

INSIGHTS**Recession-Proofing Your Innovation Pipeline**

Keys to a structured and successful new product introduction strategy

Could there be a silver lining for our weakened economy? Naturally, consumers are tightening their belts. But what does that mean for your product launches and innovation pipeline? Consumer product pacesetters are finding that it can be the catalyst for a much needed innovation makeover. By looking closely at the trends and applying business analytics, you can re-evaluate what has worked and what has not, and design a better strategy for success.

A recent IRI study uncovered key consumer behaviors that have emerged due to current economic conditions¹. You don't have to look far beyond one statistic they cited, that 1 in 10 high income consumers is having difficulty buying groceries, to understand that you can't rely on business as usual, or even strategies that have worked in past economic downturns, to work now. IRI cited further trends such as usage consolidation in specific categories, consumables stretching, and upticks in health and beauty products purchases. All of which underscores the need to re-evaluate your innovation and new product development strategy.

You can be successful in this economy but you need a truly consumer-centric innovation and new product development strategy which shows that you not only understand what your consumers are facing, but also that you can deliver what they need. What do you know about your consumers? Surveys show they are trading down, opting out of categories, and leaning toward private labels. But these studies also show that there is an economically driven market-to-market difference by geography and demographic. So the question becomes how well do you know your consumers in light of the current economic conditions and are you prepared to forecast and plan accordingly so they have the affordable products they need?

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The best way to build a consumer-centric approach is to keep current with your consumer. Go where they are to keep a pulse on their buying behaviors. Companies like P&G and Kraft are taking advantage of new marketing and product opportunities evolving on social networking websites². According to a recent Retail Forward survey, 51% of people find out about sales through social networks and 47% of people download coupons and get gift ideas through social networks. Companies are also using other technologies like YouTube, GPS, and text messaging to communicate with their consumers. And yet, while there are many opportunities to capture great ideas for new products, the major challenge remains –how do you execute these ideas quickly to capitalize on the market opportunity?

What's your plan to execute your accelerated innovation and new product development strategy?

To move toward a structured and successful innovation and new product development strategy, begin with the basics:

- 1 Knowledge
- 2 Performance
- 3 Alignment

Knowledge - *The key is in the data*

How well do you know your consumers? How well do you know your competitors' consumers? Are they the same people? If not, what is the difference? Why do your consumers buy your product(s)? What do your consumers like to do? What is their home-life or work-life like? How is the economy specifically affecting their buying habits? How does a pricing change or a promotion impact them? How do you use your consumer contact data?

There are so many questions we can ask about your consumers. Learning about their behaviors and needs and adapting to the changes is critical to launching successful new products. The consumer market is fragmenting as a result of not only

the economic crisis, but also the impact of changing demographics and value systems. Consumers are increasingly harder to predict, satisfy, and reach. At the same time, new tools and technology, like demand signal repositories (DSR), are emerging to help your company stay one step ahead. Moreover, there is strong evidence that suggests the effective use of business intelligence tools can improve your new product introductions. Consumer products and retail companies have seen improved demand planning and forecasting accuracy, lower inventories, and cash-to-cash efficiencies from their DSR strategies³.

“Do you know what data you can leverage to increase the likelihood of success of your new product launches?”

The business case is clear for integrating your demand and supply networks to improve your new product launch cycle times. Being one step ahead of your competitors as you analyze and act on consumer information may be just enough to help you increase your market share.

Over the last five to seven years, private label manufacturers have become formidable competitors on the store shelves. During these difficult economic times, consumers are even less likely to spend extra for the daily luxuries. Many grocery store staples such as cereal, cleaning supplies, and lunch bags will face increasing competition. Innovation will be the key to success during challenging times but consumers must perceive the added benefits of your product to make the point of purchase decision. Do you know what data you can leverage to increase the likelihood of success of your new product launches? Are your consumers making purchasing decisions based on brand loyalty, value, quality, uniqueness, or risk avoidance?

Performance - Use your project management skills

Creating a Program Management Office (PMO) is an ideal way to enable the innovation engine for companies that have gone through periods of futile launches. A PMO for innovation would combine key business stakeholders such as Commercialization, Marketing, R&D, Product Supply, and Quality in the prioritization of new product initiatives to guide budget decisions as well as manage new product launches. Using a PMO can align your entire portfolio of projects and improve decision-making throughout your development process while helping your organization measure the value of all of your major initiatives. Planning and controlling your new product launch scope is almost always the difference between hitting your ship-to-trade deadline and missing it.

