



## How Waters Manages the Shift from a Technology Focus to a Customer Focus

*This transcript was lightly edited for clarity.*

Chris: Today I'm speaking with Jeff Mazzeo. Jeff is the Vice President of Marketing at Waters Corporation.

Jeff, thanks for joining me on Life Science Marketing Radio.

Jeff: Chris, it's my pleasure. I'm really looking forward to our conversation.

Chris: Yeah, this is gonna be a good one.

I want to talk about a shift in Marketing that a lot of companies are undertaking and I know you are as well. I want to talk about how you think about it from an execution stand point.

So, Waters, as most people know, has been very much a technology company in the past. Chromatography, and Mass Spectrometry, Consumables, and Informatics. Technology is what you focused on, probably what you talked about, and now you're shifting to be more customer oriented in your marketing and focusing on specific markets and applications.

First of all, what's driving that shift?

Jeff: I think the biggest driver for that shift is that our customers are changing and have changed. What I mean by that is, five, ten years ago, the people who purchased and used our products tended to be experts on some level in technology. Kind of like we are. So, we didn't need to spend a lot of time demonstrating the benefits to them of having a Mass Spectrometer with higher sensitivity or a liquid chromatograph that could do much faster separations, because they could get it. They were Chromatographers and Mass Spectrometers themselves. So, what we're hearing not from our customers, first of all, is they're not experts in given technology. They're kind of more general experts that need to know a lot of different analytical technologies. Secondly, they don't care as much about the solution itself, they care about the answer that it provides.

For them, everything is becoming much more motivated by how an investment in technology from a company like Waters will improve their business financial results. Get them more revenue, reduce their costs, improve their asset utilization. That's probably the most fundamental change in our customer base that's driving us to move from the technology focus to more of a focus on, what's the solution that the customer needs to meet their business challenges.

Chris: Right. I'm just thinking about this in the broader context of Life Sciences, so my background for people who don't know, Mass Spectrometry and Chromatography at Thermo, Agilent, and Variant. The analytical market where people are being asked to create all kind of analytical results. Producing answers on a scale that some Life Scientists might not appreciate, right?

Jeff: Well, absolutely. I think there's two things. Number one, the amount of samples that they need to analyze is only going in one direction and that's up. Secondly, the complexity of the samples that they're trying to analyze is also going up. So what that means is, they A, can't get everything done necessarily with one analytical technique, they need to use a variety of techniques. For example, if you think about somebody like protein therapeutic. Incredibly complex, large, heterogeneous mixture of similar structures, certainly our technology plays a critical role in helping to characterize those molecules, but in and of itself it's not enough. You need to supplement it with other technologies. So, because of that, they need to know a lot of different analytical techniques, not necessarily just one, like chromatography [inaudible 00:03:48]. As I said, similarly, because they're

gonna get more samples done, there's a much higher demand to analyze these complex samples. That's also driving them to really focus on getting the job done.

Chris: Right.

I've seen companies try to do this with two layers. So, they have a Product Manager focused on the technology and what their customers want and then Market Managers who are trying to bring that technology in to a very focused market area.

What types of things are you doing to become more customer focused? How is your approach maybe different than this two layer Product / Market Manager approach?

Jeff: First off, I'd say what we're doing on the, we like to call them market segments. In Waters we have really four main market segments that we focus on. Our largest market segment is the broader pharmaceutical industry, both small molecule, large molecule, innovators, generics, and increasingly be a CXO organizations that support that industry. The other industries of segments that we serve are the Health Sciences. By that we define it as everything from things like biomarker discovery and the omics technologies all the way through to in vitro diagnostic tests. Third area would be food and environmental, which is an important growth area for us as food becomes more regulated and there's a need to test for things like pesticides, et cetera. Then, the fourth is a relatively broad market segment that we call chemical materials, which includes everything from fine and specialty chemicals all the way through end products like for example cosmetics, electronics devices, or the automotive industry, et cetera.

