



## *Turning Trends Into Products: A CEO's Checklist for Success*

*A checklist to provide CEOs with the information they need to capitalize on product, market, and consumer behavior trends.*



**Richard Spangler, General Partner**

3801 Beryl Road  
Raleigh, NC 27607  
[www.plazabridgegroup.com](http://www.plazabridgegroup.com)  
919.627.7970



# Turning Trends into Products: A CEO's Checklist for Success

**Richard Spangler, General Partner**

---

In 2011, American companies spent over \$294 billion on research and product development.<sup>1</sup> That's a \$15 billion increase from the previous year despite a \$3 billion decrease in federal funding. Sectors such as pharmaceuticals and medicines, aerospace products and parts, and computer and electronic products made up the bulk of manufacturing R&D spending. Among the nonmanufacturing industries, spending primarily targeted scientific R&D services, software publishers, and computer system design and related services. The data is clear: corporate spending on R&D is growing. The implication of that data is even clearer: your company must find new routes to profit before it ceases to exist.

What can you do to compete if you're not researching and developing? Can you cut costs or streamline your supply chain? You should already be operating at the lowest possible cost in the most efficient manner. If you can get a deal on cheaper goods, for example, chances are your competitor can do the same. The answer to your dilemma then? Innovation. You've got to create new product offerings to differentiate yourself in an otherwise uniform industry.

Such innovation need not be expensive, risky, or difficult. The key is not to throw money at the innovation problem. Instead, it is focusing on market trends — especially in

---

<sup>1</sup> <http://www.nsf.gov/statistics/infbrief/nsf13335/>



terms of consumer behavior — and targeting those trends with your spending. In fact, some of the most profitable innovation trends are the easiest to notice and capitalize on. They don't require major financial investment nor do they demand dangerous, all-or-nothing gambles. It's no struggle, for instance, to see how users demand flawless performance in even the most basic of apps or pieces of software. Customers don't want to tinker. They want their products ready-to-go, straight out of the box. Your company can therefore capitalize on this knowledge. By checking and double-checking the simplicity and function of your product, you can assure yourself higher sales than the unreliable product of a competitor. Easy, right?

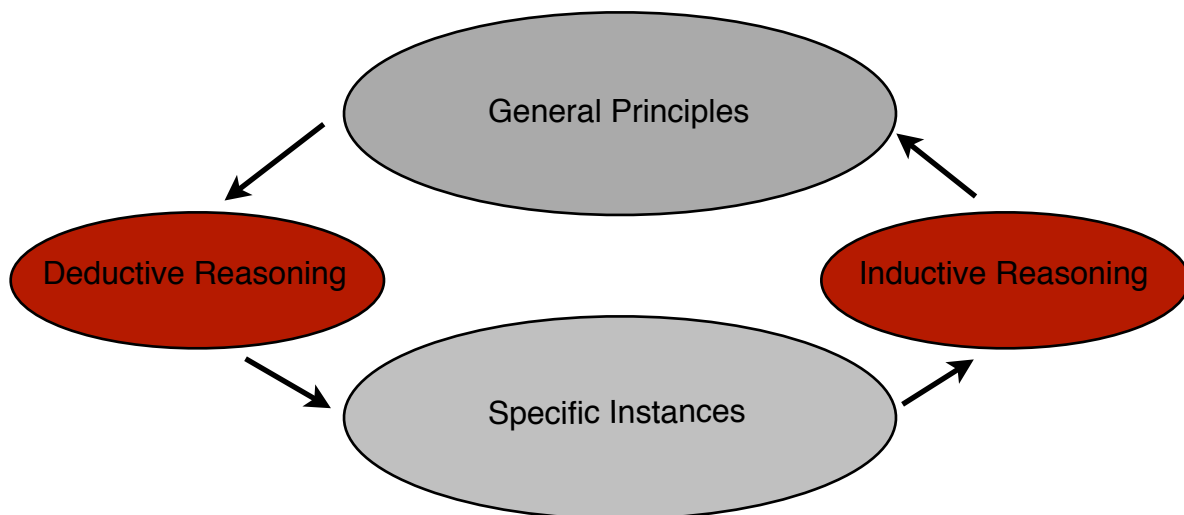
*“Can you cut costs or streamline your supply chain? You should already be operating at the lowest possible cost in the most efficient manner. If you can get a deal on cheaper goods, for example, chances are your competitor can do the same.”*

