

Speed to Market – Capitalizing on Demand

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Market Techniques and Innovations



Speed to Market

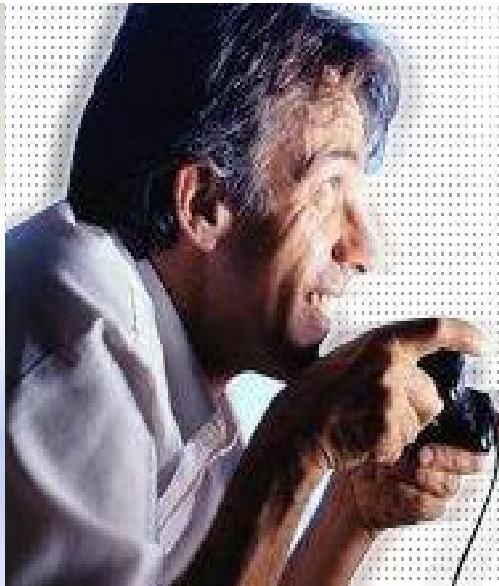
- Collaboration is critical to a successful launch
- Synergy in product, process target market and value proposition
- Visibility and responsibility across the supply chain
- Excellence in Strategic Planning Marketing and Research
- Sustainability and New Product Success is defined by creating innovative products that your target market needs and wants



The Evolution of the Consumer



In 2015 the 20-year old has never lived in a world without mobile phones and Internet



In 2015 the 50-year old is playing videogames and experiencing the Peter Pan Syndrome

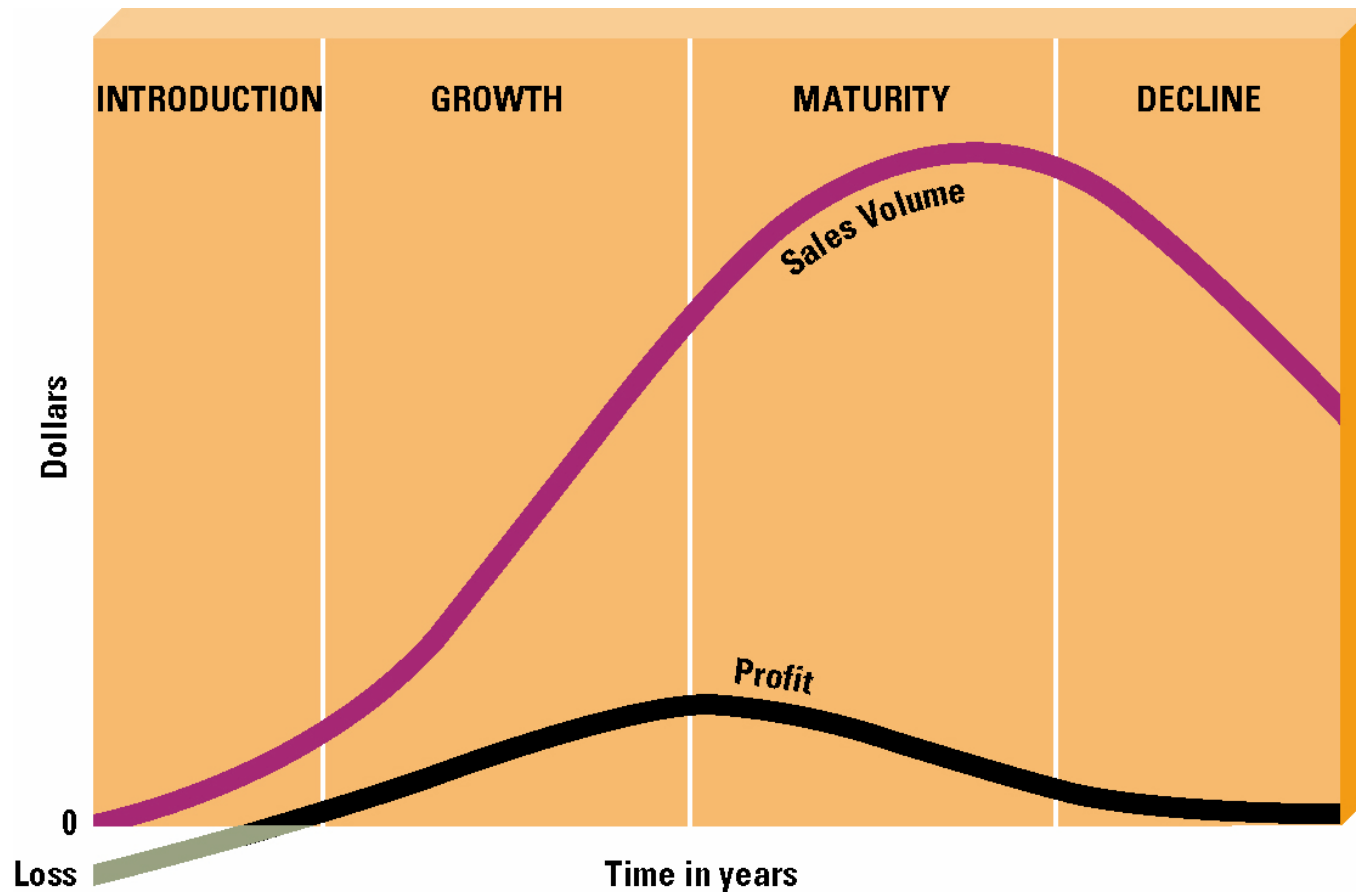


In 2015 the 70-year old is listening to Pink Floyd has an iPod and a voice activated blackberry

