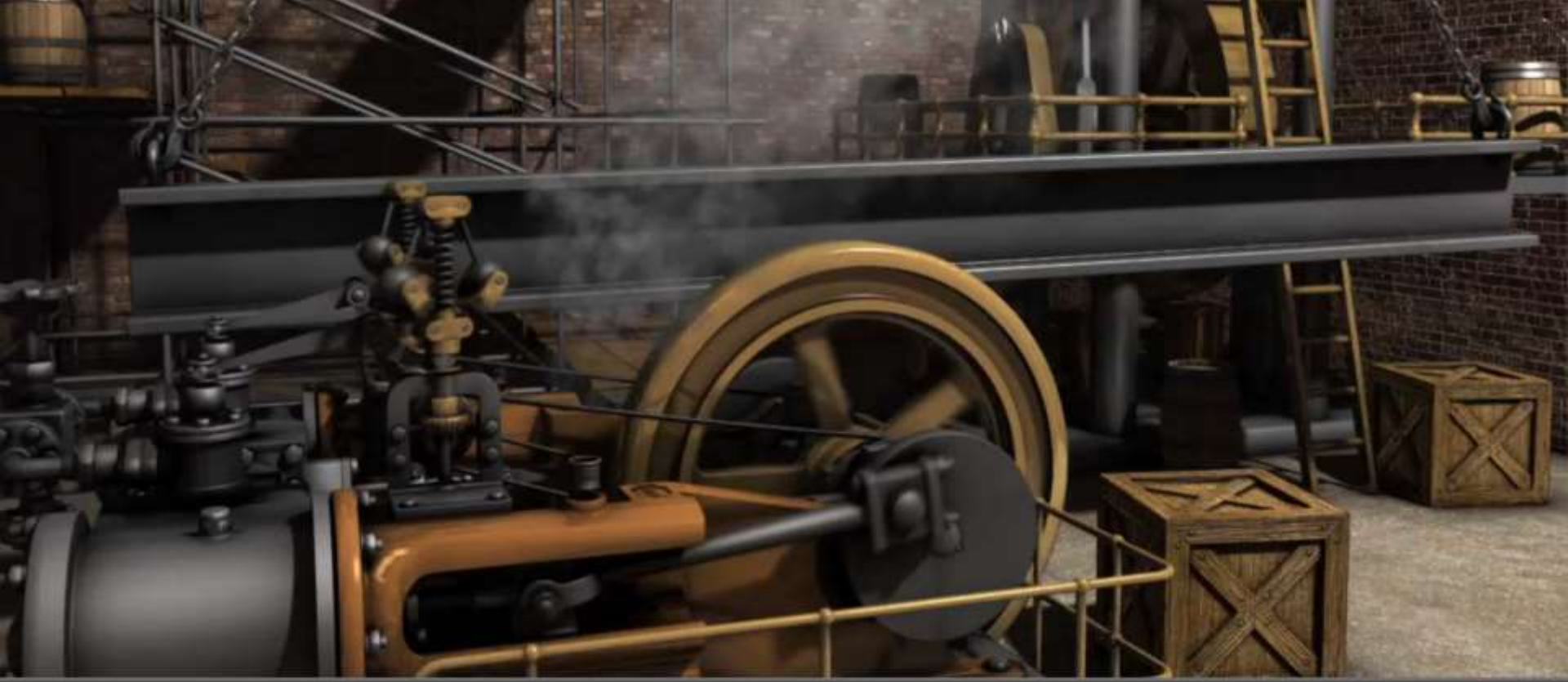
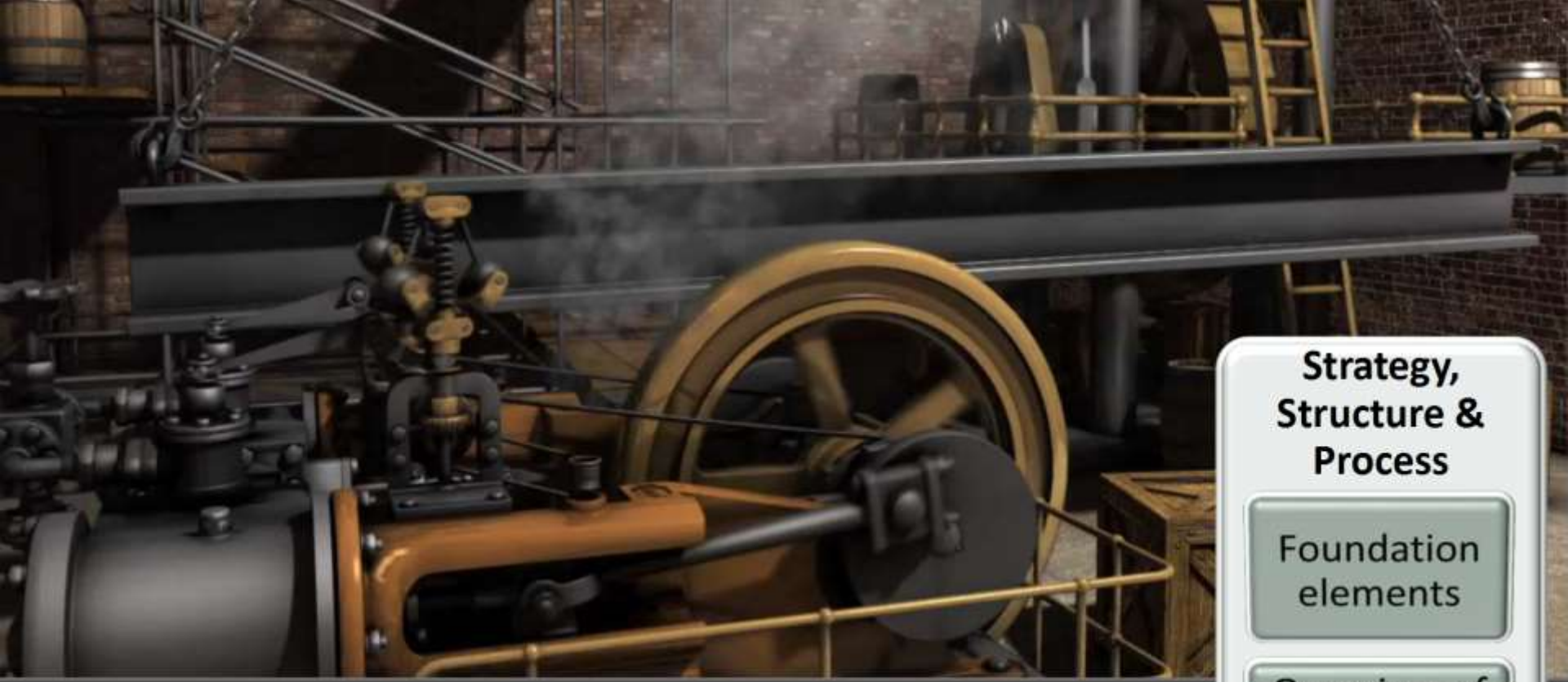


Welcome to New Product Development!

NPD Agenda

Strategy, Structure & Process	Building a business case for your product	Development and launch activities
Foundation elements	Ideation & research	Validate & develop
Overview of new product processes	Building the business case & design	Launch & post-launch efforts



Strategy, structure & process

Strategy, Structure & Process

- Foundation elements
- Overview of new product processes

After the foundation session ...

You should be better able to:

- Distinguish between foundation and project-specific elements of NPD
- Utilize different approaches to innovation
- Spot potential market friction / acceptance factors
- Link product portfolios and strategies to the NPD process

Increasing demands on development processes

1980s	Quality/ technology
1990s	Above PLUS Low Cost
Early 2000s	Above PLUS Increased speed
2010 +	Above PLUS Product glut & hypercompetition Open innovation & coopetition Globalization Economic impacts

Foundation vs. project elements

Foundation

Focus on systematic series of actions

- Structures, roles, incentives & norms
- Process metrics

Business and product strategies

- Vision, technologies & portfolio

Overall corporate climate & culture

Project

Focus on specific product projects

- Plans, schedules & timelines
- Project metrics

Specific product concepts, definitions, development

Project team and contributor inputs

The 3C Framework for product managers / owners

Concept

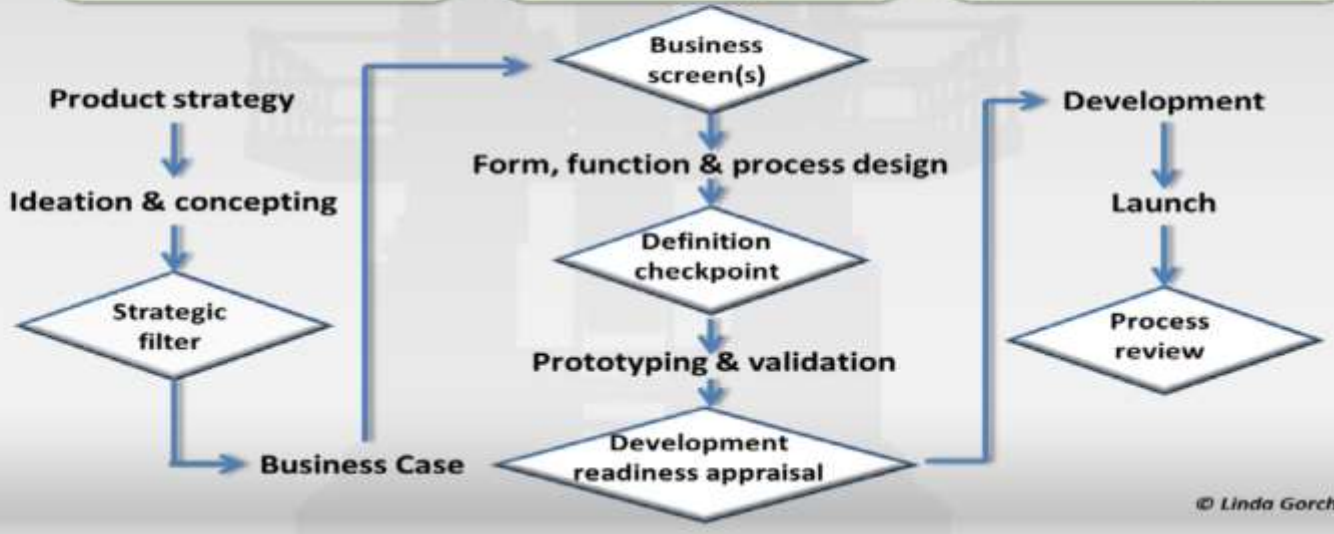
- Roadmaps
- Strategy
- Ideation
- Business case

Create

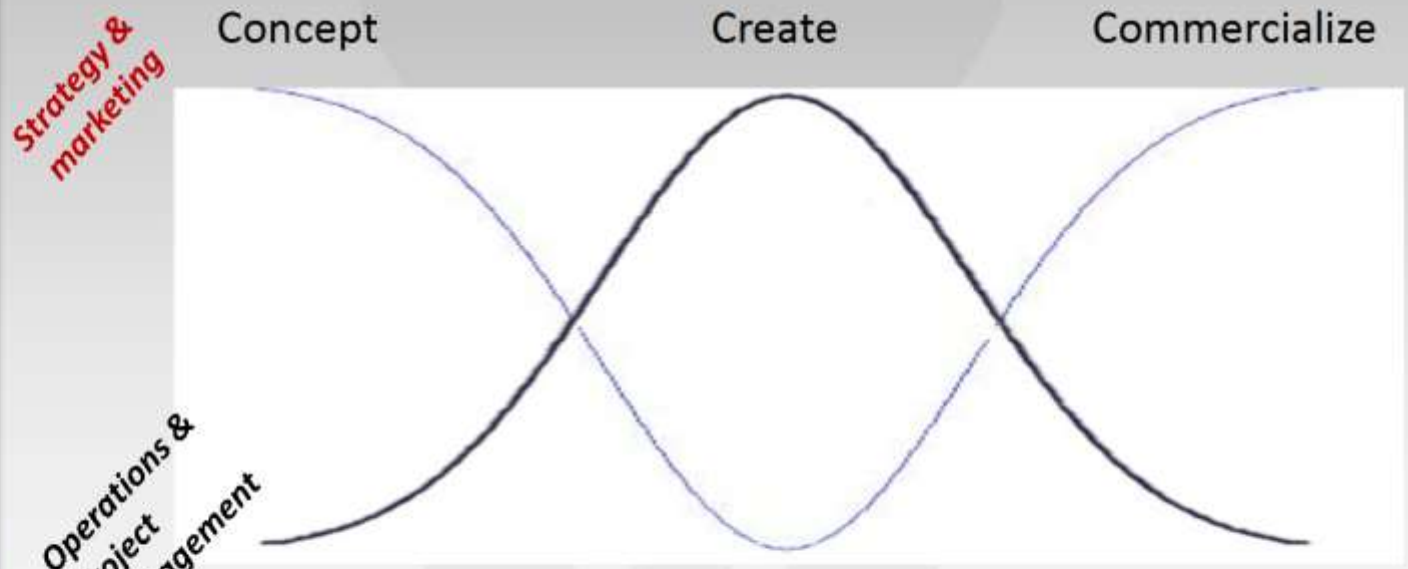
- Business case
- Framing
- Oversight
- Gate reviews
- Beta programs
- Provisional plans

Commercialize

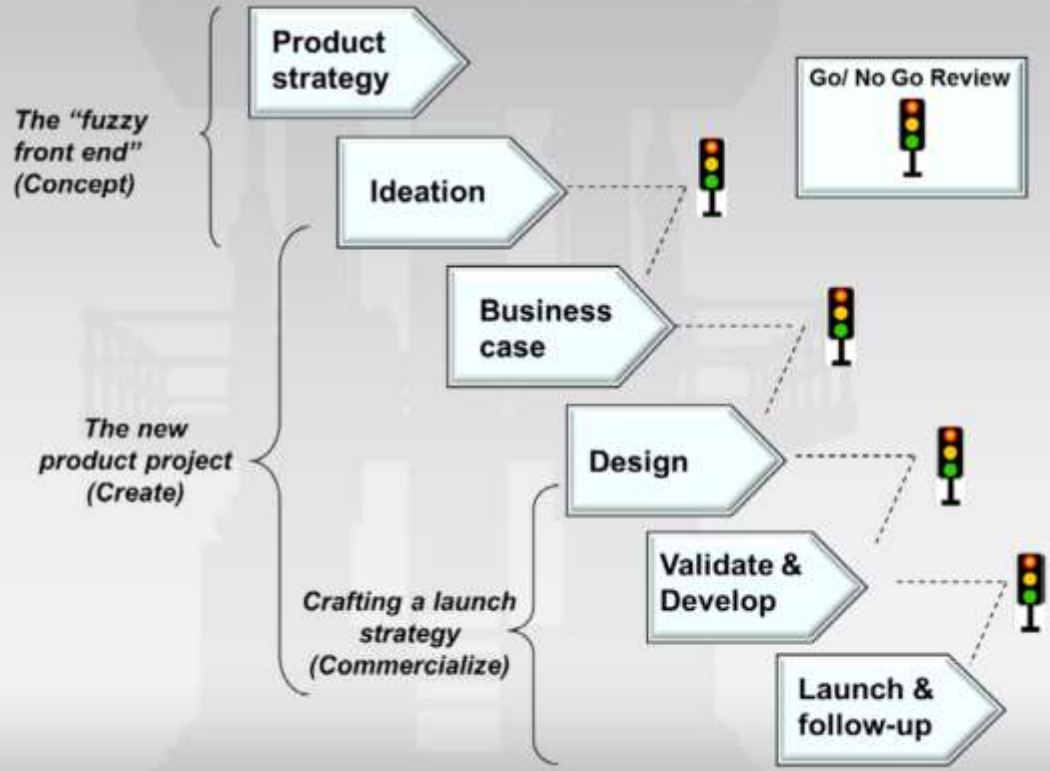
- Readiness
- Belief builders
- Training
- Plan execution
- Tracking
- Auditing