So, we recently organized four main market segment groups whose task is to really focus on those areas, understand the customers' needs, feed that back in to the development organization so that we can build a product to meet those needs and also market our existing products to those industries.

But the other thing that we have, which is kind of similar to the model that you suggested, because Waters has, historically anyway, been very focused on specific technologies. We have to be careful about not building all kind of systems for the four different markets, so we need to understand what the differences are between the four. But, we also just as importantly, need to

understand what the commonality is. So, what we've done there is we've actually just built a new organization that we call Product Marketing.

The way that we're trying to do things is, we're starting with the market segments, where they feed their market needs in to this Product Marketing team. The Product Marketing team aggregates those needs, looks for commonality, especially at the hardware level, at the LC System and the MS System level. Then, also determines from that, okay "what are the priority systems that we need to build in the development organization?" The way we tailor them for the specific four market segments, is primarily through things like software, where a lot of times the software is common for the control of the instrument. But, what really counts is how you process the data, how you report and aggregate the data, as well as the consumables that are used on that system.

So, for example, if something like a polymer is in the chemical material's area, we have GPC columns to characterize those where for a protein biopharmaceutical we have things like size exclusion columns to characterize those types of molecules. But, at least fundamentally at the hardware level, there's a lot of commonality across the markets that we try to leverage with our core technology.

Chris: Yeah, you answered ... You just answered the question I was gonna think about. So, if you had four market groups feeding in to your Product Development group, now they have four different kinds of customers that they're trying to please. It's probably not realistic for them to develop four completely different sets of hardware.

Jeff: Yeah, it's absolutely true. I certainly wouldn't rule out the possibility that in a given market segment, there may be an opportunity that's large enough that we develop a system just for that segment. But the more common situation is, we can find when we look across these four segment, areas where there is a tremendous amount of overlap, especially at the hardware level, and it's those systems that we want to build. Because building a system, the investment that's required to do that, and the time horizon, is longer than for example something like a consumable or a new piece of software. So, it's at the hardware level where we really want to make sure that we're building the systems that are gonna have the most impact across all four segments.

Chris: Right.

Jeff: What we've tried to do is, even though the segments are different in terms of what the end businesses are, what they're trying to achieve, many times the analytical questions that the customers have are very similar. So, we've started to work with a segmentation model that allows us to describe things across the four market segments in somewhat generic ways. So that when we do that segmentation and we aggregate, we can find commonalities. For example, quantization of a small molecule to trace level in a food area versus something in a diagnostic area. Fundamentally, a lot of the core hardware is gonna be the same. As I said before, it's really just the application that we wrap around the software and potentially some of the consumables that will be different.

Chris: You've gotten in to my next question, I think, but let me try this. We're gonna talk about, how do you make this change, this shift to more customer focused marketing happen from a product solutions stand point? So, what are you doing to optimize the solutions that are going to each of those different markets? And how is that making you change what and how you communicate to your customers?

Jeff: I think ... One of the things that we're trying to do is, we have a very large group of what I'll call application scientists that really ... That group of people is very intimate with what the customers in different market segments are trying to achieve from an analytical stand point. What we've done most recently is, we've really ... Those people play a critical role in the marketing of our products because they take them and they show how they can be used in a given market segment. So for example, we have application scientists that have expertise in trace analysis of things that might be in a food product. We use them to take our solutions and show a customer in the food industry how it can be used for that and the same for the other market segments. That's something that we've kind of always really done well, historically.

What I think we've changed recently though is, we actually now have put that group much closer in to the product development area. The reason being is, that what we want to ensure is that as we're developing these products, we don't want to wait until they're completed to start to test them with what I'll call real world samples. We really want to get feedback from the products in development as they go through the various stages of development from these applications scientists. How are they working? Are they gonna have the requisite sensitivity requirements? Are they gonna have the accessibility that

is gonna make them more broadly deployable than in an expert environment?

