 - ◆ Test the description of the value offered in easy to understand words. Ideally, the words customers use.
 - ◆ How bad is it not having a solution? Is our solution a vitamin, aspirin or vaccine?
- Know key competitive information
 - ◆ Messaging - how do they describe the problem, and their solution. Why are we better?
 - ◆ Prices - their price likely created an anchor with our prospect as to how much they should pay. Will that pricing meet our business needs?
- Confirm the relationships and dependencies identified in your lean canvas/business model canvas



Customer Discovery (2 of 2)

The first conversations are truly discovery, we are listening - not selling. We want to know the answers to, and solidify our understanding, of the following questions:

1. Where and when does the problem surface?
2. In light of all the business struggles they face, where does this rank?
3. How much better is our solution to what they are doing today?

Watchout! If we start talking about our great product idea, the prospective customer will almost certainly agree that it's great. That does not mean they are likely to use or buy it.

In some cases, however, the conversation doesn't move in the direction where we'll get the information we need. When that happens, gently steer the conversation.

Example: State the problem you think you've identified. Identify where it surfaces and how important it seems, based on your observations. Then ask what their experience has been. Do they see it the same way? Continue to drill down. What shaped their opinion? How big a priority is it?

Make sure "they tell us" versus "us telling them." We need to listen and validate at this stage.



Customer Development (1 of 2)

Once we've had those 100 Customer Discovery conversations, we'll start looking to secure first customers for our product. As a result, it's important to understand a little more about our customers.

When we discuss Customers, we usually discuss Customer Segments, like the end user or the buyer, as detailed in slide 8 of the Opportunity Triage. In early stages of commercialization, however, we're looking for specific buyer types of our Customer Segments. The diffusion of innovation theory describes five buyer types of customers -- from those who have to have the newest thing first (the Innovators), to those who may never get around to buying (the Laggards).

There's still a lot to figure out, so these first sales aren't smooth. Keep in mind:

- If the product replaces some critical component in a customer's business, then it may be difficult to find a pilot customer because of the associated risk.
- If a new product is relatively easy to try, does not present any risk to a customer's core business processes, and can yield significant cost savings or other benefits, then it is much easier to find a pilot customer.
- Expect to "do things that don't scale." First customers may require extra consulting, discounts, or customer service.
- The value-proposition language/user goals are likely to change as we move from Innovators to Early Adopters.

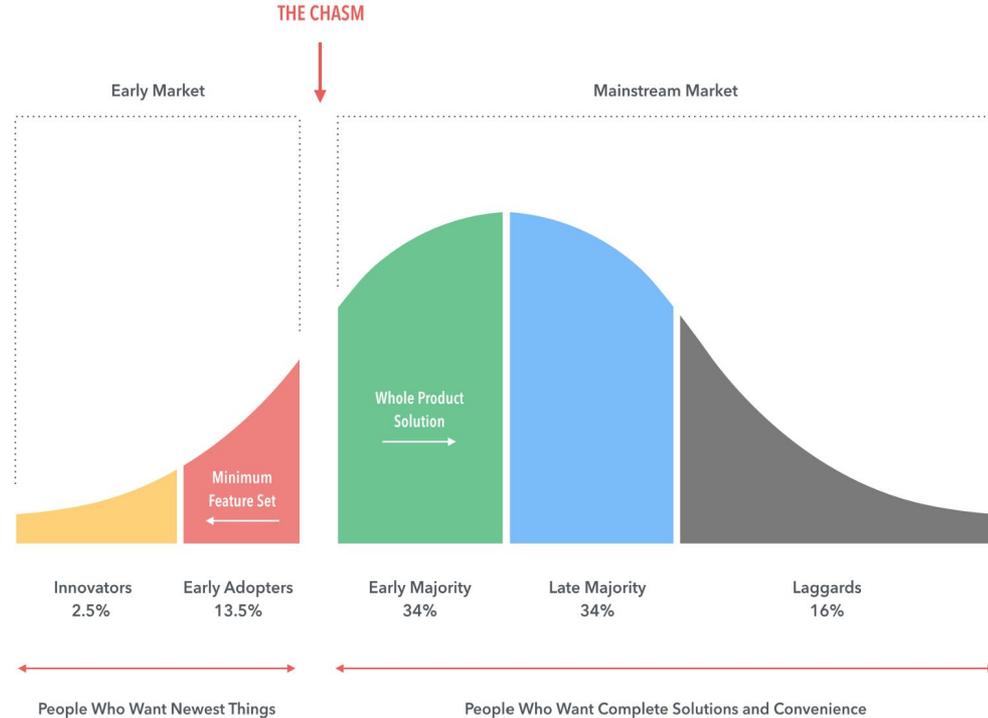


Customer Development (2 of 2)