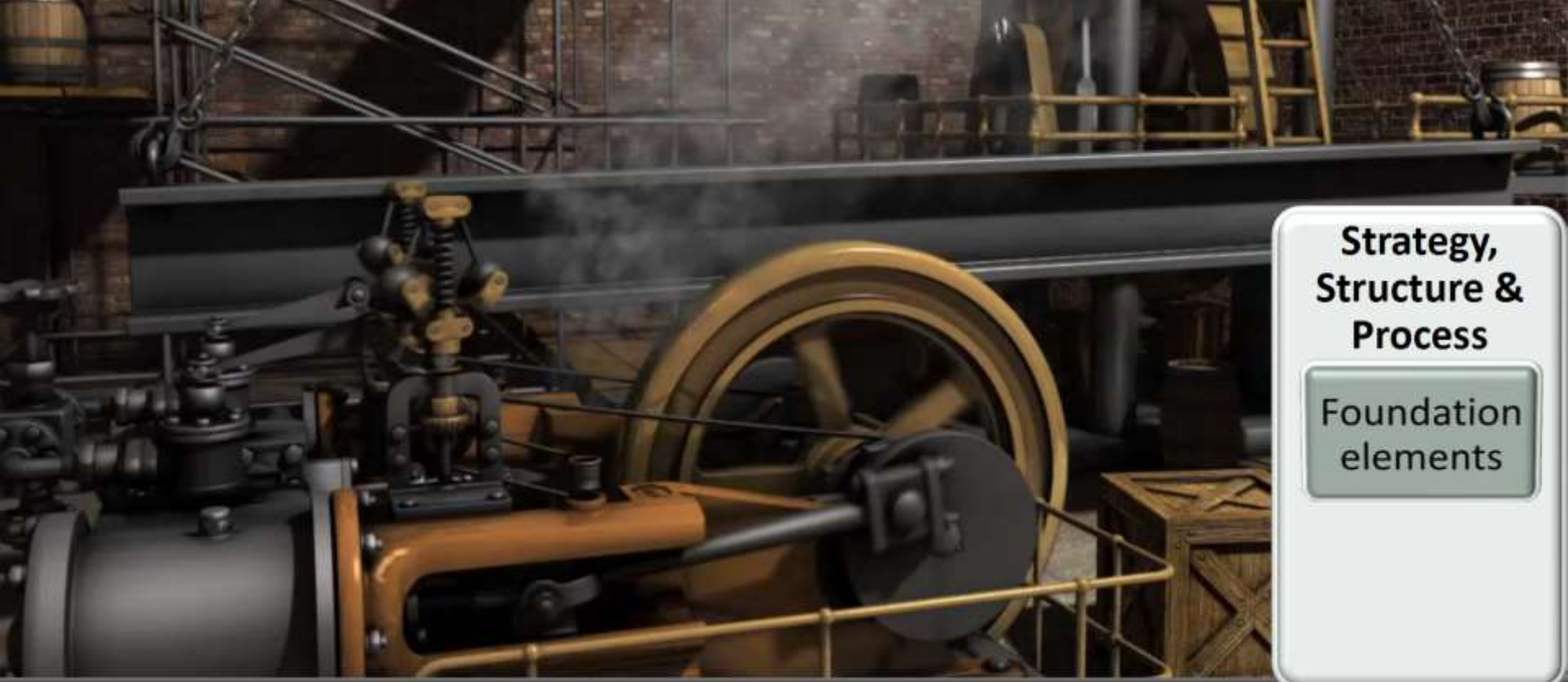


Time commitment changes



Conventional Project View of NPD





NP Foundation Elements Part 1

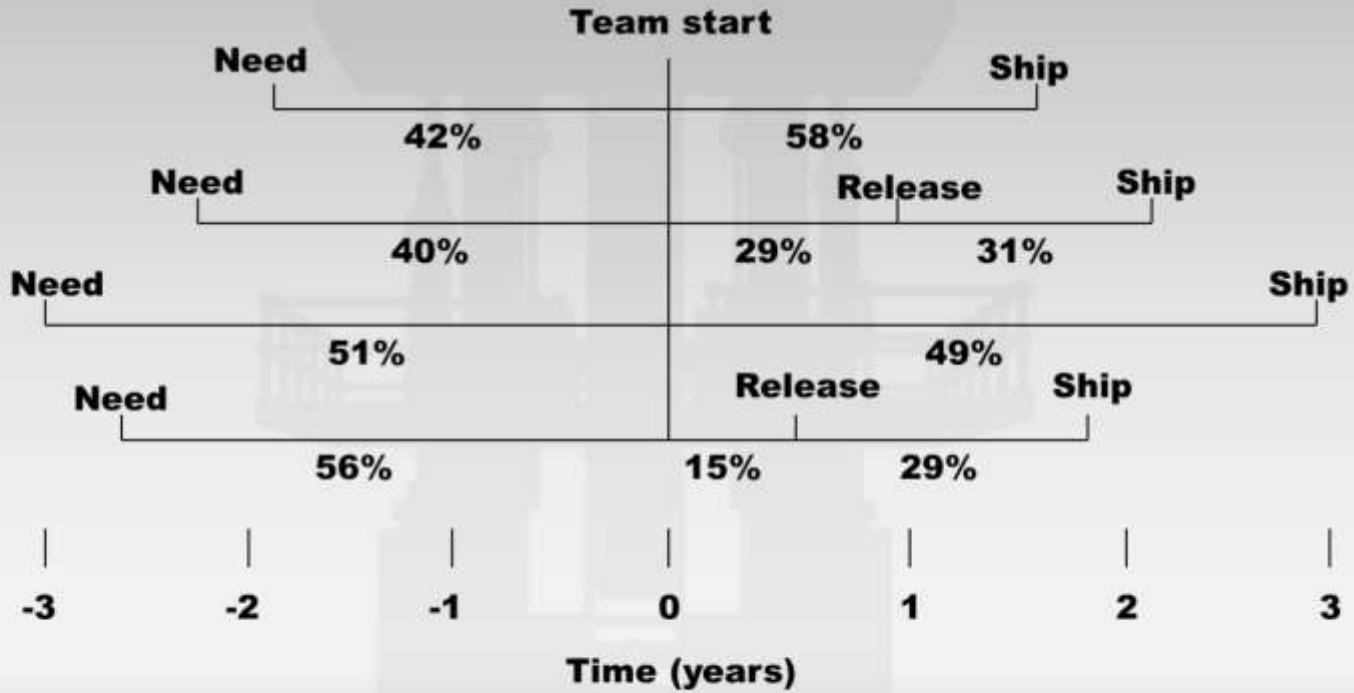
Business planning, product strategy & portfolio management

What is the fuzzy front end?”

The activities that typically precede what is traditionally considered the “official start” of a new product project.

Fuzzy front end

Example “fuzzy-front-end” time losses



Source: Preston Smith & Donald Reinertsen, *Developing Products in Half the Time* (Van Nostrand Reinhold, 1991) p.45.

Time is an irreplaceable resource.

Open innovation concepts

Co-development	Working with outside partners in development
Collaborative innovation	Networks, alliances, consortia
Joint venture	Formal legal arrangement
Open innovation	Leveraging external sources of technology & innovation
Open-source models	Informally structured collaborations

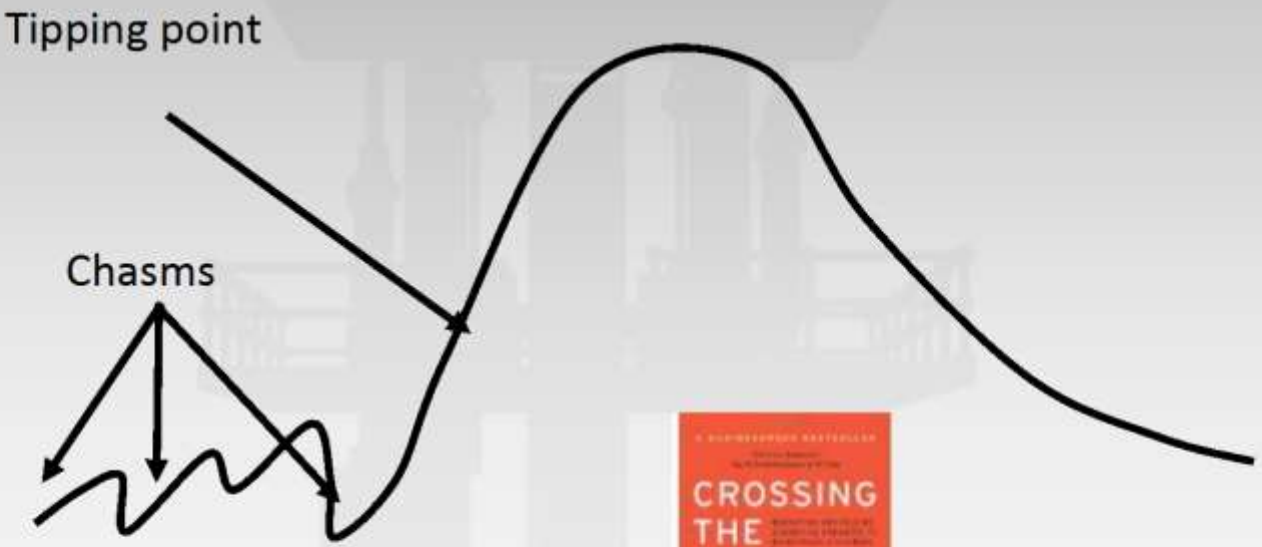
Source: M. Docherty, "*Primer on Open Innovation*, **PDMA Visions,** April 2006, p. 13.

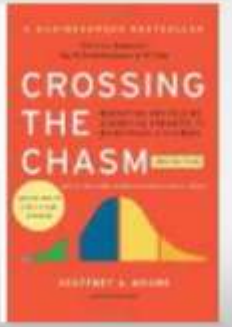
Create opportunity road maps

Roadmapping is a graphical multi-step process to forecast future market and/or technology changes, and then plan the products to address these changes. (Product Development & Management Association glossary.)

Knowledge of S-curves may be part of the roadmapping and/or product life-cycle management.

Technology market curve





Geoffrey A. Moore

Link strategies to results

What is your product portfolio strategy?

How does your product innovation strategy link with your …

- Business strategy?
- Brand position and equity?

Create a “balanced scorecard” type of screening model to evaluate and rank new product projects that are part of the portfolio.

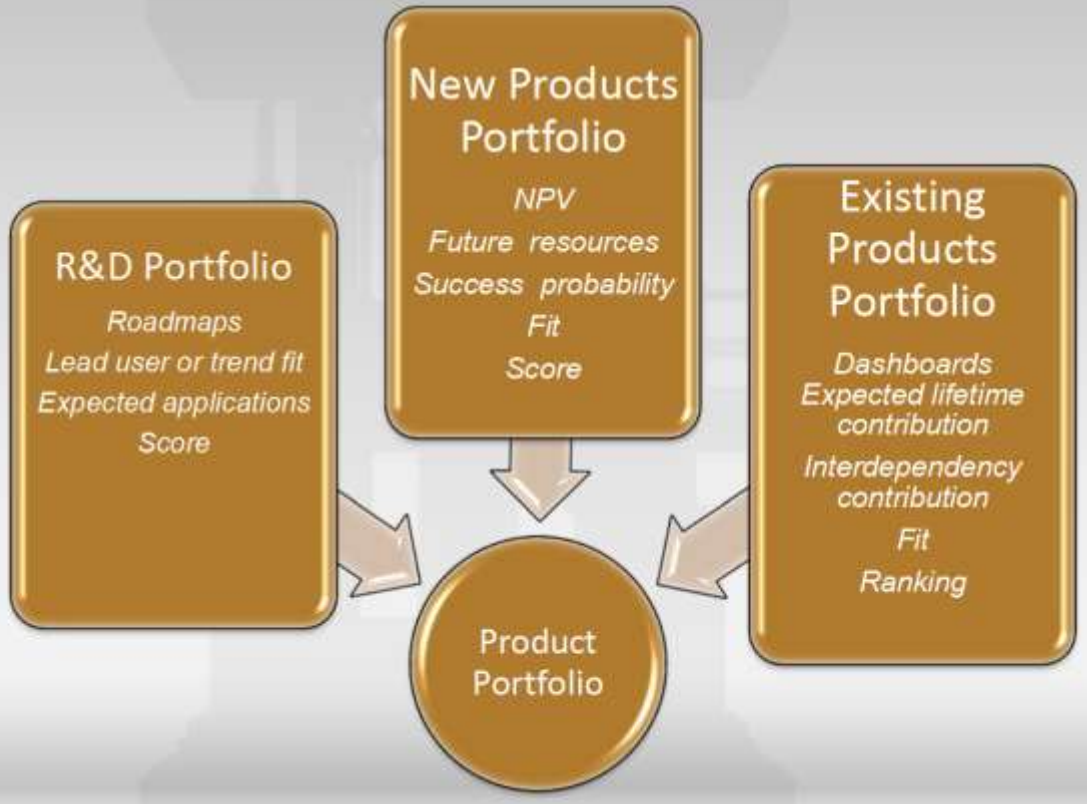
Start with the end in mind.

Explore a broad domain of market acceptance forces

Sources of market acceptance or friction:

- Potential buyers
- Competitors
- Trade intermediaries
- Suppliers
- Complementors
- Other stakeholders

Define product portfolios



Use portfolios to reduce risk

A portfolio is a set of products (i.e., existing assets and planned investments) that provide an appropriate level of diversification to minimize random risk.

Portfolio management refers to the alignment of the portfolio with business strategies, culture, brand architecture, and external factors, as well as the prioritization of products and projects.

Why is a “portfolio” necessary?

Financial planners stress the importance of a diversified set of investments to reduce risk. Since the duration, intensity and frequency of market changes is hard to predict, a mix of funds helps manage risk. In addition, planners recommend rebalancing your portfolio on a regular basis as priorities change. These tips apply to product portfolios as well.

Risk-Reward Diagram

High

Probability of technological success

Low

Bread and Butter 	Pearls 
White elephants 	Oysters 

Low High

Reward (NPV)

Source: Robert Cooper & S.J. Edgett, Portfolio Management for New Products, 2e, Basic Books, 2001

Add pipeline management

Pipeline management refers to a balanced spacing (and trade-offs) of new product projects across the process.

- Do you have an ongoing pipeline of new products? Does it “fit” your culture?
- Are there different projects at different stages of development – with different time horizons?

Manage product life cycles

Plan for changes in products and marketing mixes over time to improve long-term profitability.

Knowledge of the adoption curve may be part of the analysis.

What has been the life of similar products?

- What do market force changes imply?

Rationalize products periodically

Products to consider for elimination (rationalization) are often at the end of the product life cycle, but can be at other stages as well.