Technology is transforming choice, and choice is transforming the consumer



Figure 7-4
Typical Life Cycle of a Product Category



New Product Trends

- The failure rate for new product introduction in the retail grocery industry is 70-80% percent
- The US top 20 enjoy a 76% success rate for new product introductions
- The bottom 20,000 US food companies have an 11.6% success rate for new product introductions
- A major difference between top 20 new product introductions and bottom 20,000 introductions is the apparent lack of research and strategic marketing done by the bottom 20,000



New Product Development Strategy: Why do New Products Fail?

- Overestimated market
- Underestimated consumer
- Product Quality and Design
- Poor design
- Incorrect positioning
- Error in pricing
- Poor marketing communication
- Cost overrun
- Competition



New Products Launches – Need for Speed

1. Who is your target customer?

Is your new product targeting your preferred profitable customers?

2. Really New or Me Too

Is your product Really New or Me Too?

3. New Products Critical to Category Growth

Product Innovation that results in a stronger value proposition is key

4. Provide long lead-time presentations

Best Practice is for manufacturers to provide longer sell-in lead times with complete information.

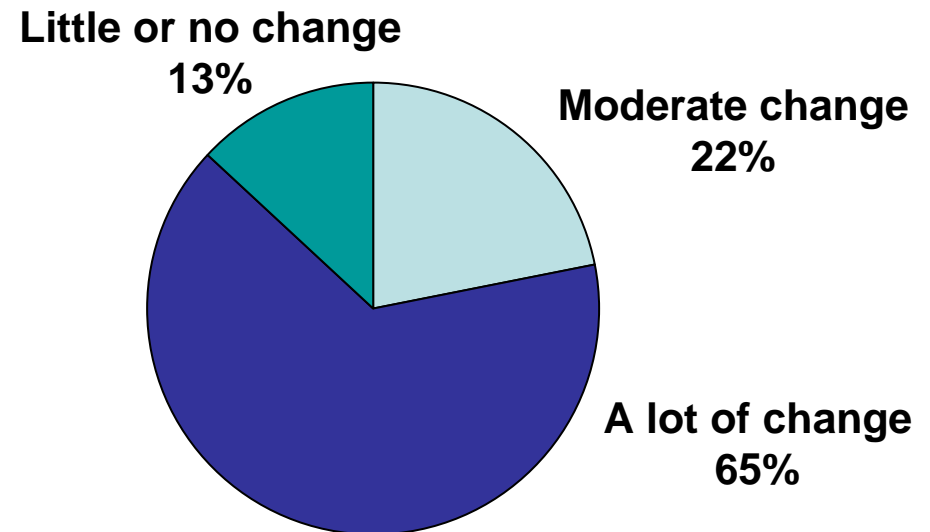
Innovation drives change

Market Forces Precipitating the Need for Change

Increased competition
Escalating customer expectations
Unexpected market shifts
Workforce issues
Technological advances
Regulatory concerns
Globalization

Extent of Fundamental Change Needed Over the Next Two Years

Percent of respondents



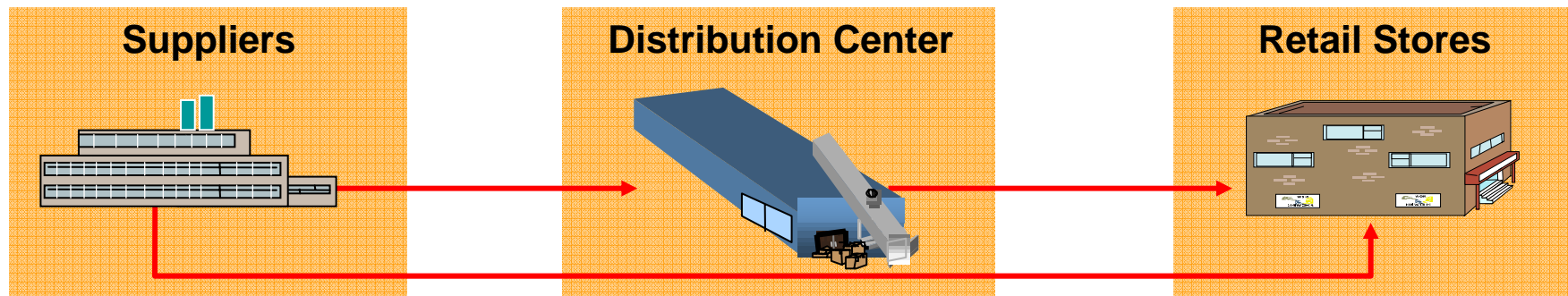
Innovation: The use of new ideas or current thinking applied in fundamentally different ways that result in significant change

