

# Welcome to PDMA-India

---



**Presenter**

**Jegan Jayabal, BE, MBA  
Business Consultant**

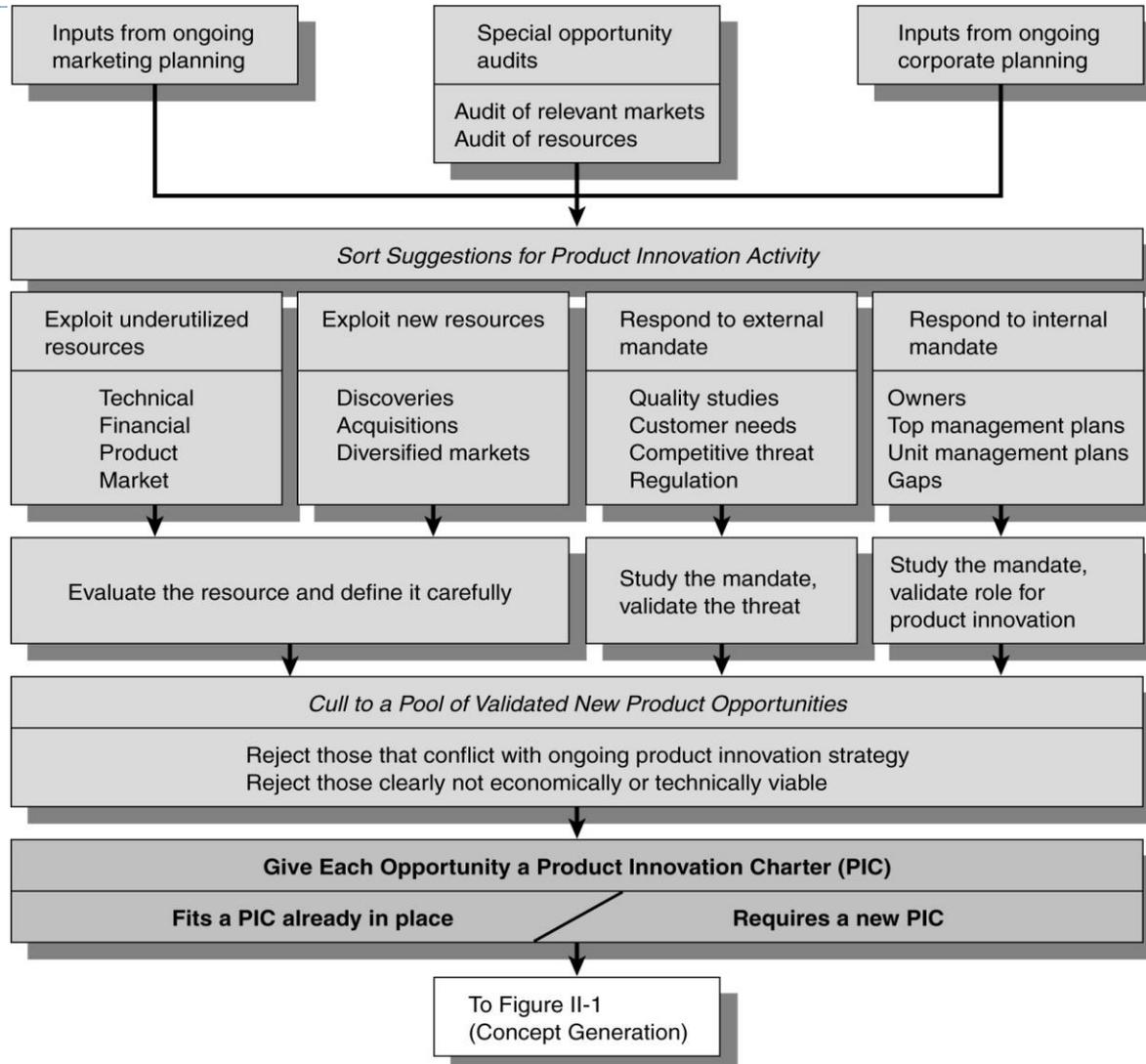
**Planning for New Products**

# Agenda

---

- ▶ What a team needs in strategy statement?
- ▶ Where its inputs originate?
- ▶ What is PIC?.. Goals and objectives.

# Opportunity Identification and Selection



# Why we Need Strategy Planning

---

- ▶ Developing Printer.
- ▶ Bauch and Lomb lost its market position.

# Why Does a Firm Need a New Products Strategy?

---

- ▶ To chart the group's/team's direction
  - ▶ What technologies?/what markets?
- ▶ To set the group's goals and objectives
  - ▶ Why does it exist?
- ▶ To tell the group how it will play the game
  - ▶ What are the rules?/constraints?
  - ▶ Any other key information to consider?