Develop criteria for ongoing evaluation

- Consider product *line* impacts
- Sales volume, revenue, profitability
- Part commonality
- Functionality
- Customer need/competitive advantage

Define rationalization strategies

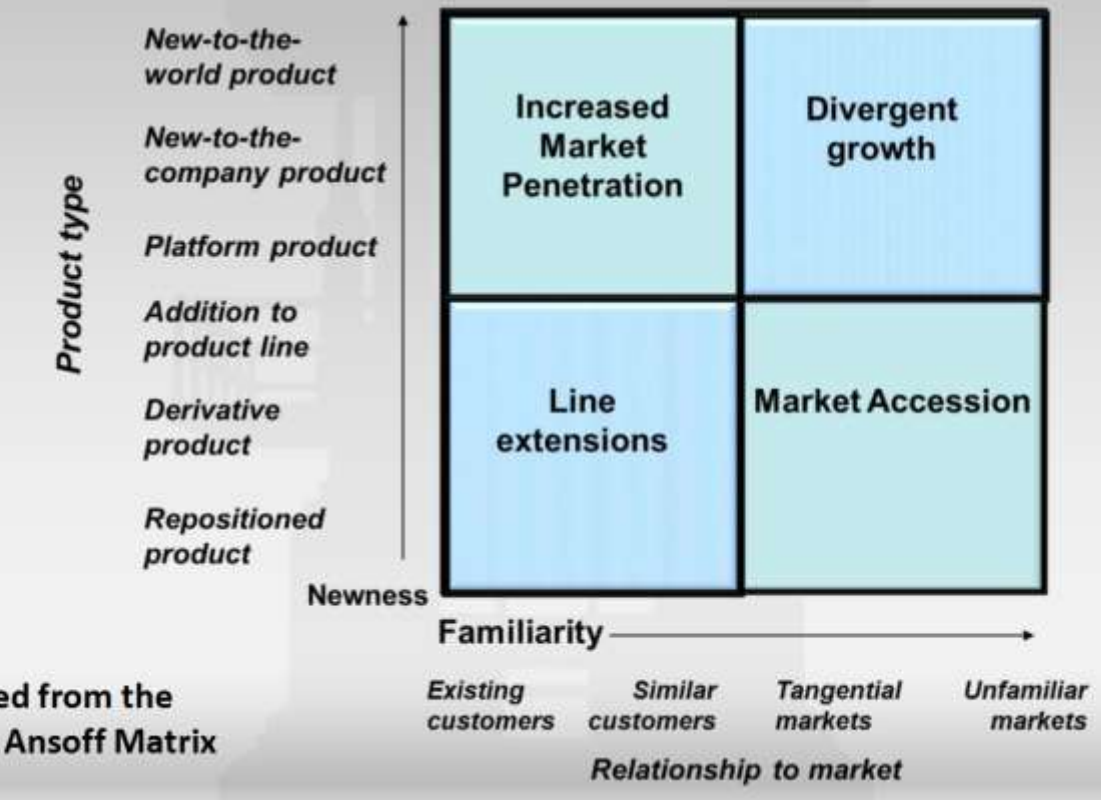
Combine functionalities into one product

Eliminate product

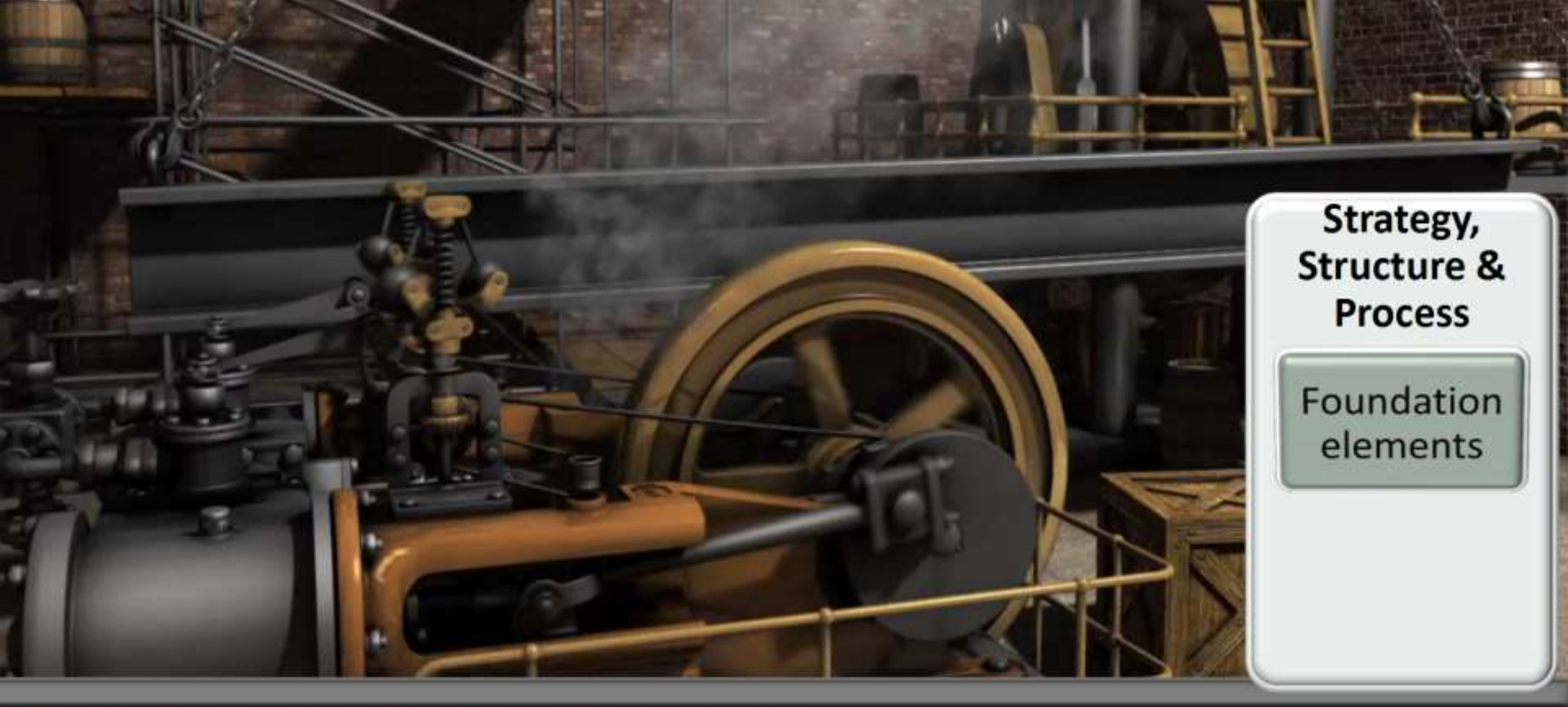
- Raise price to reduce customer demand
- Lower price to reduce inventory

Sell rights to another company

A NP portfolio planning matrix



Adapted from the classic Ansoff Matrix



NP Foundation Elements Part 2

Organizational culture and structure

Is there an innovation culture?

What is your firm's "posture" toward innovation, risk-taking, and product development?

How well is product development linked to business strategy? Is your firm proactive or reactive?

How active are employees in the process?

What is being or can be done to influence innovation and creativity?

Collaboration & power

"The more power you have, the more important it is to exercise power collaboratively. You may get your way acting unilaterally – but almost always at a cost, and usually you have a smaller stock of power the next time you need it. Power and political capital grow when you act through others … Never compete where you don't have to."

Harvard Business Review, October 2004, p. 10.

Google's 9 Principles of Innovation

1. Innovation comes from everywhere
2. Focus on the user
3. Think 10x, not 10%
4. Bet on technical insights
5. Ship and iterate
6. 20% time
7. Default to open
8. Fail well
9. Have a mission that matters

Liz Tay, Business Insider Australia, Nov. 19, 2013

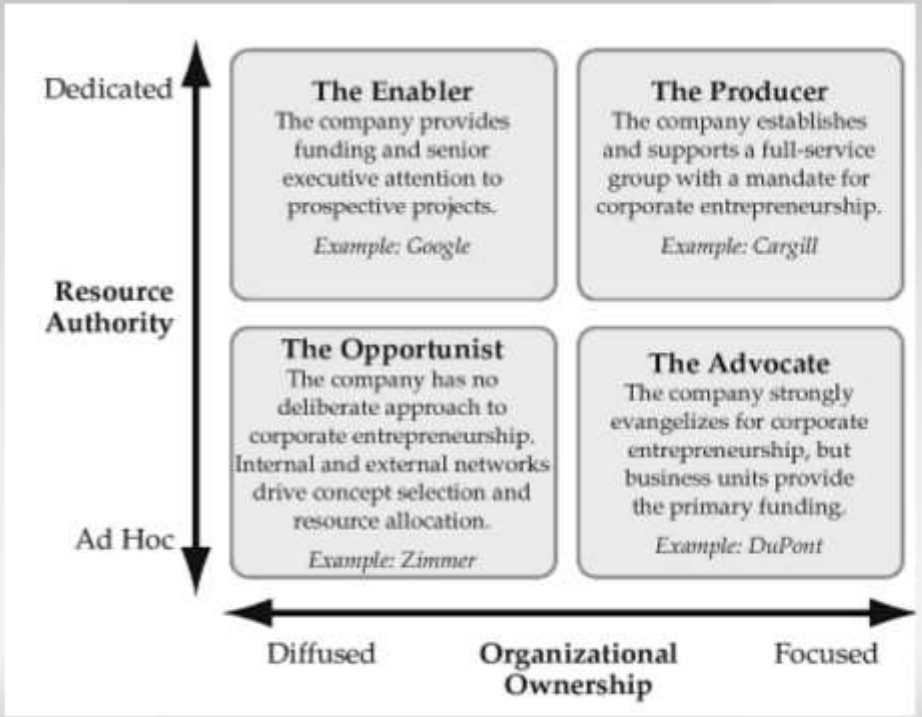
Gorchels' product/business model portfolio

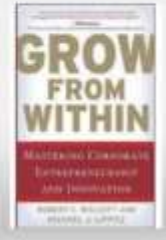
	Boost existing customer markets	Move into adjacent customer markets	Create new customer markets
Cultivate and reframe existing products, offerings, revenue streams and competencies	**Sustaining Growth** *(shorter-term planning horizon; mining the core)*		
Cultivate and collaborate with external partners for products, offerings, revenue streams and competencies	**Transformative Growth** *(intermediate-term planning horizon; advancing into adjacencies)*		**Disruptive Growth** *(long-term planning horizon; incite breakthroughs)*

The Innovation Paradox

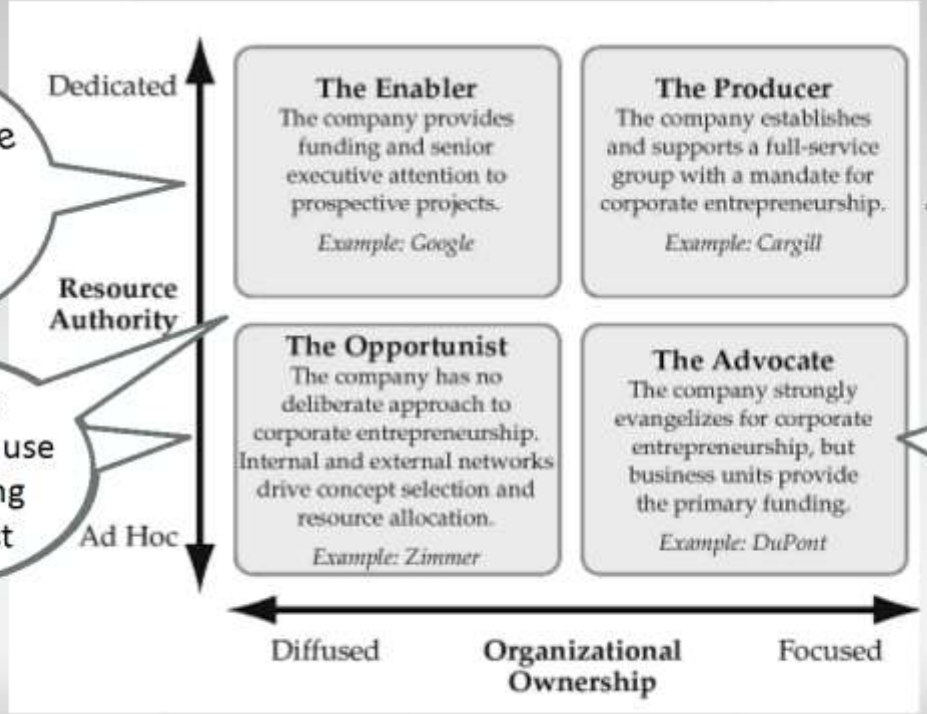
Robert C. Wolcott

Wolcott-Lippitz
Innovation Structures





Strategy/structure alignment



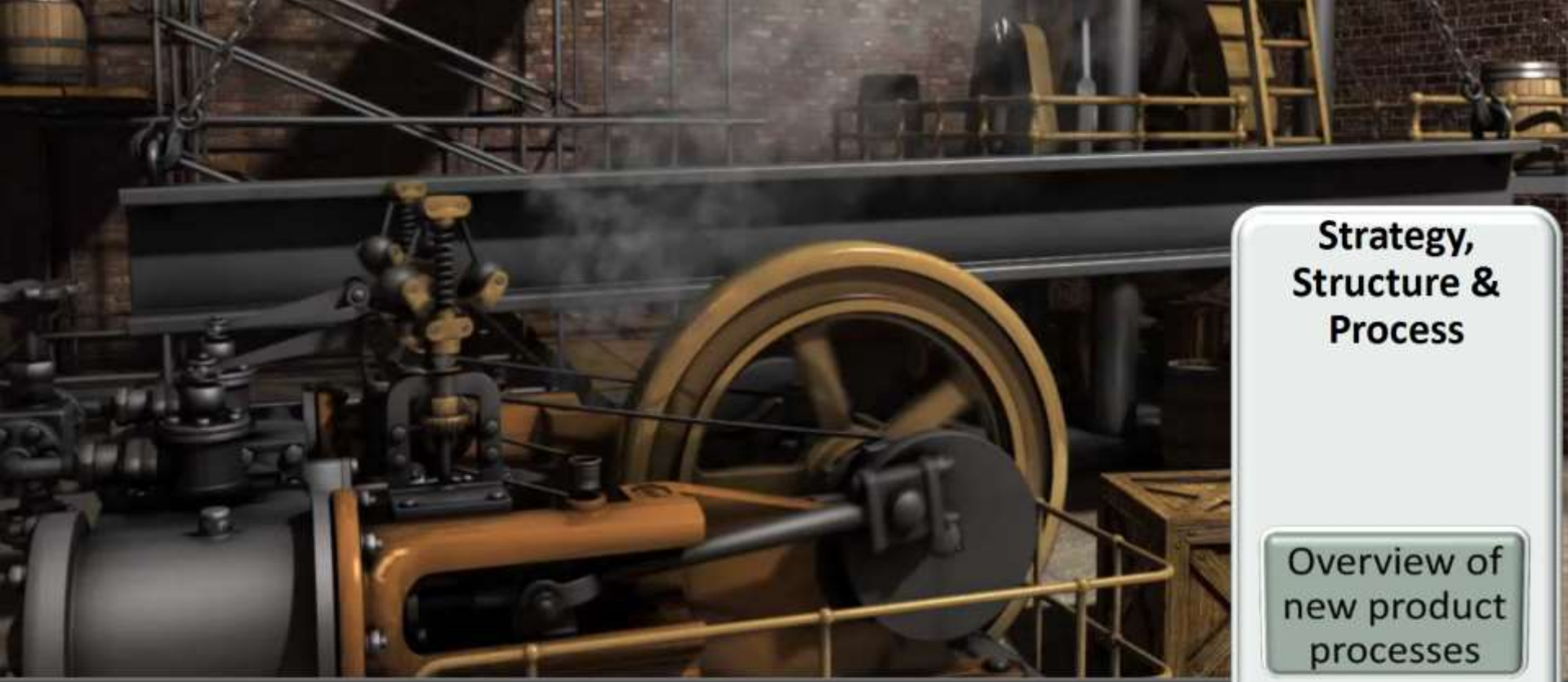
Transformative Growth

Sustaining growth might use any, including Opportunist

Disruptive Growth

Transformative Growth

Dan Pink – Innovation Motivation



Strategy, Structure & Process

Overview of new product processes

Introduction to the NPD process

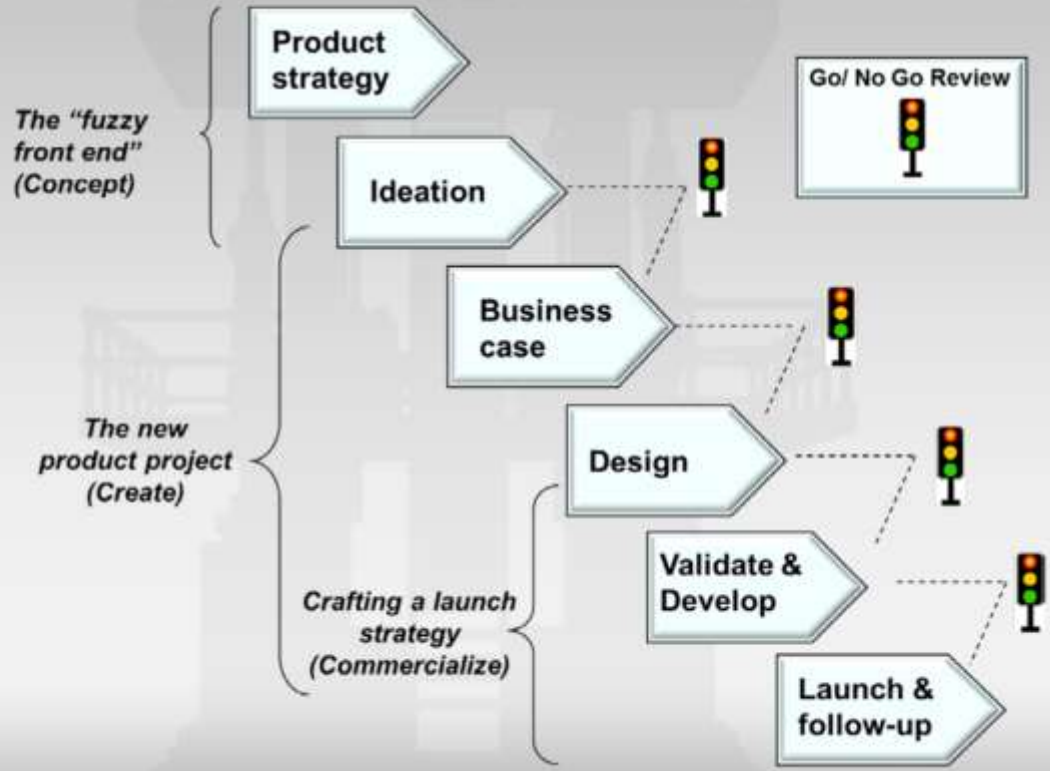
Project-specific elements of NPD

After this process session ...

