J PROD INNOV MANAG 1995;12:248–260

benchmarking clearinghouses, companies outside the industry, and many more. Hold to those who can give you the best practices, and be creative in identifying them; they are not necessarily the largest or best known.

4. *Collect data and information.*

   Study the benchmarking Code of Conduct. Take great effort to construct the questionnaire, including to: use secondary sources; mix openended questions and "numbers" questions; decide whether it will be face-to-face, telephone, or mail; and know exactly why each question is there. Consider the respondents by stating clearly what the time demand will be and what they might expect to get out of the effort (by asking some of the questions back on the benchmarking firm and by asking to share their flowcharts). Get legal review of the plan, note cultural differences in the respondent firm, limit the visiting team to three people, and debrief the team as soon as possible (even at the airport).

5. *Identify gaps and reasons for them.*

   Advice here is rather standard for the study of data, including: examine for consistency, make lots of comparisons, look for cause-and-effect, and find trends. Try to get consensus on the team.

6. *Develop programs to implement findings.*

   Agree on recommended actions, identify who will take each action and what they are to do, identify costs and possible objections, get the support needed from top management, decide how the recommendations will be communicated, watch for negative effects on peripheral persons, and make the process as easy as possible. Seek feedback as soon as the recommendations are made.

7. *Implement changes and monitor results.*

   Consider rolling out the new program to other parts of the organization, and undertake the measurements necessary to determine the effects of actions recommended.

Leveraging Customer Value, Deborah M. Adamian, Pamela W. McNamara, and Marc D. Rubin, *Prism* (Third Quarter 1994), pp. 51–63

This article, at first reading, may seem offline from new products management. Leveraging customer value is a term applied by managements to attract, select, and retain profitable customers, and thereby maximize value over time. Two statistics support this approach: (1) A 5% increase in customer loyalty can generate a 25%–85% improvement in corporate profitability, and (2) it costs 5 to 10 times more to get a new customer than it does to retain an existing one.

These are not just idle statistics—they serve as the base for a complete reorientation in how companies are being managed. The reorientation is difficult—there are still many vagaries in customer attitudes and behavior, there are still short-term financial demands, and there are constraints galore in financial reporting formats. But this article reports on a group discussion held by executives from firms who have found ways around the problems—L.L. Bean, Hewlett-Packard, Vanguard Group, Armor KONE Elevator, Whirlpool, and others.

First it is necessary to identify the three stakeholder groups in a customer orientation: end users, employees, and owners of the company. Executives at the meeting often feel the frequently conflicting goals of these three groups. The issue is how to make them see that all three benefit the most when all three benefit; hurting one stakeholder will hurt the others. The authors call this the "virtuous circle."

Then, it is helpful to put into place a system whereby expectations can be shaped—whereby every stakeholder can input the system and affect it. Bean states the goal of 100% satisfaction. Vanguard sends customers a quarterly "report card," in effect setting the standards by which they want customers to judge them. KONE takes prevention as its level of performance, so its plan is to report on preventative-maintenance service visits—thus urging customers to demand more of them (and thus retard breakdowns).

Whirlpool now calls distributors "channel partners" and product end users "consumers." Trading partners see the value of Whirlpool's completing an "amazing" 92% of consumer inquiries on the first call, so work to help the manufacturer in that effort.

Boston's Beth Israel Hospital trains employees to do two things upon being asked a question: first, make an informed referral to the hospital contact that most likely can answer the inquiry, and second, give the patient his/her name and phone number so there can be follow-up if the first referral doesn't work out.

Along the way, in a program to build and leverage customer values, lies market segmentation. The new approach works best when it focuses on a group with long-term value and requirements that match company strengths. Win-win requires segmentation, and the best segments usually do not match division and department or functional lines. American Express now focuses on college seniors, corporate users, etc., not green, gold, or platinum cards.

The approach also requires information—both before, in selection, and after, in implementation. The firms do believe that what gets measured gets managed. Accounting systems have to become more flexible, but, strangely enough, Hewlett-Packard and others have shown that customers will cooperate in supplying information themselves into a supplier system, if they feel that information will be used to their benefit. The lines between maker and user are becoming blurred, often because of the imperative for information.

Much of the article speaks to issues of direct customer service—order processing and the like. But two new product dimensions were made clear. First, if the firm commits to selling the customer the right product (the most direct and successful way to satisfaction) then they must have the right product to sell. There is no question about customer involvement in the new products process—the whole operation leads to new products that customers will buy, happily and at higher value prices.

The several programs that report on service calls, product breakdowns, modes of customer use on various products, etc., all contain the essence of problem- or needs-based product innovation. Product strategists and developers have in-depth information on customer needs no further away than the keyboard of a company computer.

Lastly, management means motivation, and several companies told how they are changing their salesperson reward system away from number of sales calls (or a variant) to the profits from a group of customers. The entire multifunctional team for that customer group is rewarded that way. Salespeople's reaction to the firm's new products will change, under those circumstances.

Patents: A Managerial Perspective, Tim Hufker and Frank Alpert, *Journal of Product and Brand Management* (Volume 3, Number 2, 1994), pp. 33–54 (GPL)

This is a patent primer, and persons lacking an understanding of patent basics might benefit from reading it. Experienced new products people will recognize the three requirements for patent (novelty, nonobviousness, and utility), the different types of patents, and the general procedure for securing patents.

The authors also suggest several patent management strategies.

1. *Licensing:* Because a patent is personal property, it may be bought and sold, or the patent rights may be licensed without selling the patent outright.
2. *Accumulating related patents:* If a patent protects a new product that threatens an existing product, a company may wish to buy the rights to the patent, even if there is no intent to market the new product. This strategy involves searching patent files for all patents related to the company's major product lines and negotiating licensing arrangements and assignments with the owners of such patents. One caveat: this may be found to be anticompetitive behavior in violation of the Sherman Act.
3. *Cross-licensing:* This entails sharing patents with competitors in return for the same treatment, permitting standardization and quicker diffusion of innovation. A potential antitrust problem arises when extensive cross-licensing (''patent pooling'') excludes newcomers from an industry.
4. *Bibliometrics:* This is a form of statistical analysis used to scan patents and scientific papers to figure out which ones are most important. The strategy is practiced by most technology-driven firms.
5. *Benchmarking:* This is the strategy of designing around another firm's patents by reverse engineering (also called benchmarking) to a full understanding of the patented product.
6. *Patenting improvements and processes:* A defensive strategy is to conceptualize in advance the possible improvements or modifications that competitors can make to a firm's upcoming new item, and patent them. This forecloses competitive leapfrog options.

There are also some recommendations about marketing strategies designed to maximize the profits from patents. First, patents usually allow the producer to demand a premium price, but this gives incentive to competitors to design around the patent, to rush to market a competitive product, or to infringe on the patent at the risk of facing penalties or fines. Monopoly pricing also heightens the chances of a patent challenge in court.

Because there is no such thing as an international patent (they are obtained individually in each country), patent rights should be so sought. Some countries require that a patented product be ''worked'' in the resident country, by manufacture or importation.