Since we work with new products, Taivara focuses on the Early Market, with a goal to build a bridge to the Mainstream. Geoffrey Moore, in “[Crossing the Chasm](#),” explains why it’s not a seamless process. The smaller number of risk takers have different motivators than the broader markets.

1. **Innovators** - users of the POC/Pilot/Alpha product. They like being opinion leaders and are always willing to try something new.
2. **Early Adopters** - beta customers. They like new but expect it to work. Hiccups are OK, if we’re responsive and make fast fixes.
3. **Early Majority** - if we’re reaching these customers, we’ve hit a level of product/market fit and transition back to our client gets started.

The last two buyer types (Late Majority, Laggards) are managed by the long-term product team for optimization and profit.





Proof of Concept, Prototype, Pilot

Taivara groups proof of concept/prototype/pilot together in the sense that this is where we start to build something. When development starts, costs go up considerably. We try to perform other low-cost/high-value activities until development is necessary or justified.

We may need an image or an interactive presentation to help prospects understand the product. It may also require a functioning product. Building feels the most productive, but don't start too soon. It can also be very wasteful if the market needs aren't clear or the product is off market.

	Definition	Objective
Proof of Concept	Exercise to test viability of a specific concept.	Verify a feature, capability, or product can be built.
Prototype	Early model of a feature, capability or product to evaluate & learn from one potential design or implementation of a viable concept.	Gain feedback on visualization (look and feel) of solution.
Pilot	Minimum Viable Product of a feature, capability, or product to find and evaluate market readiness.	Gain feedback from customers on usage and behavior.



Launch & Rollout

Plenty has been written on how to launch a product, so we're not going to cover that here. What we do want to call out is how commercialization will help launch a product successfully. Positive customer references and testimonials from industry experts can play an important role in the commercialization of new products. We've found these three things help the most:

1. **Content Marketing** - help our prospects relate to us
 - a. Take the value proposition we've refined and create blog posts, one-pagers, case studies, and white papers that tie it to our product.
 - b. This is the chance to tell our story the way we want it told for free. Otherwise, it'll be in the form of advertising.
2. **Reference Clients** - show who trusts us
 - a. It may be impossible to convince a potential customer of the product's value without proof that it functions well in the real world - and that means with a business they recognize or relate to.
3. **3rd-Party Coverage** - getting "expert" opinions
 - a. External opinion leaders play a crucial role in convincing potential customers.
 - b. Testimonials and reports from industry experts have similar influence as customer testimonials.



Watchouts

- It's not a linear process, so don't be discouraged if you have to back up a few steps or even start over
- Within a company, micropolitics have a powerful influence on new product success, and the pursuit of individual career objectives can explain why some projects fail and others succeed. Jones and Stevens (1999)
- As the diffusion of innovation theory (Rogers 2003) indicates, there are only a limited number of innovators and early adopters. Therefore, a firm is better-off in finding those innovative customers as early as possible.
- **Product Management:** Successful commercialization requires a strong and competent product/project manager. PMO as CEO
- **IMPLEMENTATION:** Implementing an internal product launch is an important prerequisite for market success in large firms.
- **SECURITY:** Letters of Intent give a false sense of security. They are non-binding, which limits their value. If this is all you can secure, however, signing a non-binding letter still helps with establishing the idea of commitment with that prospect.
- The behavior of most prospects tends toward doing nothing. Research shows:
 - ◆ The bias is toward what we use today. Its pluses and negatives of switching are both exaggerated.
 - ◆ Intuition and reason each play parts in the way we make decisions – sometimes to our own detriment

Contact Us

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