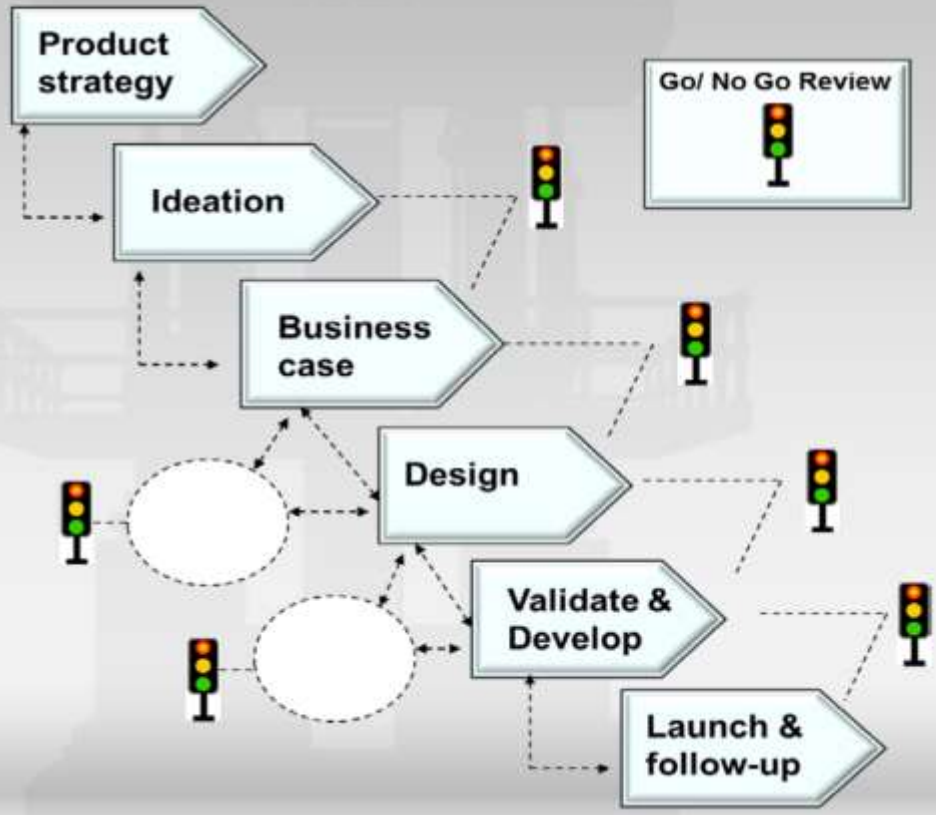
You should be better able to

- Describe typical stage-gate processes & deliverables
- Differentiate among different types of reviews
- Identify different potential (preliminary) metrics
- Link product strategy (as a predecessor) to the projects of new product development
- Understand roadmapping as a strategy tool rather than a project tool

Conventional Project View of NPD



In reality it may not be so linear



And it should be scalable

Line extensions and low-risk projects may be best suited to an abbreviated version by combining steps and/or using some self-managed reviews

Breakthrough and platform projects may require sub-steps throughout the process

IN EITHER CASE, maintain clear metrics and accountability

Robert Cooper

Customize for your needs

What steps ( ) – from strategy through launch – and what sequence make sense for your business?

Who is/should be involved in the process and in what capacity?

What key activities, deliverables, and performance review metrics ( ) are most appropriate?

Have you designed key marketing tasks early into the process?

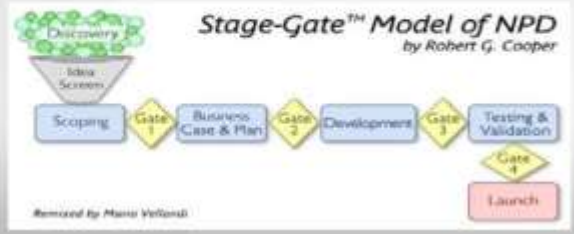
Stage-Gate Process™

A process pioneered by Dr. Robert Cooper that divides the development effort into distinct time-sequenced stages separated by management decision gates. Multifunctional teams complete each stage prior to obtaining approval to proceed to the next stage.

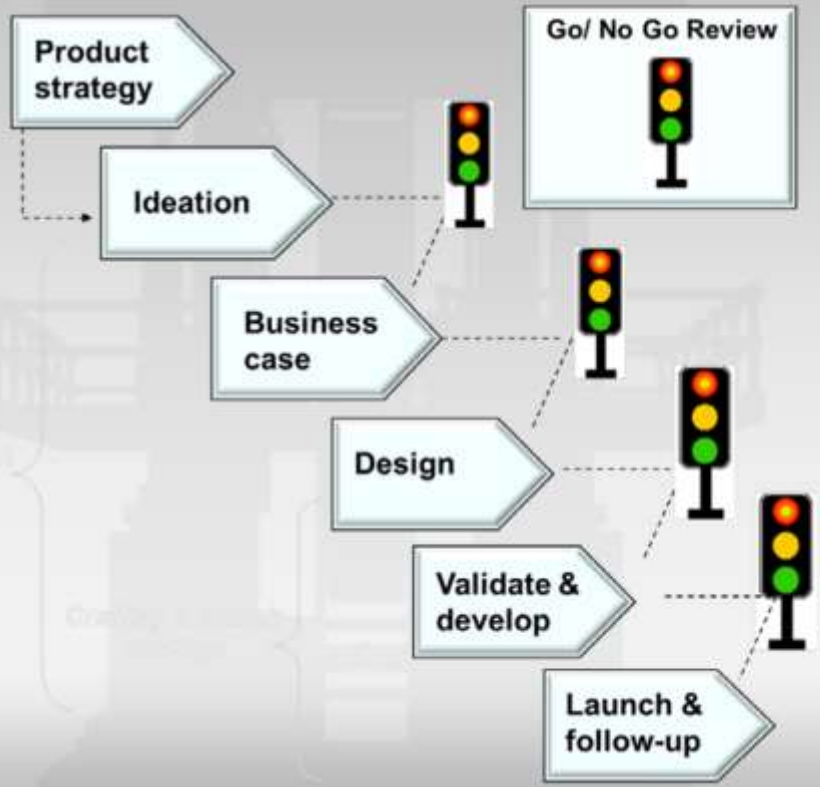
This is a variation of project management applied exclusively to new product development.

The emphasis is on a single project or portfolio.

Variations may be called gates, checkpoints, stoplights, project reviews, etc.



DECISION reviews



The review process

Idea

Does the concept have merit for us?

Business case

Is it economically and technologically feasible?

Design

Is the concept sufficiently defined to justify capital expenditures?

Validate & develop

Is the entire company ready for full-scale ramp-up and execution?

Two types of reviews

Portfolio reviews re-prioritize projects to balance the overall portfolio and improve resource allocation.

- conducted by management team
- perhaps 2-4 times per year

Project reviews focus on individual new product projects.

- meetings between project team and management team
- conducted at each stoplight
- may also require reprioritizing the individual project within the portfolio

Purpose: quality control and decisions

- A series of reviews *incrementalize* the decision process

There is no ONE right metric

Financial comparisons (most common)

- NPV, payback, IRR
- productivity index (NPV ÷ resources remaining)

Checklists

- Yes/no

Scorecard models

- Weights
- Ratings

Example portfolio review matrix

	Weighted value	Prod 1	Prod 2	Prod 3
Fit in product mix	3	1 / 3	3 / 9	2 / 6
Patentability				
Low risk of competition				
Existing channels				
Fit with strategy				
Payback of x years				
ROI of x%				
Tooling & machinery				
Core technologies				
	Total	38	42	26

Product Strategy

The "fuzzy front end"

- **Product strategy**
- Ideation
- Business case
- Design
- Validate & develop
- Launch & follow-up

Product Innovation Strategy

Product strategy is a foundation element of the process

- It precedes project-specific considerations of product development

The core strategy should include both new (innovation) and existing products.

The innovation strategy should consider the portfolio and pipeline of new products.

Innovation strategy components

Statement of goals

- e.g., % sales from new products, diversification, market dominance

Areas of focus

- e.g., which competitors, markets

Alignment with corporate direction

- e.g., fast follower or innovator

Resource commitment

Relevant platform and roadmap issues

Roadmap basics

A product roadmap is the business plan for the product owner:

- containing probable scenarios based on current expectations, forecasts & assumptions,
- to aid in managing a product line's growth

A roadmap is not a project plan, but rather a strategy, business planning and communication tool.

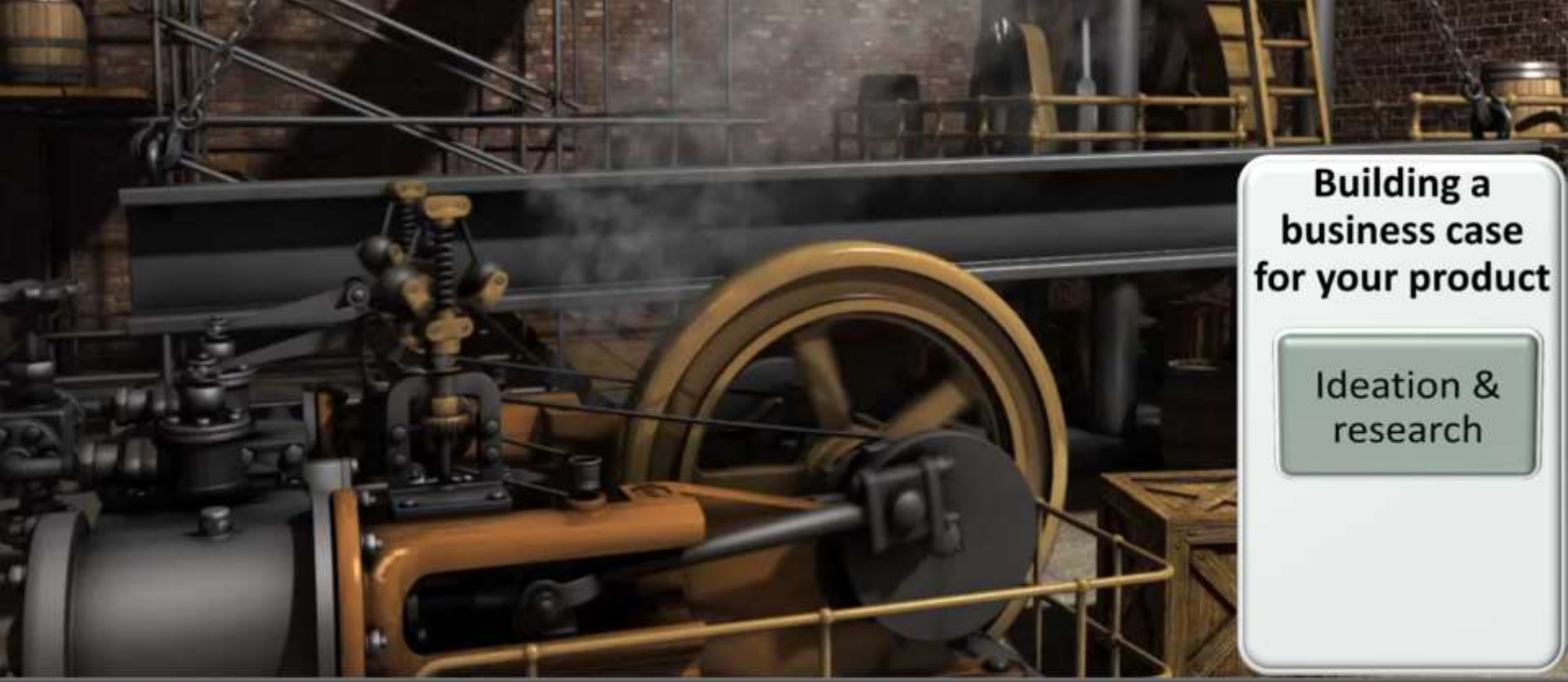
NPD Agenda: Day Two

Strategy, Structure & Process	Building a business case for your product	Development and launch activities
Foundation elements	Ideation & research	Validate & develop
Overview of new product processes	Building the business case & design	Launch & post-launch efforts

After this second day's session

You should be better able to

- Expand your idea sources
- Assess the value (and risks) of new product concepts, using appropriate evaluation criteria
- Translate VOC into requirements
- Fine-tune forecasting savvy
- Establish objectivity in crafting a business case



Moving beyond strategy

Generating ideas and refining concepts

Ideation

The "fuzzy front end"

- Product strategy
- **Ideation**
- Business case
- Design
- Validate & develop
- Launch & follow-up

Let's discuss how to ...