Of course there may be other methods to differentiation, specifically marketing and advertising. But unless you can somehow create a strong brand with a run-of-the-mill product, then you are forced to find other means. And, as mentioned above, the current competitive environment does not allow advantage via cost reduction or supply chain innovation. If the market is full of competitors, and if they all are forced to operate at the lowest possible cost in order to compete, then we have to assume there is no way to gain advantage without product innovation or product insight.

We should begin by analyzing the management of a competitive business in terms of classic logic. By doing so, we find that the overuse of deductive reasoning is creating diminishing marginal returns for business like your own. As companies search to reduce the cost of business, they inevitably squeeze innovation out of the organization. Instead of building assumptions and predicting what may be true, they use their assumptions to prove



what is currently true. In other words, by focusing on the current market and consequently developing methods to take advantage of it, many firms give themselves tunnel vision as they zero in on the best ways to operate in the present. This is a short-term solution to a long-term problem at best.



Inductive reasoning, on the other hand, points to a more promising future. Instead of trying to understand a certainty in the present, inductive reasoning involves using relevant data and information to make an educated guess as to what trend will occur next. To do this, you'll first need unique sources of information for analysis. Many companies today outsource this type of work in order to get another pair of eyes on the data. Outsourced innovators may have the knowledge of unfamiliar technologies, intellectual property, and past experience to bring a unique perspective on the marketplace. This unique perspective in turn brings an insight not available to your competitors and new market entrants. With the ability to innovate and prepare for the future before anyone else, you give yourself a path to greater profitability.



As a practical example, let's look at Burger King's latest invention: Satisfries. Burger King claims that their latest fry has 40 percent less fat and 30 percent fewer calories than McDonald's fries. Not only that, but a small order of Satisfries reputedly contains 70 fewer calories than Burger King's regular fries.<sup>2</sup> So what caused Burger King to push a new type of fry onto the market? Because they noticed two important trends: the increase in the number of servings of low-cal foods each year and the decrease in the number of orders of traditional french fries. Between 2006 and 2011, the number of low-calories servings at chain restaurants rose by a dramatic 252,416,000. The chains that increased their number of low-calorie offerings grew by nearly 9%. Meanwhile, the percent change in the number of french fries servings sold compared to total food sales dropped by 2%.<sup>3</sup> By using deductive reasoning, we can see that people over the last decade have increased their desire for lower-calorie foods while also shying away from traditional "greasy" items. By using inductive reasoning and extrapolating from the data in front of them, Burger King predicted that not only would there continue to be an increase in low-calorie meal demand over the coming years, but that a lower-calorie french fry may return french fry sales to their previous numbers.

While the success of Satisfries remains to be seen, it nonetheless represents an attempt by a major corporation to retake control of its markets — both the fast food and the french fry — by appealing to changes in consumer behavior trends.

While all the above data is easily accessible online, there is another method to take advantage of market trends: utilizing analytics software to extrapolate consumer behavior trends in your industry. You need to understand how you can adjust to current market interest and tendencies in order to gain a larger foothold of the market share. Lucky for you,

---

<sup>2</sup> <http://www.bloomberg.com/news/2013-09-25/burger-king-tries-to-satisfry.html>

<sup>3</sup> [http://www.hudson.org/files/publications/lower\\_calorie\\_foods.pdf](http://www.hudson.org/files/publications/lower_calorie_foods.pdf)



with the growing prevalence and access to analytics software, these customer behavior trends are more transparent than ever. Freely available information software such as Google Analytics can provide everything you need to know about your customers' interactions with your website, showing you what pages, links, and even words customers focus on most often. You can easily develop keywords and keyphrases to rank higher in search engine results, and you can track the origin of your sales via multiple channels like Twitter, Facebook, email blasts, etc. The faster you can transition and react to this new information will allow you to differentiate and overcome your competition.