I think the other thing that we've done is, as we try to focus more on complete solutions. Historically, our four product areas have certainly worked together, but they were kind of run somewhat independently. In many ways they were judged primarily based on how they performed in their particular technology area. What we've also done recently is, we've now grouped all of those technologies, I'm talking about Chromatography, Mass Spectrometry, and Consumables and Informatics, we've grouped all of those under one leader now. We're trying to get them to start thinking about the overall solution, not just the individual pieces of technology that go in to finished solution.

We've really bought on to this whole Transformational Engineering, which is how we try to focus on, how is the system gonna behave ... How is it gonna behave in a customer's hands? To really ensure we've thought about how all of the pieces fit together to give them that best customer experience and make them successful as quickly as possible when they invest in one of our systems.

Chris: I like it. Alright, here comes the big question. You've hinted at this a little bit, but. How do you manage this from a people perspective? So, it's not a new idea, but the fact that we're talking about it means that it's not as easy, that little shift in your organization, as flipping a switch. So, what's the secret sauce in getting folks who have been doing something one way for a long time, to now thinking a new way about how they develop those solutions?

Jeff: Yeah, it's a great question because you know what they say about strategy versus culture. You can definitely have a strategy that says we're gonna focus on market segments, we're gonna focus on solutions. But, if you have a culture that's very much based on the individual technology areas, it can be a real challenge to make that change. It's a great question. It's certainly one that we are diligently working on.

I think there's a lot of ways you can approach it. I think the way we're approaching it, is that the reality is in some cases in our recent past, we actually have done this. Maybe we weren't consciously aware of the fact that we we're doing this, but we actually were doing this. What I mean by that is, there are a couple market segments where in the past, we had a real

champion who said, "You know, I really want to deliver to my customer a complete solution with everything that's required for them to get the answers they need." They were able to make the case to their various technology centers that, give me these pieces for the greater good. We actually had two examples from our past where we have shown that if we do this, we can be very successful on the market, we can improve our market share, and we can really increase our standing within that given segment.

So, one of the things that we're doing is, we're really using those saying, "Hey, this may seem like a new thing, but it's really not. We've actually done this before." I think that the other thing we're trying to do is use the Kotter Change Process, the eight different stages. Honestly, stage one is to create that sense of urgency. The reality is, what we're showing people is that when we talk to customers today the feedback we get from them, as I was telling you before, is it's not about I want to get more mass spec resolution or I want to have an LC with this type of cycle time. It's all about, "Hey, I need to analyze a million compounds in this chemical library and I need to do it in two months. How am I gonna do that?" If you start getting the developers to think in those terms as opposed to making a better mouse trap, it really causes them to think about, "Alright. I need to think much more broadly about how everything is gonna fit together in the customers world to be successful."

I would say the other thing that we're doing is, we're really relying on our field organizations. So, our sales people, but just as importantly our service people. The service people are the ones who when a customer buys a system from us, they're the ones that go in and install it, they train the customers. Again, a lot of this feedback about the changes, our customer base is seeing, in terms of non-experts and really just trying to get an answer. The sales force and service force have been telling us now for many years, so we're using them to come in and give us that feedback. Saying, "Hey. This is what the customers want. This is what I see every day."

so, it's certainly not an easy task. You probably need to use multiple ways to make that change. You need to celebrate the early wins, but as I said in our case, you also can probably find cases in your past where you've done it without consciously being aware that you did it.

Chris: Yeah, I like the examples you gave and how in one case it was a particular person who was a champion. I'm just looking at the bigger picture, from my

perspective, there's a chance to do something ... It is new and maybe it is a shift. You can see where you've had some success. But it's also, I think, a new and different interesting challenge for those people in development to say, "Oh, now I really know what the customer's trying to do." I'm sure they're all smart and thinking people, so now they're going, "Oh, I want to help solve that problem." Because I think all the scientists, like most of us, they want to be continually learning. So, now they're saying, "Well, *how do I* analyze a million compounds in two months. That's a cool thing."