# New Products Inputs: Corporate Strengths/Mission Statements

---

## New products in this firm will:

- ▶ Gain value by being bottled in our bottling system (Coca-Cola)
- ▶ Be for all sports, not just shoes (Nike)
- ▶ Be for all people in computers (IBM)
- ▶ Proliferate our product lines (Rubbermaid)
- ▶ Be almost impossible to create (Polaroid)
- ▶ Use only internal R&D (Bausch & Lomb)
- ▶ Be offered to the market hard to get (Ganz Webkinz)
- ▶ Have high value to us and to the customer (Kodak)

# Product Platform Planning

---

Many firms find that it is not efficient to develop a single product.

**Platform**: product families that share similarities in design, development, or production process.

- ▶ Car industry: \$3 billion price tag on a new car platform is spread out over several models.
- ▶ Sony: four platforms for Walkman launched 160 product variations.
- ▶ Boeing: passenger, cargo, short- and long-haul planes made from same platform.
- ▶ P&G: Liquid Ariel for European market, Liquid Tide for North America, and Liquid Cheer for Japanese market.
- ▶ Black & Decker: uses a single electric motor for dozens of consumer power tools.

# Opportunity Identification: Greenfield Markets

---

- ▶ **Find another location or venue.** McDonald's had taken up the best locations for traditional fast-food restaurants, it continued its U.S. expansion by placing stores inside WalMarts, in sports arenas, and elsewhere. Starbucks Coffee complemented coffee-shop sales by selling its coffee beans and ice creams in supermarkets.
- ▶ **Leverage your firm's strengths in a new activity center.** Nike has recently moved into golf and hockey, and Honeywell is looking into casino opportunities.

# Opportunity Identification: Greenfield Markets

---

- ▶ **Identify a fast-growing need, and adapt your products to that need.** Hewlett-Packard followed the need for “total information solutions” that led it to develop computing and communications products for the World Cup and other sporting events.
- ▶ **Find a “new to you” industry:** P&G in pharmaceuticals, GE in broadcasting (NBC), Disney in cruises, Rubbermaid in gardening products – either through alliance, acquisition, or internal development.

# What is the Product Innovation Charter (PIC)?

---

- ▶ It is the new product team's strategy.
  - ▶ It is for Products (not processes).
  - ▶ It is for Innovation (think of the definition of new product).
  - ▶ It is a Charter (a document specifying the conditions under which a firm will operate).
- ▶ Typically, it is a document prepared by senior management designed to provide guidance to the strategic business units (SBUs) on the role of innovation.

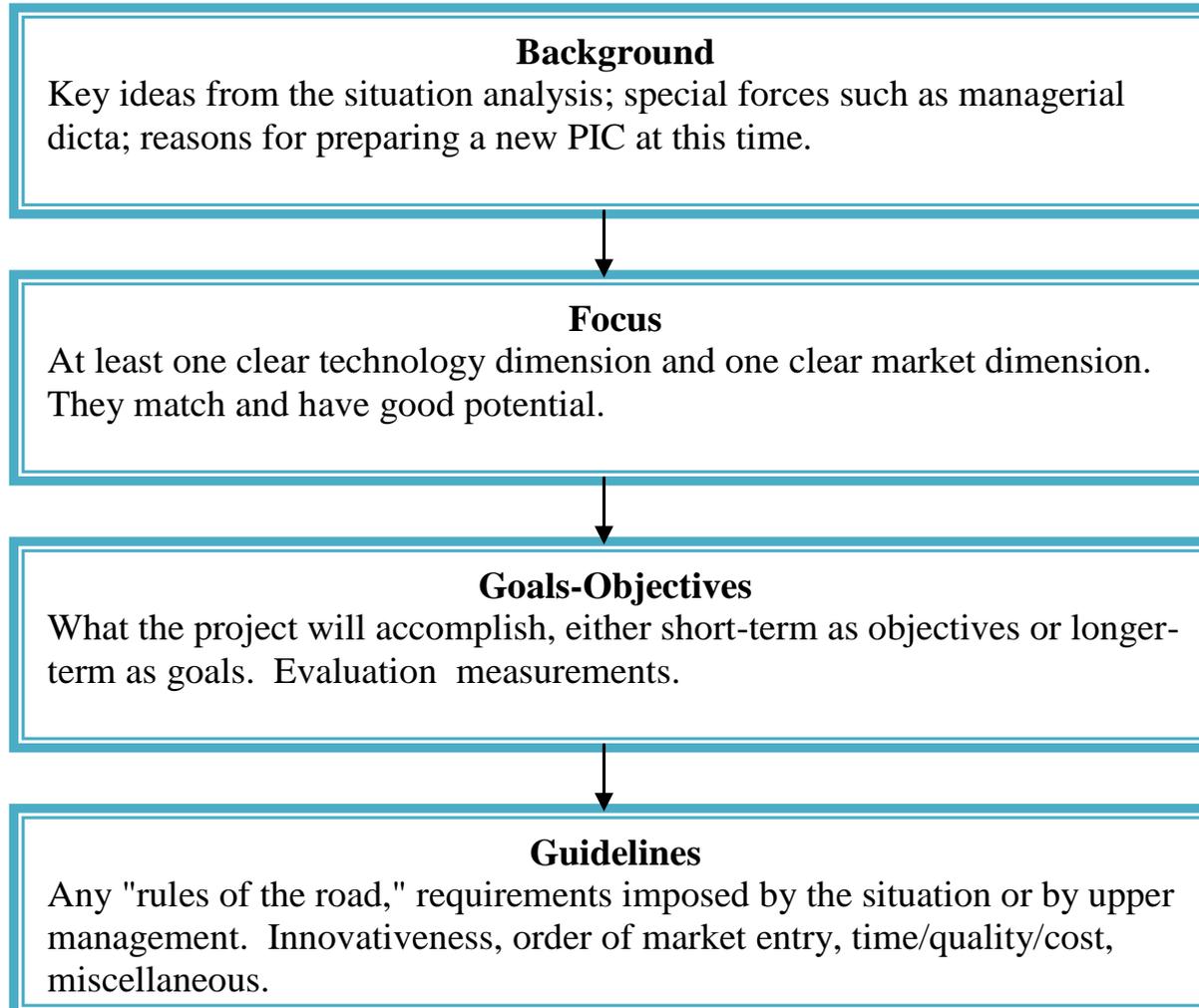
# Do Many Firms Have a PIC?