- Create novel product and market opportunities through ideation
- Estimate rough market potential
- Capture voice of the customer for concept refinement, positioning and target pricing
- Estimate sales for the business case

Ideation phase

Ideation is the process of exploring diverse and potentially “hidden” ideas for new products and services

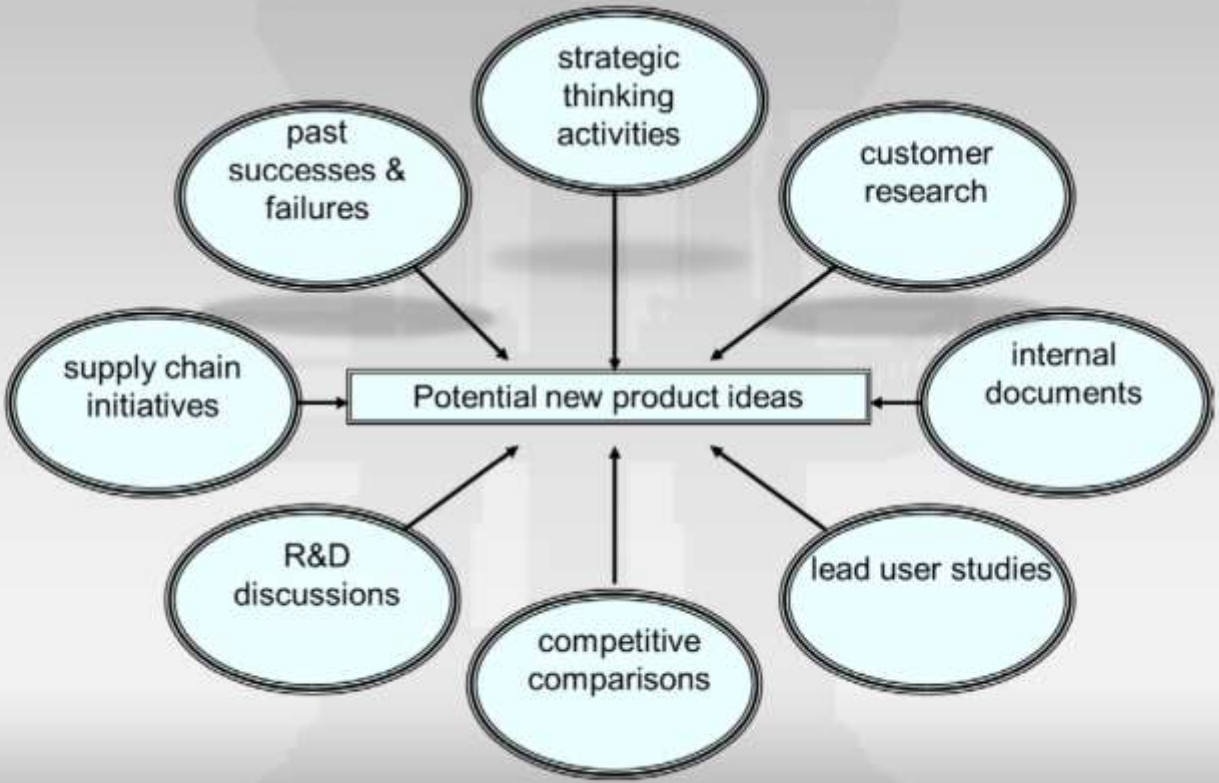
It should flow from (or at least not be inconsistent with) product strategy initiatives

The output should be a preliminary description of a product concept from the gathering of inexpensive information – although this step may “bleed into” the business case phase

Activities of ideation

- Identify sources of ideas
- Stimulate idea flows
- Enrich ideas
- Rank ideas
- Re-evaluate “shelved” ideas
- Catalog ideas and concepts

Expand your idea sources



Henry Chesbrough:
Open Innovation

Use an idea funnel approach

Avoid idea tunnel

"We never kill projects … we just wound them!"

strategic idea filter →

business screen →

development readiness screen →

validation & testing →

"No one wants to be the funeral director…"

Ideas

Ideas

products

"Killing projects is like killing cockroaches … they never die!"

No ideas rejected or put on hold.

No concepts rejected or put on hold.

No concepts rejected or put on hold.

No prototypes rejected or put on hold.

"**NO** *is a 4-letter word!*"

Example criteria to consider

- Fit within the company's business and culture
- Compatibility with the company's core technologies
- Compatibility with the company's marketplace niche
- Ability to satisfy a specific customer need
- Possibility of achieving major market share
- Potential sales and profits
- Net present value return
- Time for payback of development costs
- Cost of major tooling and machinery
- Susceptibility to competitive attack
- Fit within with capabilities of existing and contemplated staff
- Growth potential of the product line

Example criteria to consider (cont.)

- Possibility of follow-on products
- Likelihood of being first in the marketplace with the new product
- Possibility of catching the competition by surprise
- Location of the market (local, national, or international)
- Existence of a channel to the marketplace
- Potential downside risks of proceeding
- Potential risks of not proceeding
- Possible synergistic effect with current product lines
- Existence of identified lead customers
- Development cost and time
- Existence of a product champion

Example criteria to consider (cont.)

- Patentabiity and trade secrecy
- Likelihood that the new product will provide distinct competitive advantages to the company
- Availability of technology
- Resources required
- Ability to leverage available technology
- Urgency and criticality
- Uniqueness
- Technical merit
- Possibility of creating or dominating a niche market
- Speed of entry into the marketplace

Philip A. Himmelfarb, *Survival of the Fittest*

Ideation approaches

Trend capturing

Lead user studies

Design thinking

Ethnographic methods

What if …. ?

How to capture trends

Skim information sources expansively

- Monitor a broad range of publications/online sources
- Read local papers when you're traveling

Share trend-watching with others

Be alert in observation

Test media new to you

Periodically look for connections

- Content analysis

Lead user studies

Network to identify people, industries or groups who have the greatest need (and likelihood) to have solutions for components of the problem you are trying to solve

Collect insights from different types of lead users

Adapt concepts to your internal requirements

Ethnographic methods

Some categories

- Client visit programs
- Customer and consumer observation
- Digital tracking

Some considerations

- Maintain a “real-world” context
- Most ethnographers conduct verbal interviews in addition to observation
- Face-to-face is preferable to remote or group techniques
- Collect the customer’s own words

Ethnography

Applied Marketing Science, Inc.

What are the benefits and drawbacks of Ethnography?

Gerry Katz
Executive Vice President
Applied Marketing Science, Inc

Design Thinking

Product design is the set of holistic properties of integrated form and function, of aesthetics and utilitarian benefits

IDEO Design Thinking

What if … ?

Free-flowing brainstorming

- Change lenses
- Challenge orthodoxies
- Break patterns
- From literature and/or patent search
- From competitive comparisons

Directed product-question techniques

- SCAMPER

Open-ended customer questions

Market potential for “raw” ideas

Assesses the *potential* for industry sales

- Overall market size
- Market segment growth rates

Estimates from secondary data

- Government statistics
- Industry data

Estimates from primary data

- Sales force & channel estimates
- Panel consensus
- Delphi & visionary forecasts

Study market-based value

By type of new product:

Innovative products and services:

- Functional substitute analysis

Imitative products and services:

- Conjoint analysis
- Economic value analysis
- Subjective comparisons

Estimate value of “innovative” products

Functional substitute analysis

- How is the basic function performed now?
- What do the present methods cost?
- What improvements are needed in the present method?
- What value would improvements have?

Example

Mailmobile savings in delivery costs:

Annual savings in mail delivery related to:

- messenger time per run
- number of runs per day
- messenger cost per year
- working time per day

MAILMOBILE®

Estimate value of “imitative “ products

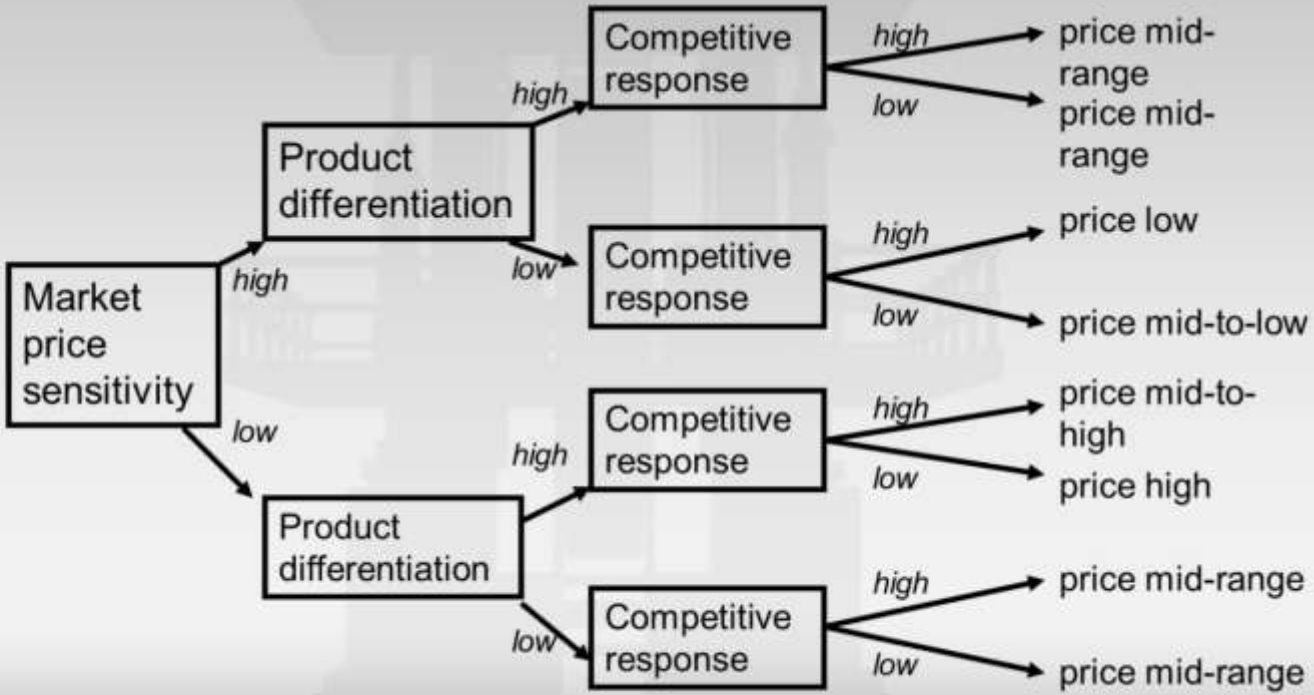
Economic value analysis

Competitor’s price			**$5,000**
Benefits			
Longer life	**500**		
Lower failure rate	**250**		
Savings	**1,000**		
Total savings	**1,750**		
Switch-over costs	**- 500**		
Economic value		**1,250**	
Incentive to switch		**- 750**	
Net additional benefit			**500**
Your price			**$5,500**

Example trade-off table for a video conference office telephone

Clarity of picture screen	*Video Conference Telephone Price*		
	$50	$100	$500
High clarity *(comparable to HD)*	1		
Medium clarity *(comparable to a standard digital TV)*			
Low clarity *(comparable lower-resolution cell display)*			9

Some factors affecting pricing decisions



Preliminary sales forecasts

The more you know, the smaller the opportunity

Ask '**why**' customers will buy and '**why not**'

Downscale market potential through segment reduction

Concept testing

The process by which a concept statement is presented to customers for their reactions. These reactions can either be used to permit the developer to estimate the sales value of the concept or to make changes to the concept to enhance its potential sales value.

- PDMA website glossary

Note:

Informal concept testing may be part of the ideation phase, with more formal concept testing being conducted as part of the business case development. Customer input might be obtained throughout the process.

Concept development

Product or service diagnostics & dashboard

Overall attitude toward product

- liking, believability and intention-to-buy

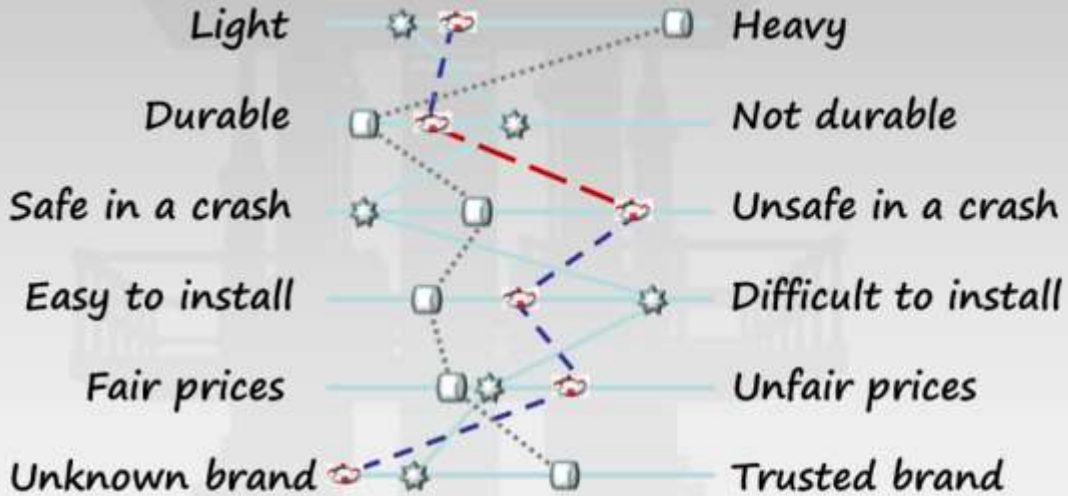
Attribute ratings

Competitive positioning

- customer perceptions

Channel feedback

Competitive product scaling



Product A

Product B

Product C

Refining initial sales estimates

market potential *(from secondary and expert sources)*
x market share *(from your share on similar products)* ***OR***
x % likely to buy *(from customer surveys & channel input)*
x expected number of purchases *(from customer input) x price*

= ***preliminary sales forecast***

± impact of market friction *(internal assessment)*
± corrective action taken by company to affect market friction
- any cannibalization of existing products *(internal assessment)*

= ***net sales forecast***

Projections

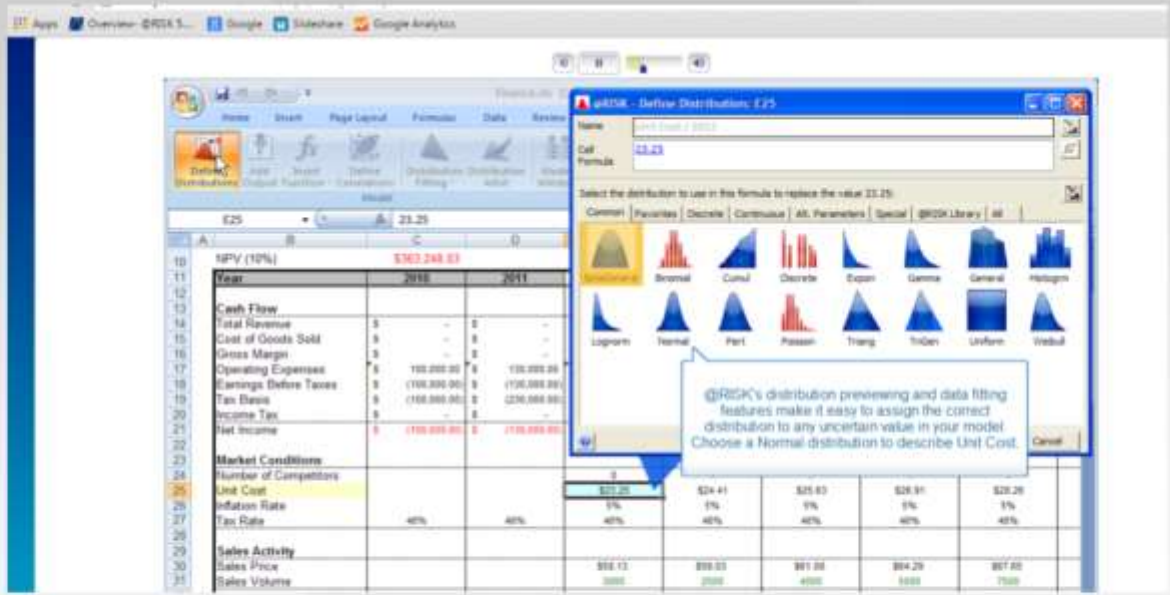
The initial sales numbers should be projected into the future, taking into account business cycles, seasonality, growth curves of analogous products, and other relevant adjusting variables

Forecasting comparisons

	Forecasting existing products	Forecasting new products
Data	History	Assumptions
Analytics	Statistical	Judgmental
Forecast	Point	Range
Plan	Certainties	Contingencies
Measurement	Accuracy	Meaningfulness

Source: Kenneth Kahn, "Solving the Problems of New Product Forecasting," *Business Horizons*, Sept-Oct, 2014.