Jeff: Exactly. Yeah, the other term that we use a lot of ... This is something you can read a lot about in the world of innovation is something that we call, Customer Centric Innovation, which has really been exactly what you just said. Which is, here's the customer's problem. This is what they're trying to achieve. Think about how to innovate either our technology, or how to bring in technology that's maybe not part of our core competency but that's adjacent that we could bring together in a way that can help solve that problem.

Again, having champions in the research organization really, really helps with that. Because as I said, historically, a lot of that research and development of new products was based on the fact that we're experts in our technology. It's always easy to think about how to make things faster, how to make things with more sensitivity. That's a very ... That's what I'll call incremental innovation. But, what we're finding now is the way you can only really get what I'll call transformational innovation, is you really have to make it focused around what are the customer problems that we're trying to achieve. That just mainly creates you to have much broader thinking about what you're gonna design in to a new solution.

Chris: Right.

Do you know ... This is a little bit of an aside, this guy named Shane Snow? Have you heard of him?

Jeff: I have heard the name, yes.

Chris: I would recommend you and everybody listening to this, check him out. I just listened to a podcast from him this morning on the James Altucher Show, I'll put a link to that in the show notes, but he has a book called Smartcuts, but it's really about lateral thinking. Then, he has another book coming up in



about a year, but he talked about it a little bit, about where breakthroughs come from. When you're really changing something, it comes from two different perspectives coming together. It's not that incremental change, it's the really big changes come from two different ideas that someone figures out how to combine and make something work very much differently.

Jeff: Yeah, you know it's funny. I actually read a quote on that from Steve Jobs actually. Who talked about the fact that it's really not necessarily new specific ideas, it's more about taking different ideas and different concepts and bringing them together in a unique way to really transform things. Of course, you've got all the Apple examples, things like the iPhone.

A lot of those components existed, but it was the way they brought them together and the user experience that made it such a phenomenal innovation.

Chris: Yeah, it's just fun, inspiring stuff to think of. It's challenging, but it's worth putting in the back of your head.

Alright, last question. Imagine you are the VP of Marketing at a really new company, so by definition, most young companies aren't going in to old technology. They're selling a new technology to early adopters. Would you pick a single market or would you focus on your technology in many markets to find out where the uptake was the best?

Jeff: That's a great question. I think I would probably start with more of a shotgun approach, obviously an informed shotgun approach.

Chris: Sure.

Jeff: What I mean by that is really look for a lot of different opportunities. But, I would really then, once I would find some hits, as I would call them, I would really focus my energy on those hits that I found early. I think sometimes if you go too soon into a really focused area with something that's a new technology, you may invest a lot of time and energy in an area that has an impact, but not as much as if it could have been somewhere else. I think the other thing that I would do, if it was a small company, depending upon the value of the technology or the cost of the technology, I might also pick some key thought leaders in different industries and give them access to the technology. Get them to think about, "Hey, how much will you use something like this in your industry to solve a problem?" As a way to kind of accelerate

the finding of what is the one to two industries where it's gonna have the most success.

Chris: Yeah, I don't think I had a right answer in mind. But, I see similar ideas around that approach about finding ... Finding the audience and being open to ways of using it that you weren't thinking of when you built that technology, for example.

Jeff: Absolutely.

Chris: I like that. Well, Jeff Mazzeo, this has been a fantastic episode. I really appreciate you taking the time to share this information. I think a lot of people are gonna find his really valuable because a lot of companies, I'm sure, are struggling with this very same thing. Everybody is trying to be more customer focused, but it's not an easy thing to do. Yours is, I'm sure, an inspiring example for the others.

Jeff: Chris, it's been my pleasure, I really appreciate the opportunity. I look forward to talking to you again soon.

Chris: Alright. Thanks very much.

Jeff: Excellent.

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