



Gerry Katz

Viewpoint

The sometimes curious language of NPD—

The debate over “innovation,” TLAs, and other curiosities

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Over the last few years, heated debates have broken out over the language of new product development (NPD). Even *Visions* has gotten into the act with discussions about the meaning of “innovation” in the editor’s letter and Letters to the Editor.¹ Now contributing editor Gerry Katz takes on the subject, starting with some of NPD’s most cherished TLAs (see below)—and going on to the biggest question of all: “What does ‘innovation’ really mean?” Please contact me if you would like to share additional ideas with our readers on this subject. —April Klimley, *Visions* Editor.

Every industry has its own lingo, its own jargon, and its own TLAs (three letter acronyms). The field of NPD (new product development) is no different.² But over time, these terms often get jumbled and misused, then muddled and overused, to a point that it becomes not just flawed, but downright comical.

One of the biggest controversies has centered on the meaning of the word *innovation*, a topic that has already been the subject of much discussion in several recent issues of *Visions*.

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But that’s only the tip of the iceberg.

“Needs,” “jobs,” and “desired outcomes”

I have previously written in these pages about the misuse of the term *Voice of the Customer* (VOC).³ But now there are some new NPD word quandaries that are almost as perplexing as the controversy over the word *innovation*. For instance, there’s been a recently emerging controversy over the definition of the term *customer needs*. In the early years of the TQM (Total Quality Management) movement, these were usually referred to as *customer requirements*. This term has always bothered me a little, because the connotation was that it only included the must-haves (the *needs*), not the “wished-fors” or the “wouldn’t-it-be-neat-ifs” (the *wants*). In fact, most companies correctly use the term *customer requirements* to include both. But in order to make this distinction clear, I have always preferred to call them *customer wants and needs* (even though they are generally lumped together in actual use).

I have always thought that the definition of a *customer need* was clear. Abbie Griffin, in her groundbreaking paper with John Hauser on the subject, defined a need as:

...a description, in the customer’s own words, of the benefit to be fulfilled

by the product or service...Note that the customer need is not a solution...nor a physical measurement...Customer needs are the problems that a product or service solves and the function it performs. They describe what products let you do, not how they let you do it.⁴

The key point here is that there has always been a clear distinction between the *needs* and the *features, solutions, and specifications* that might address those needs. I, as well as many other authors such as Christina Hepner Brodie, Ed McQuarrie, and Sheila Mello, have also written about this distinction.

But more recently, some have wanted to put their own spin on the definition of a *need*. At a conference a few years ago, Clayton Christensen introduced the interesting concept that customers “hire” products to perform *jobs*. Anthony Ulwick goes a step further, arguing (correctly in my opinion) that *needs* should be thought of as *desired outcomes*. But though the terminology may be new, the idea behind them is not; both, in fact, describe a paradigm that experienced product developers have understood for almost 20 years. Ulwick further argues that a need must be expressed with a very specific syntax, although, to my knowledge, no one has yet demonstrated why this is better, or even why it’s important.

Who’s the “customer”?

Then there is the seemingly innocuous matter of the word *customer*. Many product developers apply the term too narrowly, referring either to their direct customers or to their end users, but rarely to both. In CPG (consumer packaged goods), the end user is rightly called the *consumer*, but this term doesn’t work very well for most B2B (business-to-business) products or for durables that are not “consumed” at all. In truth, this should never be a case of “either-or”. Effective new product development must always consider the entire distribution chain from manufacturer to end user in order to really understand the customer’s needs and to be able to gather deep insights in

Typical TLAs

NPD
VOC TQM
CPG

support of innovation. For instance, aluminum producer Alcoa famously went beyond its direct customers—the beverage producers and can manufacturers—to study end consumers, resulting in the development of its Fridge Vendor™ packaging, or Fridge Pack™ as Coca-Cola calls it. Coke now describes this product as the greatest innovation in packaging since the contoured plastic bottle was introduced 20 years ago.⁵ The chain might include users, choosers (i.e. decision-makers), influencers, distributors, and virtually anyone else who comes in contact with the product who might have useful information to help us develop a better next-generation product. Fortunately, there does not seem to be a controversy here, only a misplaced narrowing of the word's definition.

That said, I've noticed that some people are inexplicably sensitive about the word itself—with apparent rules about whether and when it can even be used at a given company or industry. Back in the mid-1990s, I consulted for several major electric utilities, which, thanks to deregulation, were worried about customer satisfaction for the first time in their history. Tellingly, the word *customer* wasn't even in their lexicon; instead, we were all simply referred to as *rate payers*! In another case, my colleague was working with a renowned business school to improve its executive education programs. Major corporations pay quite a lot of money to enroll their rising stars in these programs for an intensive dose of advanced management education. In one meeting, my colleague referred to these corporations as the *customers*—an innocuous statement, most would say. An attending faculty member nearly exploded, exclaiming, “They are not customers, they're sponsors!” Why that word was verboten, I'm still not sure to this day.

What's a “product”?

There's also something that has always bothered me about the word *product*. When people in our field speak about NPD, they are usually referring to both *products* and *services*. But I've noticed a tendency among service company insiders to refer to their *services* as *products*, even though their customers rarely do. For instance, banks and mortgage companies talk about their “30-year fixed rate mortgage at 6.2 percent APR with 2 points” as a different *product* from their “30-year fixed rate mortgage at 6.5 percent APR with 1 point.” Customers only see these as different rates. Similarly, airline executives and hoteliers talk about the *product* they offer their customers, while customers almost never use that word to describe what they're buying.