@Risk Monte Carlo Simulation



Projected financial analysis

	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Revenue	0	10,700	13,843	17,689	25,428	29,242
Less cost of goods sold	0	3,583	4,635	5,923	8,515	9,792
Gross margin	0	7,117	9,208	11,766	16,913	19,450
Development costs	-3,150	0	0	0	0	0
Fixed costs	0	8,270	7,198	9,194	13,222	15,205
Gross contribution	-3,150	-1,153	2,010	2,572	3,691	4,245

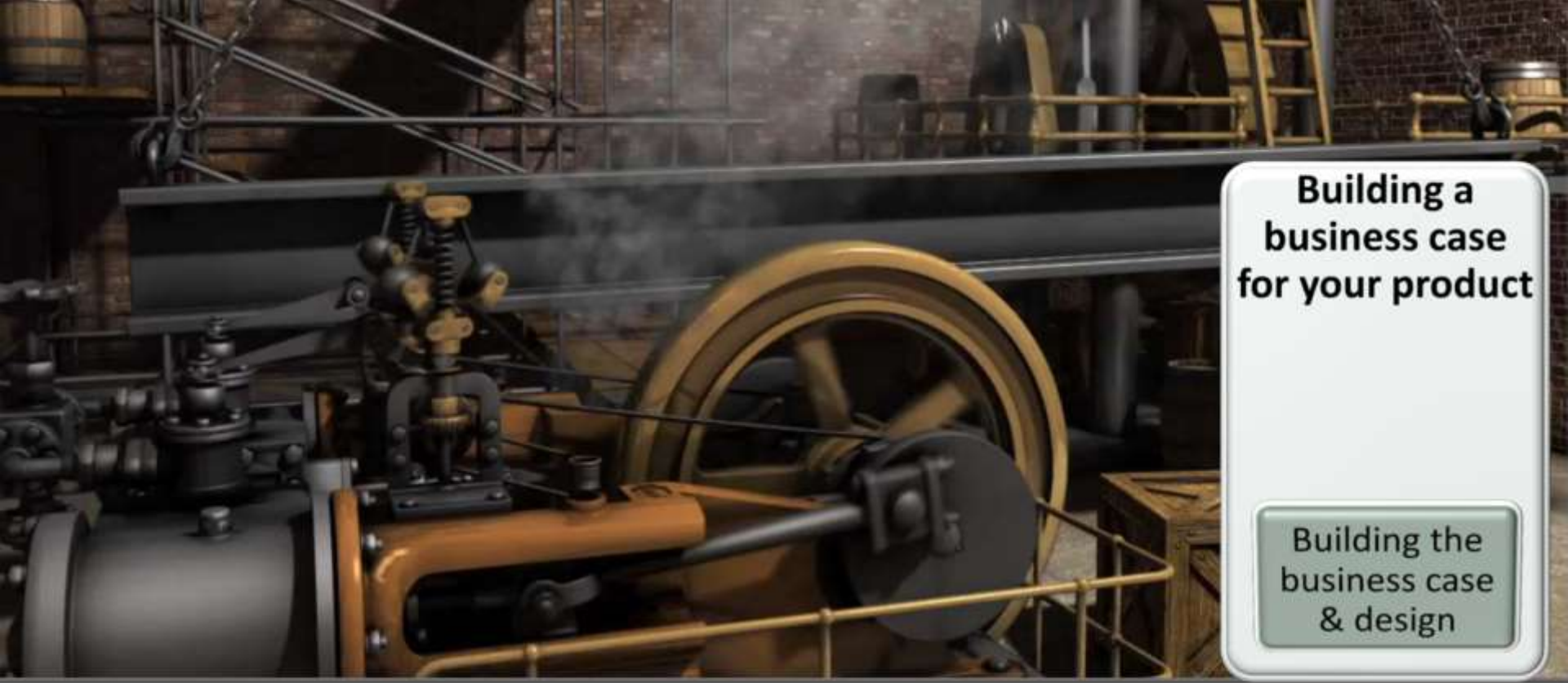
Define the core project team

Attributes

- Cross-functional vs. work group
- Parallel tasking
- Complementary skills
- Mutual accountability

Responsibilities

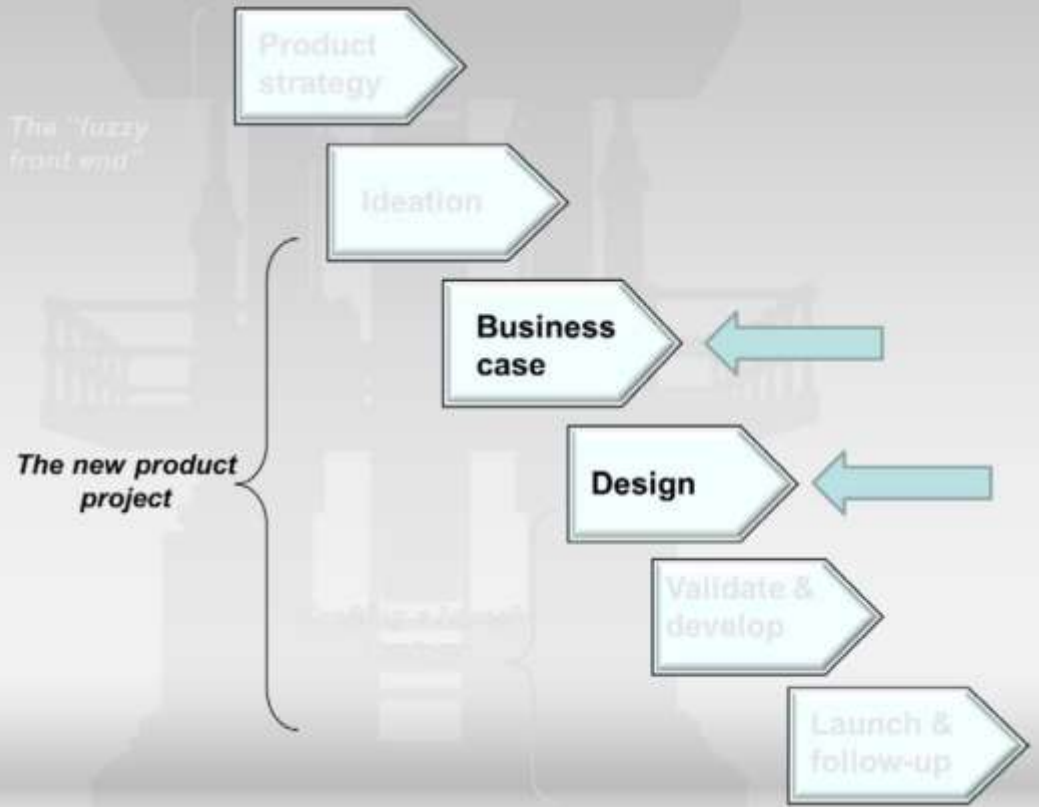
- Product development plan
- Business case
- Functional contributions



The business case process

Building the case for investing in your product

Business case & design



Business case phase

The business case phase involves refining the knowledge on the

- size of product opportunities
- estimated financial performance
- manufacturability of the product
- risks and risk reduction

The output of this phase may include

- the product definition
- change from core to project team
- a detailed project plan

Business Case Defined

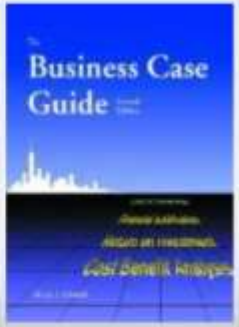
A Business Case is:

A structured proposal for an investment (product, business, or process change) that functions as decision-support for decision-makers.

A *business case* includes:

- Concept definition
- Opportunity (or needs) assessment (technical and economic)
- Proposed benefits and costs
- Risks
- Assumptions
- Constraints
- Alternatives
- Implementation plan

Marty J. Schmidt, *The Business Case Guide*,



Remember ...

A Business Case . . .

- Is an economic proposal
- Is uncertain (i.e., has risk)
- Consumes resources
- Needs structure
- Should not be formulaic
- Should inform, persuade, and guide

Product *concept*

Is critical to articulate **what** the product is, and **what it is not**

Definition creates **useful limits & focus** to guide downstream business case preparation activities

Affects **accuracy** of *opportunity assessment* activity

Needs to be in “plain speak”

Dealing With Uncertainty

Uncertainty exists in all forecasts

Removing *all* uncertainty eats *all* profits

Yet, uncertainty should be reduced …

- Build and apply financial "models"
- Use scenarios
- Focus on major friction or acceptance factors
- Forecast in increments: time, cost targets, market segments, product versions, etc.
- Learn from others, self … "lessons learned"
- Big cause of failure: *Optimism*

Time Effects

Time is major variable in business case

- 100% market share - but in 50 years - is probably not “success”
- Issue is the option to use money elsewhere

Model costs and sales in time periods

- Small periods at first
- Early investments hurts most
- For sales, “more and sooner” is best
- For costs, “less and later” is best

Customer behavior

- Consider sales and purchasing cycles

Financial Evaluation - Tools

Profit = Revenues net of costs

- General; ignores effect of time

Rate of Return

- Cumulative % in versus out

NPV - “Net Present Value”

- Discounts cash flow - dollar now better than later
- Requires discount rate

IRR - “Internal Rate of Return”

- Discounts cash flow - dollar now better than later
- Imputes discount rate

Financial Evaluation - Tools

Breakeven

- Point where cumulative revenues exceed costs
- Not sensitive to time-value of money
- Helps determine when cash starts to flow back in

Payback

- Time when invested money is returned (i.e., in years)
- Easy to understand and apply
- Ignores post-payback money, risk, and time value of money

Translate VOC to requirements

Solicit input from customers who are knowledgeable and cooperative

Test among larger group of customers

- Compare several versions of a concept
- Assess “value” and intent to buy

Assess technical feasibility

Convert benefits to “designable” characteristics

Revise metrics based on competitive positioning

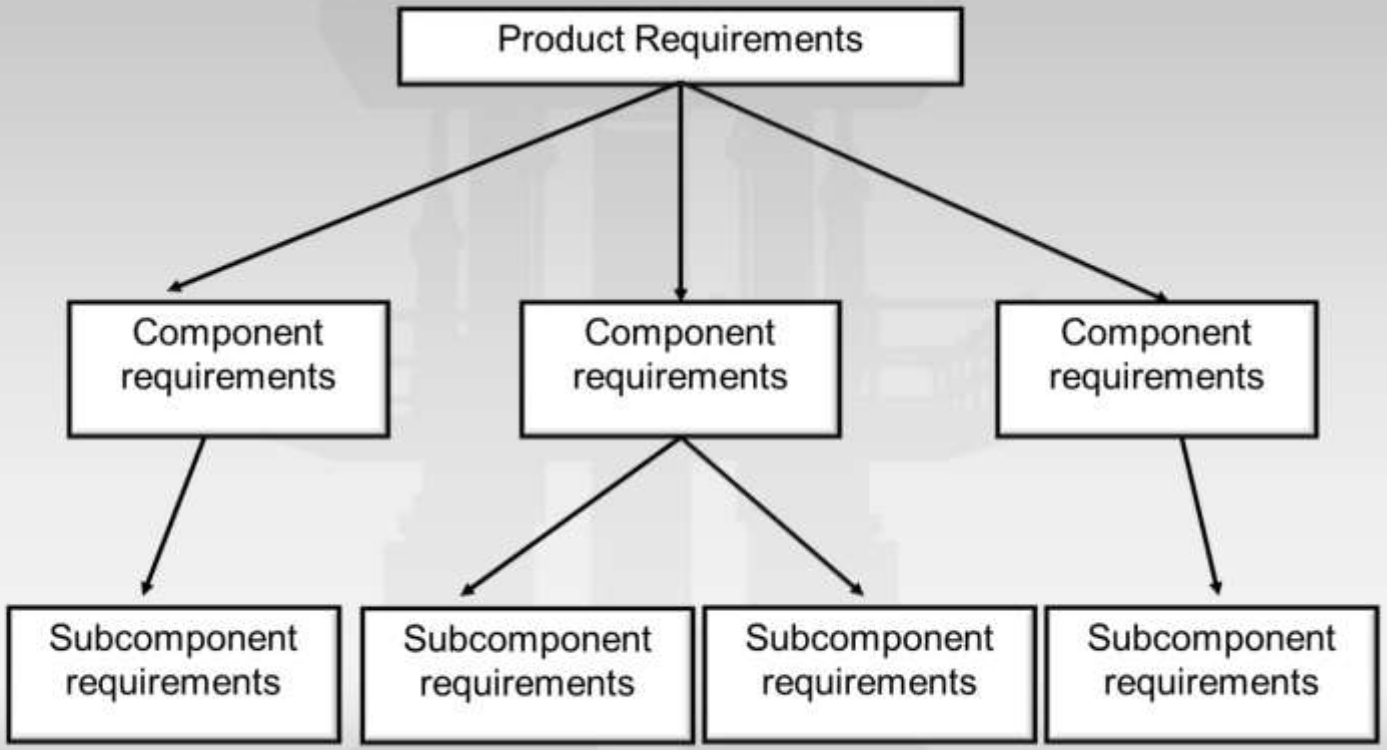
Requirements table

1 Needs	2 Importance	3 Initial metrics	4 Competitor A	5 Competitor B	6 Revised Metrics
Lightweight	Must	Total mass in kg.	Competitor A will be lighter than concept	Equal	Need to reduce the mass
Can withstand rain and water contamination	Must	Time in spray chamber without water entry	Concept is better than A	Concept is better than B	Continue with initial metrics
Safe in a crash	Must	Bending strength of materials	Competitor A has superior bendability	Competitor B breaks sooner	Improve bending strength to match or surpass Competitor A
Easy to install	Should	Average time to assemble	Concept has quicker time than for A	Concept as quicker time than for B	Good performance as long as it does not add cost
Works with a variety of attachments	Should	List of attachments & sizes	Similar product line fit	Similar product line fit	Continue with initial metrics
Competitively prices	Must	Target cost range	On track to be competitively priced	On track to be higher priced	Maintain target cost range and determine how to help customers perceive value
Profile: Define the target users in demographic and psychographic terms. Include a statement on the impact of influencers on the purchase decision.					
Use Situation: Describe where and how target customers would use the product. Incorporate any insights from observation and design thinking activities.					
Non-functional requirements: List any aspects of the product that may be important design parameters (such as appearance or feel) that may be necessary parts of the product even if they do not provide functional benefits.					

Note that the importance column should suggest what benefits (functionality) are required, nice to have, or in some cases, critical to avoid.

Note that metrics deal more with functionality than with features

Specify all requirements



Pre-evaluate the business case

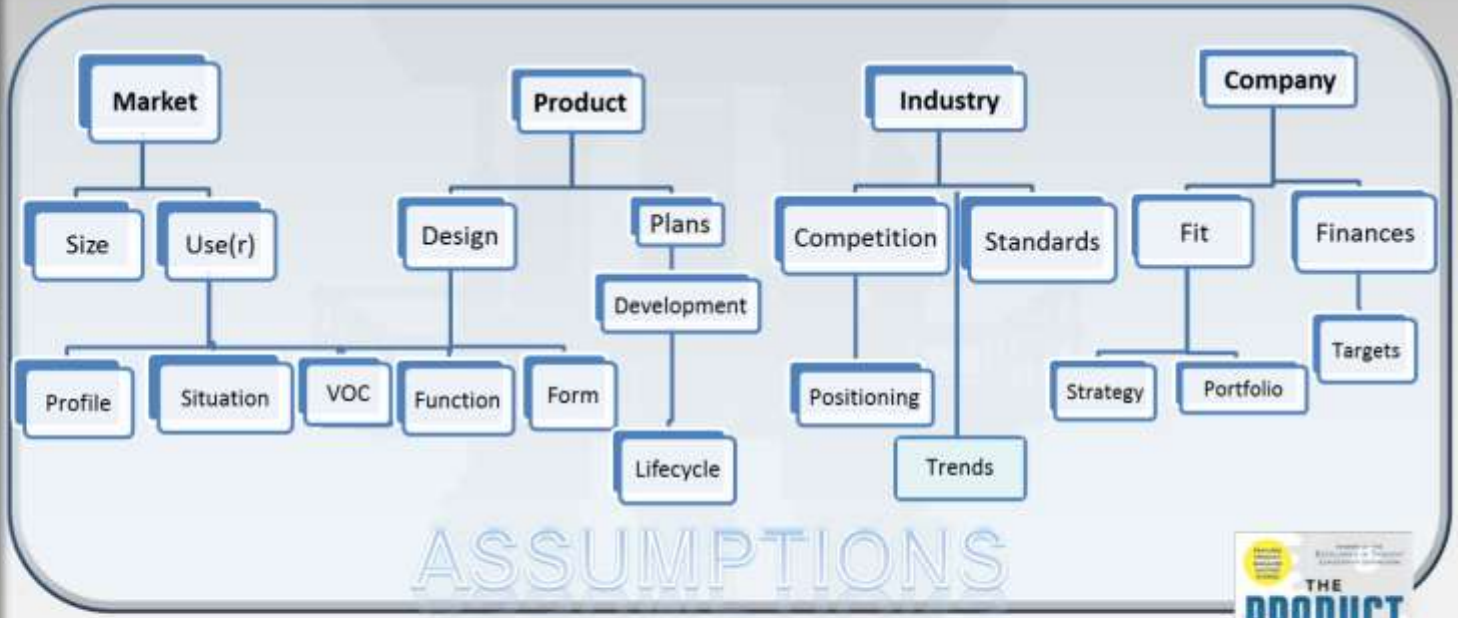
Ask yourself (negative questions):

- Why isn't this already in the market?
- What is a functional substitute and how is it doing?
- Who is better positioned to sell and deliver this?
- How can we fail?
- How would *we* attack or cause a competitor to fail if they introduced this?