A multi-functional PMO team will allow a single version of the truth regarding new product development and launches and facilitate a critically honest and objective selection process that is essential to success. A strategic PMO can improve the alignment of your projects to your corporate objectives, eliminate non-strategic projects, reduce costs, and improve resource allocation. Without centralized guidance, new product launches can easily get hung up in two critical areas of the launch process – packaging and production. Last minute changes in packaging configuration, artwork design, or inadequate line trials during the development cycles can result in serious lost time at the production facility. These elements combined with the complexities of new equipment, new components, and tight ship-to-trade dates can lead to expensive and time consuming results due to rejects and rework. Factor in the need for the same human resources to manage the commercialization process for new products and daily requirements of the business and suddenly the complexities are overwhelming.

Leveraging the expertise and benefits of multi-functional groups through a PMO is the preferred method that many pharmaceutical and biotechnology companies use to commercialize their new products. This same approach is even more vital for the consumer products industry where speed to market is a critical success factor. Organizing for success centrally through a PMO

will allow for CP companies to improve product launch cycle times and reduce costs in the conceptual, project definition, requirements and constraints gathering phases of the product life cycle.

Alignment - Align better than your competitors; synergy = success

Having the right processes and technologies in place to execute your new product launches is only part of a successful, comprehensive approach to product introductions. The third critical component is making sure your organization adopts and embraces the speed and execution of new ideas. Prioritization at the C-level and a top-down decree that growth and innovation are your organization's objectives for the year are not enough to make it happen. While executive support and a clearly defined strategy are important to the success of executing your growth strategy, it's just the beginning.

Your strategy needs to be effectively communicated to those who are responsible for its execution at all levels. Poll a small subset of people at various levels in your organization. Ask them to name the top three priorities of the company. How many would respond the same way as your senior leadership? Every individual has a unique perspective and chances are not everyone understands the corporate vision, strategy, and priorities. Many times, the key to getting consistency throughout the organization is to ensure that your team's personal goals and objectives are aligned to the business plan.

All too often, compensation for mid-level managers is based on a bonus structure that is not aligned with company goals. For example, it may not make sense to compensate your sales and marketing leadership on a quarterly sales target if your company's top strategic priorities are innovation and new product development. Not only could it result in frustration when their quarterly bonus is unattainable but, more importantly, it might result in prioritization of activities that are contrary to the long-term corporate strategy. For example, leadership could fail to prioritize product development activities when there is fear that sales targets might not be achieved. When your managers are not aligned with the corporate strategy, they tend to send the wrong signals, thus creating internal confusion about your company's goals. Confusion will cascade through the organization and exacerbate the problem.

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Getting cultural alignment right

Amazon is a company whose corporate culture is aligned for synergy and success with the corporate strategy. CEO Jeff Bezos sets the corporate culture of customer service. Bezos stated in a recent US News and World Report article⁴, "We wanted to have a customer-focused culture. We consciously tried to get that." Regarding new products, Bezos adds, "There are many decisions that we make that we can make with math. For those kinds of problems, if you used gut intuition, that would be foolish. But a lot of the decisions that you have to make around consumers are not that kind of thing. You can't put into a spreadsheet how people are going to behave around a new product."

Knowledge – Performance – Alignment: Bottom line results AND consumer loyalty

If your corporate strategy is to be responsive to consumer requirements, you can't be successful without having a comprehensive approach to new product development. In a recent survey of our clients and business partners in the consumer products industry, new product development and innovation were repeatedly mentioned as their top challenges. The only way to improve the speed and execution of your new product development cycle is through a comprehensive review of people, process, and technology. Layered on top

of already highly-discriminating consumer behavior is an economy that is twisting buyer trends in even more patterns that are harder to predict and plan for. To be successful, you need to keep your pulse on consumer knowledge, team performance, and organizational alignment. Then you can craft the strategy that will not only give you the bottom line results you need, but give your consumers the products that will help them weather the economic crisis and ensure that they remember and trust your brand for years to come.

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