The last word on “innovation”

Finally, we come to what I believe to be the most overused and misused term in all of NPD. In an early meeting with some longtime clients, I was describing how we might be able to help them with their product development process when one C-level executive waved his hand dismissively and declared, “You're just talking about *new product development*; we're looking for *innovation*!” Huh? Then, at a recent conference, it happened again. A lunch-table participant asked, “Where is that fine line between *new product development* and *innovation*?” Although it seemed like an innocent enough question, I find this distinction positively dumbfounding.

When I consulted the online *Merriam-Webster Dictionary* about the word *innovation*, I found this definition: “1. the introduction of something new. 2. a new idea, method or device.”⁶ Then, I looked into what the experts at *Roget's Thesaurus* listed as synonyms.

What Is “Innovation”?

Here is a definition of “innovation” from Miriam-Webster online: 1. the introduction of something new 2. a new idea, method or device.

Here are some popular synonyms for “innovation” from *Roget's Thesaurus*:

- Novelty
- Evolution
- Modernization
- Enhancement
- Transformation
- Inventiveness
- Advancement
- Improvement
- Originality
- Creativity
- Freshness
- Rejuvenation
- Imagination
- Newness
- Upgrading
- Uniqueness

(And my favorite!)

- Change for the better

SOURCE: Gerry Katz

Exhibit 1: Tagline Quiz

- | | |
|-------------|---------------------------------|
| 1. Ford | a. The Art of Innovation |
| 2. Siemens | b. Innovation Improving Driving |
| 3. Nortel | c. The Spirit of Innovation |
| 4. Yokohama | d. Imagination at Work |
| 5. GE | e. A Trendsetter in Innovation |
| 6. IBM | f. Making Innovation Easy |
| 7. 3M | g. The Innovators' Innovator |

Try to match the company to its tagline – answers in Endnotes.

SOURCE: Jonathan Vehar

(See the box on this page.) Interestingly, hardly any of these terms have anything to do with giant leaps or breakthroughs. Innovation just means “new and different”—nothing more.

Today the word *innovation* has taken on many of the characteristics of the “flavor of the month” syndrome and is fast becoming the most over-used word in the business lexicon. Take the little quiz in Exhibit 1, courtesy of Jonathan Vehar, who posed it at the 2006 Innovation Immersion conference, which he chaired. Just try to match the company to its tagline! Not surprisingly, the only one that I got right among these seemingly interchangeable mantras was the one that *didn't* have the word *innovation* in its tagline!⁷

The way I see it, people drastically overuse the word *innovation* these days, but define it far too narrowly. They tend to use it only to refer to big technological breakthroughs—think of Christensen's *disruptive innovation* or Gina O'Connor's *radical innovation*. But both of these writers carefully add the qualifier before the word “innovation” to make clear that they mean something more significant than other, more “ordinary” types of innovation. We should remember that *innovation* doesn't have to be radical, disruptive, or breakthrough to be successful in the marketplace. True innovation, however “big,” merely satisfies an important customer need better than existing alternatives.

And innovation can come in lots of different sizes, types, and flavors. Consider the eight types of innovation shown in Exhibit 2 on this page.

If your new product or service isn't innovative in at least one of these ways, it's not a new product—it's a me-too product. If that's your strategy—and some companies do very well being a fast follower—no problem. But if you're interested in real new product development, as most of us in this profession surely are, then *innovation* must be your mantra. But let's use the word correctly! There are lots of ways to innovate, both large and small; and all are capable of achieving tremendous market success.

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Endnotes

1. For some of the earlier debate over the definition of “innovation” see: *Visions* magazine, June 2007, page 4, and September 2007, pages 4 and 5.
2. In fact, I've intentionally snuck half a dozen or so into this article!
3. Gerry Katz, “Hijacking the Voice of the Customer,” *Visions* XXX no.1 (January 2006): 8-9.
4. Abbie Griffin and John Hauser, “The Voice of the Customer,” *Marketing Science* 12 no. 1 (Winter 1993): 1–27.
5. *Atlanta Business Chronicle*, 5 August 2002.
6. Merriam-Webster Dictionary online edition. Available from <http://www.m-w.com/dictionary/innovation>.
7. Correct answers to the Tagline Quiz: 1-b, 2-e, 3-f, 4-a, 5-d, 6-g, 7-c. (dictionary/innovation).

Exhibit 2: Eight Common Types of Innovation

These are eight of the most common categories of innovation according to author Gerry Katz.		
Type of Innovation	Examples	Explanation
1. Technological	Flash Memory	Created an entirely new method for portable data storage—fast, compact, and large capacity. Made the diskette obsolete almost overnight.
2. Product Performance	Intel	Creates microprocessors that keep getting faster and faster
3. Business Model	Dell	Allows users to buy custom-made computers online, instead of buying from a fixed inventory at the local computer store
4. Supply Chain	Staples	Took over an entire cottage industry by dealing directly with the manufacturer and cutting out the distributor (the middleman)
5. Business Process	LendingTree.com	Allows home buyers to shop for competitive mortgage bids online, instead of going from bank to bank
6. Service	Lexus	First to offer loaner cars when customers bring in their car for service (and at the same time, a clever sampling program)
7. Customer Experience	Starbucks	Introduced an emotional, “feel-good” component to the coffee-drinking experience. (Made the term “getting some coffee” a code word for that first informal date!)
8. Incrementalism	Westin Hotels	Revolutionized the entire hotel industry, simply by upgrading the bedding (The Heavenly Bed®)

SOURCE: Gerry Katz