Ask yourself (positive questions):

- What should we have or do to feel 100% confident (if I or a loved-one were to be solely responsible for the success of the new product)?
- What would bring success faster?

Business case components



Business case review

Will the product as defined provide the customer benefits sought earlier?

Will it pass the appropriate review criteria for your company?

Does the entire team agree on the defined product requirements?

Is the product defined precisely enough to move to development?

Would it still pass the earlier screens?

Key deliverables

Detailed product definition including features and performance requirements (i.e., desired customer benefits)

Creation of a team “contract” signed by all specifying the target market and freezing some or all aspects of the product definition

NPD Agenda – Day Three

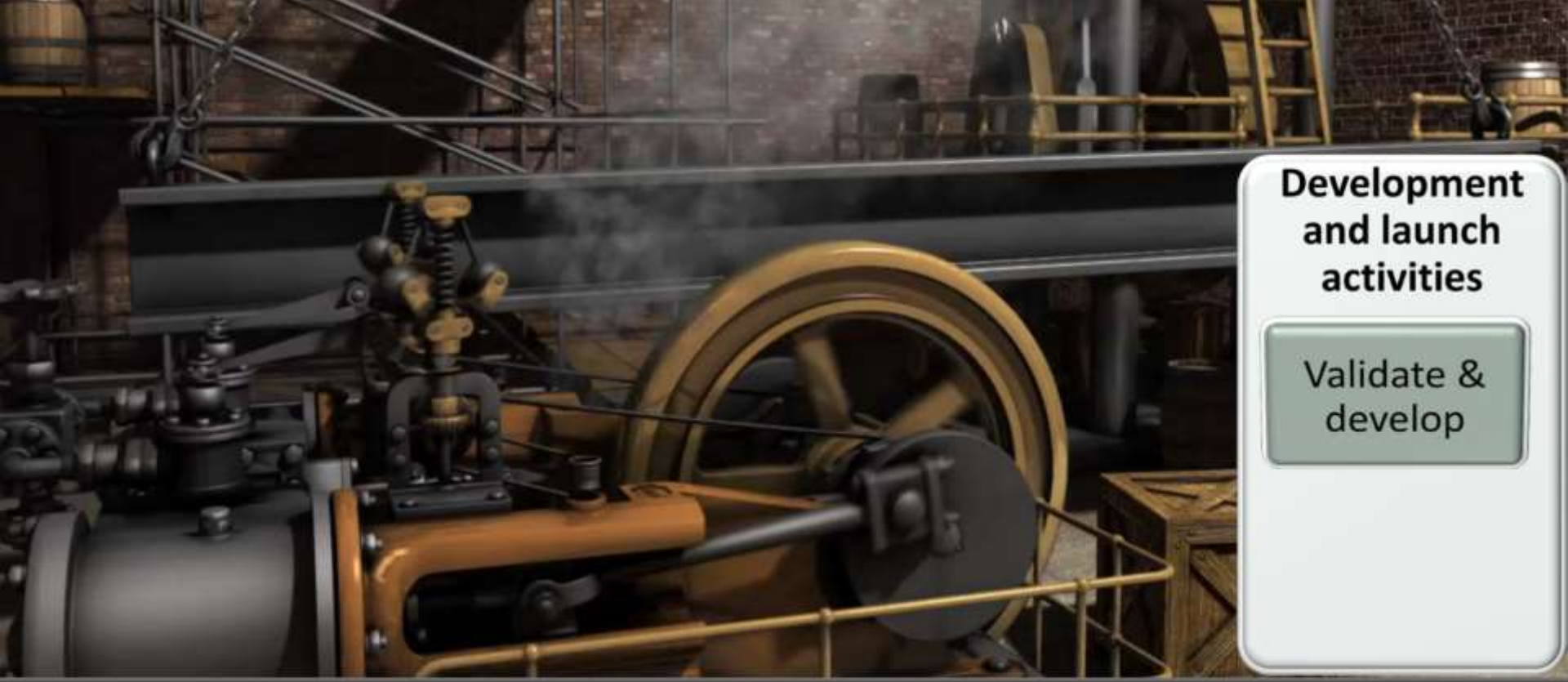
Foundation elements	Ideation & research	Validate & develop
Overview of new product processes	Building the business case & design	Launch & post-launch efforts

Development and launch activities

After this final session ...

You should be better able to:

- Maintain team alignment with the business case to reduce scope creep
- Understand requirements of gate reviews
- Manage usability testing
- Guide the project of launch planning and execution
- Establish tracking metrics and red-alert strategies
- Complete post-launch follow-up



The development project

Team coordination & product validation

Product development & validation

The "fuzzy front end"

Product strategy

Ideation

Business case

Design

Validate & develop

Launch & follow-up

The new product project

Crafting a launch strategy

Development phase

Team management process

- Stay aligned with the business case
- Control scope creep

Gate review meeting oversight

- Maintain ongoing communication with management

Continued product & quality testing

Systems check

Creation of launch plan

- Preparing launch team, plan & programs

What is scope creep?

Scope creep is defined as adding features and functionality (project scope) without addressing the effects on time, costs, and resources, or without customer approval. (PMBOK)

Team decisions & processes

Who should be the team leader and why

Functional vs. co-location

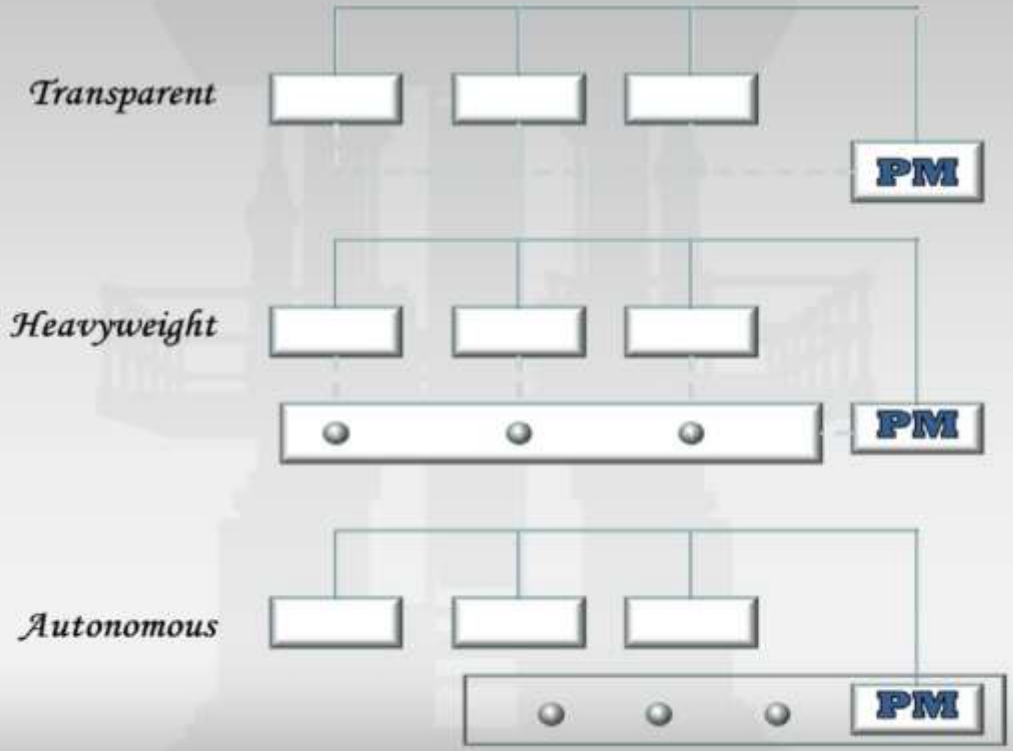
Amount of time devoted to project

Establish mission and roadmap

Integrate knowledge, project & risk management

Avoid motivational mistakes

Team Structure



Differing views of stage-gate

Stages ← Team member emphasis

activities *deliverables*

Management emphasis → Go/ No Go Review

deliverables *results*

The validation & testing phase

This phase involves extended product tests, most likely a combination of in-house (alpha) and external (beta) trials

Tests may be conducted prior to, simultaneously with, and/or after development

Usability – prototyping

Alpha

- Prototype testing within the organization

Beta

- Prototype testing with potential buyers

Gamma

- Tests conducted among stakeholders who are potential influencers of or barriers to new product acceptance

Delta

- Monitoring wear of product during usage

Beta program decisions

What is the “ideal” profile of beta test sites?

How many test sites (and why)?

How long should the program be?

Who pays for what?

What are the mutual communication and support requirements?

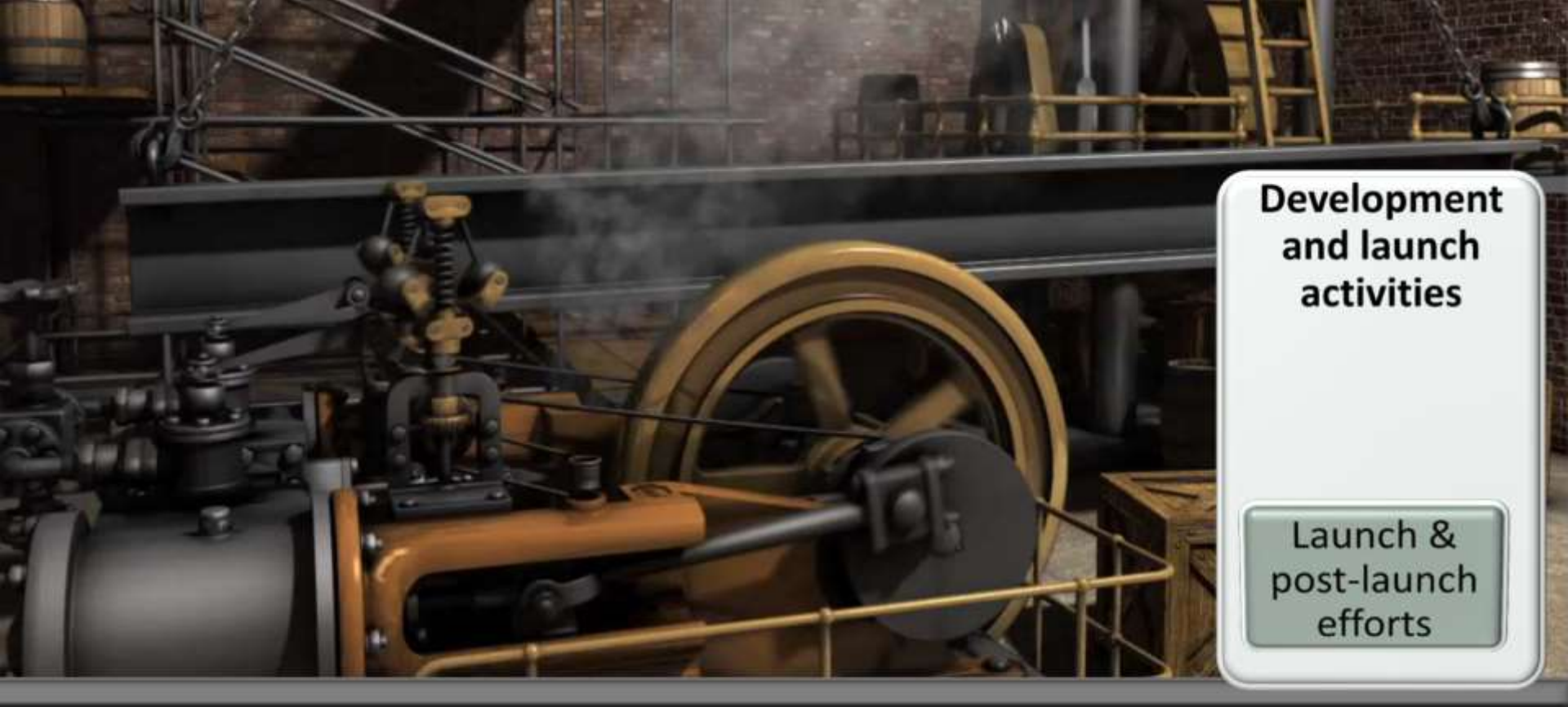
THE ART and Science

Is *everything* ready?

- Ensure offer readiness
- Work with sales administration, H.R., or relevant departments in charge of training to ensure knowledge readiness
- Verify that systems are in place for ordering and support

Are You Ready?

	Who?	Due date	Contingencies
Product reality check - does it fulfill the original idea? - does it still fit the market? - is there competitive superiority?			
Packaging - will it facilitate storage, use, transport and convenience? - does it provide customer-friendly information?			
Regulatory approvals & standards - have all country, governmental and industry approvals been obtained? - can you demonstrate compliance and efficacy?			
Systems readiness - is IT ready for ordering and billing? - are preliminary production runs complete?			
Service & tech support - is infrastructure in place? - warranty programs ready? - service programs defined? - spare parts, loaners, upgrade tools?			
Logistics - process map for physical movement to customer's location			
Marketing decisions - pricing policies by market - roll-out sequence planned - marketing communications on track			
Marketing support - sales & customer service training set - kick-off events and activities planned - collateral material ready			



Commercialization

Launch and follow-up activities

Prepare documents in advance

Launch & follow-up

Product strategy

The "fuzzy front end"

Ideation

Business case

Design

Validate & develop

Crafting a launch strategy

Launch & follow-up

Launch is another project to manage

Who is the primary target market?

What specifics do you need to ensure?

When should you plan your launch?

Where should you launch the product?

Why is your product better?

How should you market your product?

Who

is the primary target market?

New or existing customers

Demographics

Psychographics

Are you using the “right” variables to define the target segments?

Consumer Market Segmentation

Demographics

- Age, gender, income

Geography

- Country, urban/rural

Psychographics

- Attitudes, interests, lifestyle

Family life stage

- Single, family, empty nester

Situational factors

- Urgency, order size, gift

Psychographics model

Six Key Premium Wine Consumer Segments

ENTHUSIAST	Passionate about entire wine experience – 12%
IMAGE SEEKER	Need to feel sophisticated & trendy – 20%
SAVVY SHOPPER	Looking for a great wine at a great value – 15%
TRADITIONALIST	Look for wine from well-known wineries – 15%
SATISFIED SIPPER	Want a sensible choice they can be comfortable with – 14%
OVERWHELMED	Want good shelf description or staff recommendation – 23%

Source: Research conducted by Constellation Wines U.W. Called "Project Genome, the information was based on 3,500+ online interviews covering 7,400+ bottles of wine, completed 08/08/2010.