We at PlazaBridge Group, for instance, measured the trends in RFID management software and saw an intersection with Smart Manufacturing trends. We shared these trends

Watch the macro-level changes in technology and the major shifts in the marketplace ecosystem. You never want to uncover minuscule movements in your data and mistakenly believe that major opportunities exist when they do not.

and our ensuing analysis with one of our clients. The result was a brand change to enable SM and a focus on Asset Tracking within a SM context. Their current product strategy now encapsulates a push to build sensor interfaces and SM integration capability. This positioning resulted in new investor capitalization, greater SEO generated traffic, larger lead funnel and increased differentiation from other RFID software companies.

In terms of your company, you'll also need to manage your focus on the movement of customer needs and desires. Remember to watch the macro-level changes in technology and the major shifts in the

marketplace ecosystem rather than delving too deep into your data analysis. You never want to uncover minuscule movements in your data and mistakenly believe that major opportunities exist when they do not. In addition, you and your product planning team must consider both the supply side trends and the demand side trends when uncovering these product opportunities. Innovation can come from using new materials and new



manufacturing methods as well as from new customer needs and new markets. Make sure your teams are diversified enough to consider both sides of the innovation equation and ask themselves, “Are we extrapolating beyond the data?”

Think about the “Internet of things,” meaning the interconnections between products such as bridges, piping, tubes, cars, etc. Each of these seemingly simple, everyday products will soon have a “smart,” communicative ability. Bridges will be able to inform engineers about their weaknesses. Pipes will notify their managers if they become clogged or damaged. The same holds true for energy distribution technologies. Greentech Media Research believes that the value of the smart grid market will surpass \$400 billion by 2020, growing with an average compound annual growth rate of over 8%.<sup>4</sup> If you manufacture pumps that can’t tell a client’s pumping system that there’s a leak, then you’ll be out-innovated by a competitor that’s already started making smart pumps. There are multiple ways you can attempt to take advantage of this insight. Maybe you notice a new type of cheaper, faster computer chip coming to the market. Maybe you notice how pump system manager’s want to know more about the pressure of the pipes than they do about the strength of the metal. Either way, building consumer-facing focus groups and employing data analytics will allow you to predict what your customers want before they even know they want it.

Upon discovering a major trend and then choosing to develop the ensuing innovative product, you need to check that you are analyzing customer needs beyond your new product concept. The services surrounding a potential product are equally as important to a product’s marketability as the product’s innovative capabilities. Products are rarely used

---

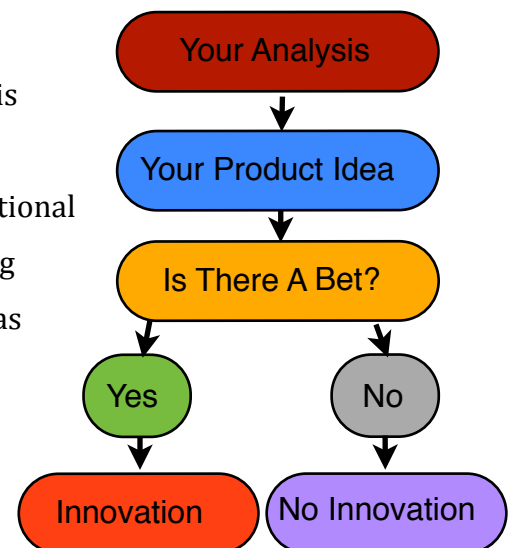
<sup>4</sup> <http://www.greentechmedia.com/research/report/global-smart-grid-technologies-and-growth-markets-2013-2020>



by alone and customer needs are usually satisfied by a combination of products. Simply innovating on one front does not necessarily increase your profit opportunity. The same idea holds true for using different business models and go-to-market strategies. Perhaps you need to begin releasing your software from the cloud rather than from traditional CD installations. Perhaps you realize it's cheaper to release your product in stages before risking your company and its reputation on a single release. If the tried and true method isn't working in the present, why would it possibly work with a newer product in the future?

