

Innovation in new product development for profitable growth

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New Product Development and Introduction (NPDI) is possibly a Consumer Products (CP) company's most critical business process, yet business process management and technology enablement are only now reaching R&D and Marketing.

After several years of cost-cutting, growth is back at the top of the CEO agenda. For CP companies, frequent and successful new product introductions are essential for organic growth and competitive differentiation. The number of new product introductions per year has increased dramatically across the globe. Most categories in a retail outlet show intense growth not only in numbers of SKU's, but also in the volume of turnover during the product lifecycle. For example, in the past two decades the ice cream category increased from some fifty new item introductions each year to more than five hundred.

Launching products that leverage consumer insights and address retail requirements for differentiation is critical for new product development success. Against a backdrop of mature, traditional markets and rapid growth in emerging markets, the core challenge facing CP companies today is sustaining and accelerating time-to-market for winning products, while reducing development costs. Success rates for launches remain below 5%. Unless steps are taken to produce a new generation of products that consumers will buy and retailers will stock, revenue from new products will fall short of expectations.

How are CP companies responding to these challenges?

The majority of CP companies have no joined-up process for NPDI. Similarly, technology enablement is fragmented by best-in-class, but niche applications. Fortunately, areas of opportunity are emerging to improve effectiveness and efficiency in NPDI.

First there is a growing trend to formalize and leverage existing ERP investments in the process to take ingredient to shelf. There remains a role for specialized applications such as computer-aided design and formulation practices. However, CP companies are looking to their strategic vendors to address 80% of requirements. They are also focused on creating standards and processes for managing product information that will be consistently and broadly leveraged.

Secondly CP firms, their agencies and retailers are working together to introduce deep consumer insight in the design of products that shoppers actually want. Acquiring an explicit understanding of the value drivers and influences shaping consumer behaviors is central to a successful launch and ongoing sales. In addition, tapping into new data sources such as social networking and the 3-D Internet will contribute to a superior set of products and services, to grow in existing markets while expanding into new channels and geographies.

Clear and measurable benefits are possible for those that are first to market with innovative products.



This requires CP companies to think hard about where they focus their efforts around new product development and introduction and how to infuse deep consumer insight throughout the process. Managing the dozens of obstacles that prevent success is no easy task, but imagine if key processes and systems were in place to answer vital questions such as:

- Will our brand and product portfolio deliver the growth targets we have set?
- Will our new products match the consumer needs we are targeting?
- Are our new products meeting targets for sustainability?
- Are our retail partners on board for an effective launch?
- Which projects should we speed up, defer or stop?
- Are we developing products that can be manufactured and distributed cost-effectively?

Achieving successful new product development and introduction through thoughtful and structured innovation

The business process of NPDI requires a solution that brings an end-to-end perspective: from discovery of the original insight to brand activation at point-of-sale. Using an integrated and collaborative approach to processes and technology, an NPDI initiative can deliver:

- Visibility of the NPDI portfolio for executive and management stakeholders
- Project management appropriate to the CP environment
- Seamless product definition and development workflows across Marketing, R&D, Supply Chain and Sales
- A single view of product information throughout the business
- Specialized tools for product development including design, prototyping and trials, nutrition analysis, carbon footprint calculations and sustainable sourcing of raw materials
- Brand reputation assurance through fewer recalls and improved compliance
- Market launch support via trade promotion management capabilities

A contemporary NPDI solution uses proven components and best-practice business process knowledge to help deliver performance improvement to product development and introduction efforts.

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