B2B Market Segmentation

Firmographics

- Size, location, NAICS

Operational

- Capabilities, user/nonuser

Purchasing

- Centralized/decentralized

Personal characteristics

- Demographics, psychographics

Situational factors

- Urgency, order size

Demographic (firmographic) factors

Segment by:

Industry (SIC)

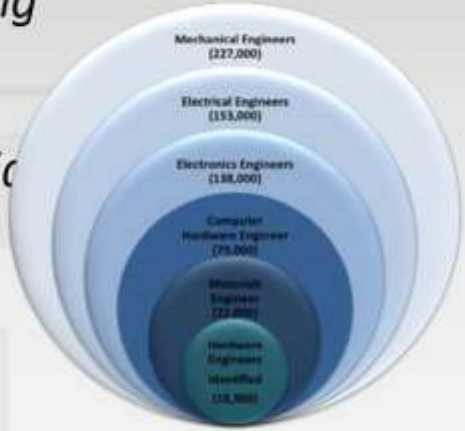
- *e.g., mining, utilities, manufacturing*

Location

- *United States, Canada, Mexico, Asi*

Company size

- *small, medium, large*



Operational factors

Segment by:

User, nonuser status

- *products, competitor's customer*

Customer capabilities

- *tech support, etc.*

Xiameter market segmentation

Purchasing factors

Segment by:

- Purchasing function (centralized vs. decentralized)
- Domestic versus global purchasing
- National account?
- Transaction vs. systems purchase

Situational factors

Segment by:

Specific application

- *e.g., resource extraction, manufacturing process, remediation*

Size of order

- *revenue or profit*

Other need factors

- *e.g., urgency, customization*

Personal factors

Segment by:

Demographic characteristics

- *titles, education, age*

Psychographic characteristics

- *risk tolerance, innovation perspective*

Who determines if the sale is made?

What

specifics must you ensure?

Product attributes

Brand

Solutions attributes

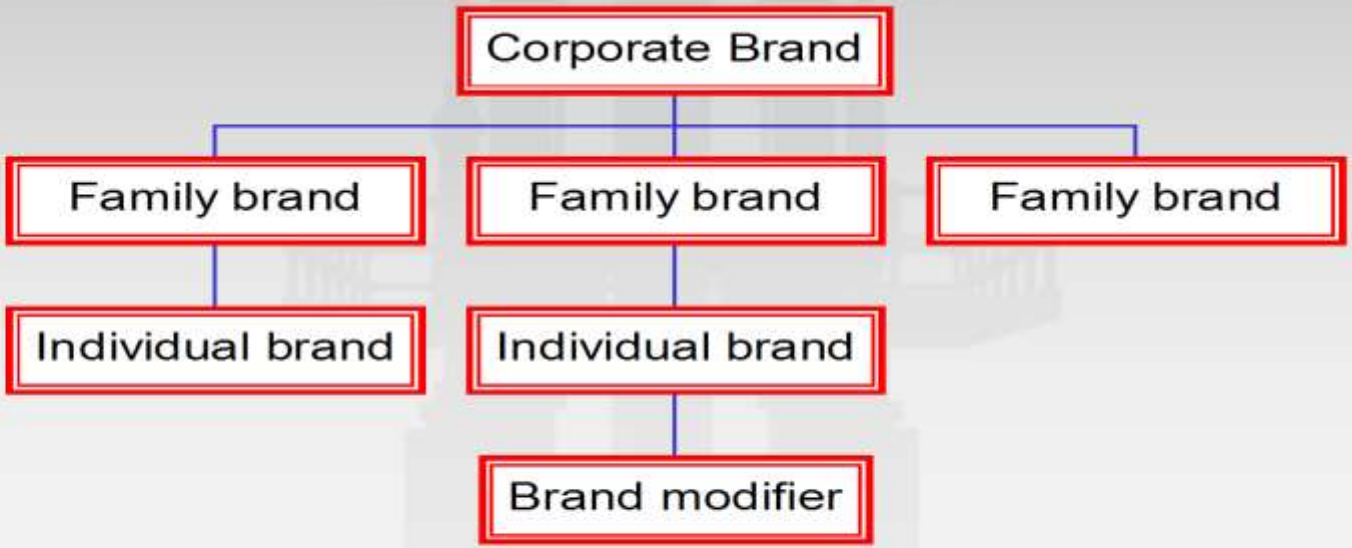
Price/value fit

What is a brand?

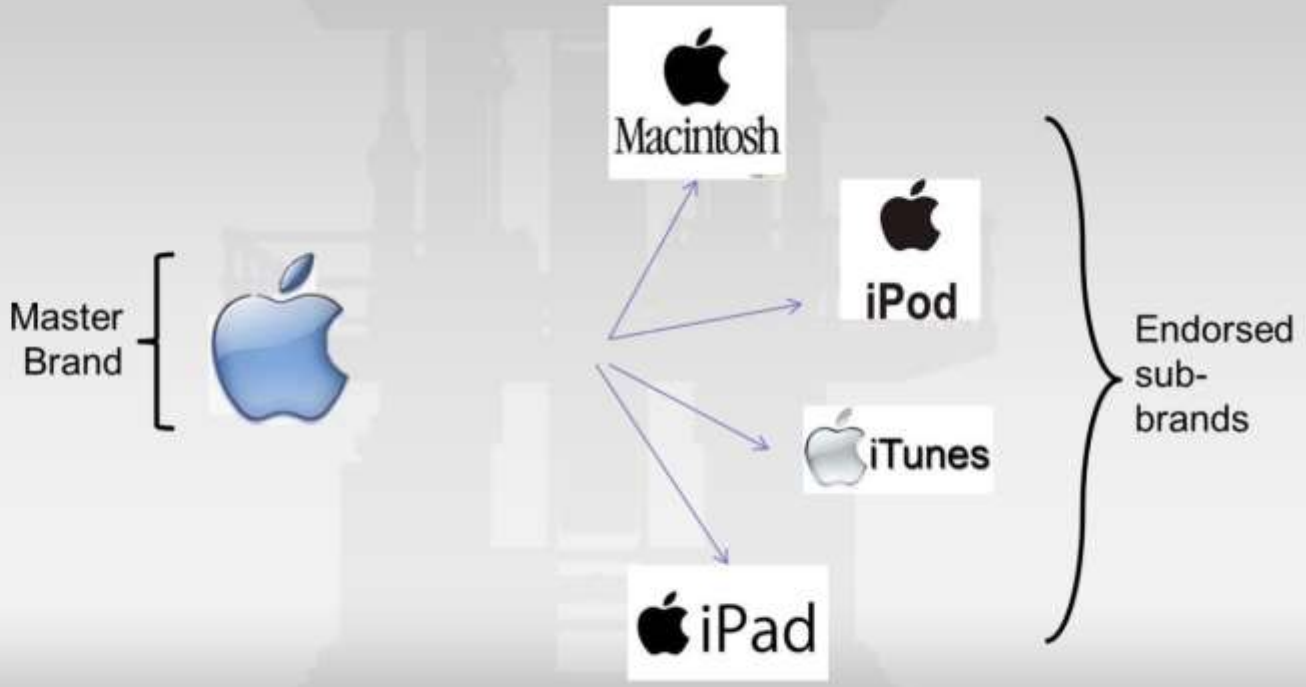
At its core, a brand is a distinctive symbol (name, term, number, design, etc.) that uniquely identifies a product, service, company, organization, or offering.

However a brand goes beyond mere recognition to carry evaluative meaning. It implies some promise or contract of performance. It is the mental "stereotype" or "executive summary" of what the brand stands for. The visual and auditory symbols are created by the seller, but the meaning is in the minds of customers and stakeholders.

Brand Hierarchy



Apple brand architecture: a branded house



House of brands architectures

GM brand architecture: a hybrid approach

GM GLOBAL BRAND STRATEGY

GM Brand	Portfolio Role	Core Brand Promise	Area Focus
Chevrolet	Global Mainstream	Cars for Life's Journey	Global
Cadillac	Global Luxury	Red-blooded Luxury	Global
Buick	Regional Luxury	Inviting Luxury	NA, China
GMC	Regional Premium	Professional-grade-up for the Challenge	NA
Opel	Regional Mainstream	Forward-thinking Cars for Real Life	Europe / Russia
Vauxhall	Local Mainstream	Forward-thinking Cars for Real Life	U.K.
Holden	Local Mainstream	World-class cars for Australian "Go"	Australia

Tangible brand elements

Trademarkable or recognizable aspects such as:

- Brand names
- Logos
- Symbols
- Characters
- Packages
- Taglines — *"You're in good hands with Allstate.®"*
- Jingles

Naming considerations

- Neologisms (new words)
  - TYLENOL®, pepsi®, Google
- Current usage words & names
  - People, ORACLE, twitter, Wendy's
- Hybrids
  - ThinkPad®, Aquafresh, facebook
- Acronyms
  - IBM, GE

Criteria for evaluating brand elements

- Memorable
- Meaningful
- Likable

Marketer's offensive strategy: build brand equity

- Transferable
- Adaptable
- Protectable

Marketer's defensive strategy: leverage and maintain brand equity

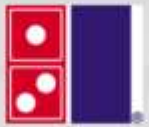
Consider all of these from the perspective of the target market

Kevin Lane Keller
Strategic Brand Management

Memorable

- Memorable
- Meaningful
- Likable

Easily recognized
Easily recalled



- Transferable
- Adaptable
- Protectable

Memorability of the icon also increases when there is emotion connected with the brand

Meaningful

- Memorable
- Meaningful
- Likable

Descriptive
Persuasive

- Transferable
- Adaptable
- Protectable

Likable

- Memorable
- Meaningful
- Likable

Fun and interesting
Rich visual and/or verbal imagery
Aesthetically pleasing

- Transferable
- Adaptable
- Protectable

Transferable

- Memorable
- Meaningful
- Likable

- Transferable
- Adaptable
- Protectable

Within and across product categories
Across geographies & cultures

Adaptable

- Memorable
- Meaningful
- Likable

- Transferable
- Adaptable
- Protectable

From — To

1924

Flexible
Can evolve over time

Protectable

- Memorable
- Meaningful
- Likable

What's the story here?

- *Nylon*
- *Aspirin*
- *Lanolin*
- *Linoleum*
- *Dry ice*

- *Escalator*
- *Thermos*
- *Yo-Yo*
- *Raisin Bran*
- *Cellophane*

- Transferable
- Adaptable
- Protectable

Enables legal and/or competitive protection

Longevity makes it harder to compete against

Coca-Cola

Brand positioning rules

Be different

Be relevant

Be energizing

Be real

Okay, what is value?

$$\text{Value} = \frac{\text{Perceived benefits}}{\text{Perceived costs}}$$

Build price/value into the launch

Risk reducers

- Beta test results
- Guarantees
- Free trials, demonstrations
- Belief builders

Training

- Ensure salespeople know the value proposition!

Prepare for packaging issues

- Protecting the product
- Positioning
- “Trade-dress”
- Facilitating recycling
- Global issues
- Facilitating storage, use, and convenience

Does the warranty add value?

- Is the quality high enough?
- Can competitors offer the same warranty? Will they?
- How long should the warranty be?
- Who is eligible to receive the warranty?

Warranty implementation

- What will trigger the warranty?
- What will be provided (replacement, repair, cash)?
- How should it be communicated to customers?
- How will warranty claims be included in future product analyses?

Where

should you plan your launch?

- Entry sequence
- Priority markets
- Sales channels

Tools for motivating resellers

1. Increase the reseller's unit volume
2. Increase the reseller's unit margin
3. Reduce the reseller's cost of doing business

Tools for motivating resellers

1. Increase the reseller's unit volume
   - have an outstanding product
   - use pull techniques
   - product exclusivity or selectivity
   - offer merchandising assistance

Tools for motivating resellers

2. Increase the reseller's margin
   - raise the basic percentage margin
   - offer special discounts
   - offer allowances and special payments
   - offer to prepay allowances

Tools for motivating resellers

3. Reduce the reseller's cost of doing business
   - provide training
   - provide dollars for training
   - improve the service policy
   - aid in repackaging
   - drop-ship delivery to reseller's customer

When

should you plan your launch?

- Impact on other products/ services
  (inventory management and roll-overs)
- Competitive situation
  (before, concurrent, after)
- Significant trade shows / events

C. Merle Crawford

Why

is your product better?

- Really, ***really*** know the differential advantage
- Make it visible

What your prospect wants to know

- What will your product (service) do for me?
- How will it do this?
- Why is it better than the competition?
- Who says so?
- What if I'm not satisfied?

Belief builders

- Testimonials
- Demonstrations
- Extended warranties
- Third-party testing
- Industry listing (e.g., U.L.)
- Video comparisons

- Cutaway of new product
- Published articles
- Animation of product operations
- Trials
- Word of mouth

How

will you market the product?

- Field sales plan
- Advertising strategy
- Product support

Buying Decision Models

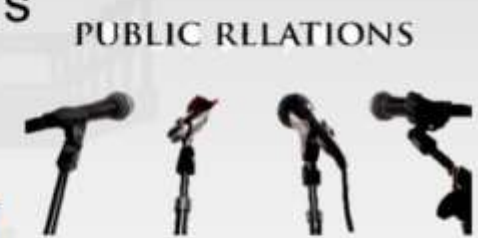
ROUTINE RESPONSE BEHAVIOR → LIMITED PROBLEM SOLVING → EXTENSIVE PROBLEM SOLVING

Consider sales training needs

- what product does for customers
- how to sell it
- why the sales force should believe your claims

Promotional issues

- public relations & marcom
- internal announcements
- social media
- training programs
- reseller support
- customer trial



POST-LAUNCH REVIEWS

Early Measures to track

Pre-launch and early launch

- Compare actual against milestone activity chart
- Compare actual against event schedule
- % resellers stocking product
- # sales calls (per call reports)
- Awareness

Later measures to track

Post-launch

- unit sales
- returns
- discounts
- customer acceptance
- competitive response
- service calls
- shareholder value

Control plan

Determine frequency of tracking

“Red alert” strategies or contingency plans

Red alert strategies

Revise marketing strategy

- Reposition product
- Repackage product
- Bundle or unbundle product
- Change pricing
- Identify new markets
- Change sales channels
- Partner with another company

Red alert strategies (continued)

Revise product

Pull product temporarily

Abandon product

Sell the product or rights to product

Process review follow-up

After the product is launched, a final review is necessary

- How effective was the *process*?
- Would process improvements make the next launch better?
- Is the product effective in terms of the objectives established for it?
- Are there any “red flags”?
- Should corrective action be taken?

Post-launch audit

What did we learn?

"Good judgment comes from experience… and a lot of that comes from bad judgment."

Key points

- Manage both foundation and project-specific elements of NPD
- Use market insight to define products and reduce friction
- Create business cases as investment proposals
- Integrate knowledge, project & risk management
- Prepare launch plans early, implement carefully, and monitor post-launch

Acknowledgements

Many, many people have contributed to this course over the years and I wish I could thank all of them. But there are a few I would specifically like to acknowledge and thank for their contributions.

Kevin Booth
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Dave Franchino
Steven Haines
Brad Rogers

Linda M. Gorchels

Just as we routinely upgrade computer systems, we must upgrade our own knowledge systems. Linda has helped over 10,000 people over a 25+ year period with these educational upgrades, merging anecdotal client experience with researched "best practices," and sharing the resulting insights with managers and executives. After working in the office products, publishing and insurance industries, she joined UW-Madison's Center for Professional and Executive Development, both as a corporate trainer and program director. Now, as a director emerita, she provides workshops for select clients.

An award-winning author of *The Product Manager's Handbook*, she has also written *The Product Manager's Field Guide*, *The Manager's Guide to Distribution Channels*, *Business Model Renewal*, and *Product Management ShortRead Series*.