Lastly, you need to remember your own role in the innovation process. As an executive or manager, are you recognizing the innovators in your company as compared to the analyzers? Who is presenting a product idea to you and what is their approach to justifying a product plan? Know which of your people are inspirational in their approach to new product concepts and which are deriving their concepts solely from the data at hand. Nothing disruptive has ever come to a market by means of strict data analysis. Product innovation is inherently making a bet based on the data. In other words, that's taking a gamble on the risk inherent in your new product concept. Enterprise companies often need to act like start-ups in this "betting" arena because they need gain internal

momentum for an innovative culture to flourish. For example, venture capitalists are known for making entrepreneurs clearly spell out the risks of a new product before they choose to fund it. They demand an understanding of the risk profile of the concept. If there is no "bet" being made on the entrepreneurs' part, then chances are there is no innovation. This same principle holds true for any employee or investor in an enterprise company. Neither wants







to heavily invest their time or resources on a product or venture that already exists on the market. Success is therefore contingent on your executive action to create an innovative corporate culture. Instead of sticking to the old guard, you must challenge and encourage a gambling, betting mentality. This thought process finally returns us to our argument about inductive reasoning. If you know everything to be certain, then you are not making predictions about what may be true. Progress only occurs through making an educated bet and watching it pay off.

The only preventing your company from taking a stronger position in the market is your inability to innovate according to trends. Stasis is death. It's not simply good enough to sell the tried and true products over and over. People change. Consumers change. And therefore you must too.

# Turning Trends into Products

---

## A CEO's Checklist for Success

1. Do your product planning teams have unique SOURCES of information and trends analysis? Entrepreneurship success often arises from a unique perspective on the marketplace. This unique perspective brings an insight not available to competitors and market entrants. If the teams are using generally available trends information then don't expect much innovation
2. Are you stepping in front of a big train? That is, when looking at trends in your industry are you focusing on the big movement of customer needs and desire, of big changes in technology or of major shifts in marketplace ecosystem partners? Often planning teams get so far into the data analysis that they uncover minuscule movements in data, mistakenly thinking that major opportunities exist when they do not. The pioneers in technology will tell you that much of their success in products come from "stepping in front of the fast moving train [of trend data] and persevering.
3. Is your product planning team considering BOTH the supply side trends and the demand side trends in uncovering new product opportunities? Innovation can come from using new materials and new manufacturing methods as much as from new customer needs and new markets. Make sure your teams are diversified enough to consider both sides of the innovation equation.
4. Is the product concept "bet" clearly understood and defined? The "bet" is the risk that is inherent in the new concept. Venture Capitalists are known for making entrepreneurs clearly spell this out so they can understand the risk profile of the concept. If there is no "bet" then chances are there is no innovation.
5. Have customers asked for a specific product concept? If so, chances are it is not the "real" success yet. Customers expect to be given products that contain aspects that even they did not think of.
6. Is your product planning team extrapolating beyond the data? If so, make sure they are clearly articulating assumptions so they can be changed quickly.
7. Are you conducting customer needs analysis in more than just the product concept? Understanding services surrounding the product, different business models, different go-to-market strategies can turn a commodity product concept into a winning revenue producer

- 8. When create concepts for your new products do you envision the products an ecosystem of other products? Products are rarely used by themselves and needs are usually satisfied by a combination of products
- 9. Are you remembering the APPLE lesson of providing exceptional products in a narrower context before attempting multifunctional products? The trends may indicate a comprehensive product but trends always LEAD the customer's ability to comprehend the full value of a product. Satisfy a narrower need exceptionally well and evolve from there.
- 10. Are you recognizing the innovators versus the analyzers? Who is presenting to you and what is their approach to justifying a product plan? Know which of your people are inspirational in their approach to new product concepts and which are deriving their concepts solely from the data at hand. You need both but nothing disruptive has ever come from strictly analyzing the data.