---

- ▶ Most do, according to research, even if they don't call it by that name.
- ▶ PDMA study:
  - ▶ 75% of firms have a formal new product policy of some type (a partial PIC)
  - ▶ 29% have a formal, written complete PIC.
  - ▶ 80% of firms have formalized at least a few of the phases in the new products process.
- ▶ According to an independent study:
  - ▶ The more detailed and specific the PIC, the higher are the firm's innovation rates.
  - ▶ The more specific the corporate mission and senior management direction is spelled out in the PIC, the better is the performance of the firm's new products.

# The Contents of a Product Innovation Charter

---



# A Sample PIC for a Chemical Product

---

**Focus:** The XYZ Company is committed to a program of innovation in **specialty chemicals**, as used in the **automobile and other metal finishing businesses**, to the extent that we will become the **market share leader** in that market and will achieve at least **35 percent ROI** from that program on a **three-year payout basis**. We seek recognition as the most technically competent company in metal finishing.

**Goals-Objectives:** These goals will be achieved by building on our current R&D skills and by enlarging them as necessary so as to produce new items that are demonstrably superior technically, in-house, and **have only emergency reliance on outside sources**. The company is **willing to invest funds**, as necessary, to achieve these technical breakthroughs.

**Guidelines:** Care will be taken to establish **patent-protected positions** in these new developments and to increase the safety of customer and company personnel.

# PIC Special Guidelines

---

- ▶ Degree of Innovativeness
  - ▶ First-to-market
  - ▶ Adaptive product
  - ▶ Imitation (emulation)
- ▶ Timing
  - ▶ First
  - ▶ Quick second
  - ▶ Slow
  - ▶ Late
- ▶ Miscellaneous
  - ▶ Avoidance of competition with certain firms
  - ▶ Recognition of weaknesses
  - ▶ Patentability
  - ▶ Product Integrity

# Tips for PIC Development

---

- ▶ Note where you are starting -- what decisions have already been made?
- ▶ Watch for any and all opportunities.
- ▶ Confirm interesting opportunities.
- ▶ Keep balance between focus and freedom
- ▶ Speed usually assumed a well-established, close-to-home PIC.
- ▶ PICs less useful in cases where personal tastes rule (art, games, foods) or where the biggest task is developing a new technology (wait till you have it).

# More Tips

---

- ▶ Poor implementation will still ruin a good PIC (e.g., Bic perfume in lighter fluid package).
- ▶ Watch for PIC conflicts -- e.g., a “flood the market” line extension strategy may hurt real innovation. Some charters dictate separate organizations.
- ▶ Once in place, live by it. Use at all stages -- organization, concept generation, concept evaluation, technical, and, yes, marketing!
- ▶ Change it only when necessary, or when you get information you have been waiting for.

# Dimensions for Assessing Strategic Fit

---

- ▶ Strategic goals (defending current base of products versus extending the base).
- ▶ Project types (fundamental research, process improvements, or maintenance projects).
- ▶ Short-term versus long-term projects.
- ▶ High-risk versus low-risk projects.
- ▶ Market familiarity (existing markets, extensions of current ones, or totally new ones).
- ▶ Technology familiarity (existing platforms, extensions of current ones, or totally new ones).
- ▶ Ease of development.
- ▶ Geographical markets (North America, Europe, Asia).

# Strategic Portfolio Model for One SBU in Exxon Chemical

	Low Market Newness	High Market Newness
Low Product Newness	Improvements to Existing Products (35%)	Additions to Existing Product Lines (20%)
Medium Product Newness	Cost Reductions (20%)	New Product Lines (15%)
High Product Newness	Repositioning (6%)	New-to-the-World Products (4%)

Source: Adapted from Robert G. Cooper, Scott J. Edgett, and Elko J. Kleinschmidt. *Portfolio Management for New Products*, McMaster University, Hamilton, Ontario, Canada, 1997, p. 63.

# A Portfolio Diagram at a Hewlett-Packard Division