Ongoing merchandising and supply chain challenges continue

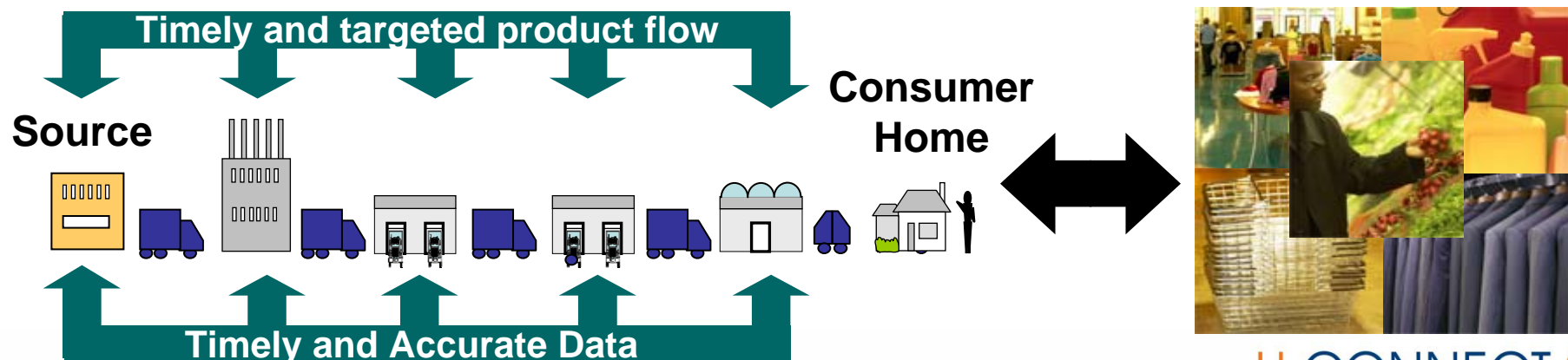
- Non-tailored customer offering
- Speed to Market - Poor new product development processes
- Ineffective global and local sourcing
- Out of stocks and sub optimal inventory levels
- Inefficient merchandise flow and product handling
- Non-integrated channels

Merchandising and supply chain operations can become a strategic lever for growth and differentiation

From: Tactical Lever - Moving goods from A to B



To: Strategic Enabler of differentiated shopping experiences



With tremendous impact on the shopping experience

Grocery out of stock rates average 8-10%

"The three items I came here for are completely out of stock!"

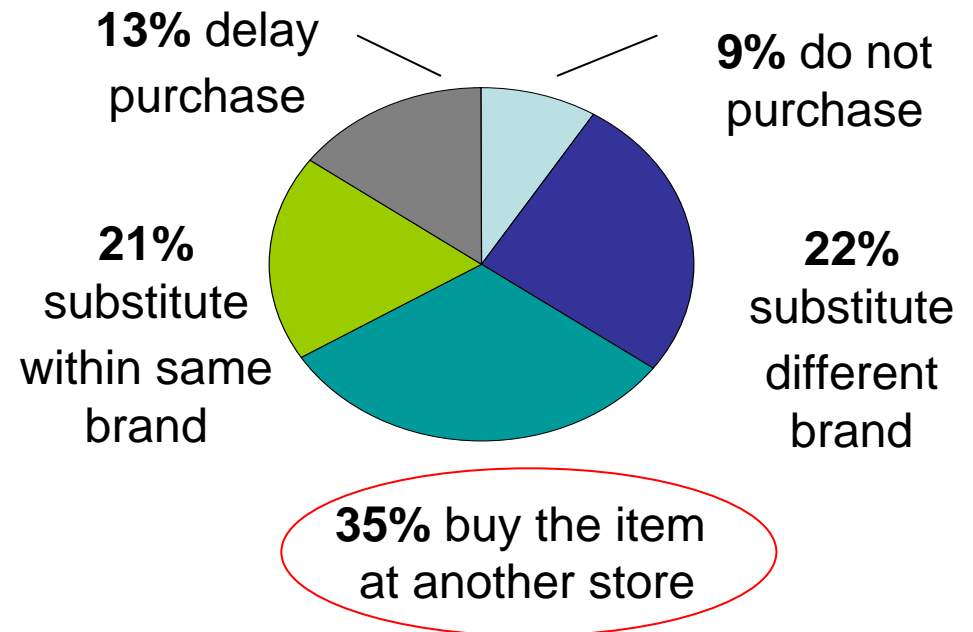


Average cycle time in the fashion industry remains at 2-12 months



"They've got every size and colour, except for the one I want!"

Consumer Responses to Out-of-Stocks



Source: "Retail Out-of-Stocks: A worldwide examination of extent, causes, and consumer responses," GMA, FMI, and CIES, Oct 02; IBM Institute for Business Value Analysis

New Product Development Strategy: Critical Success Factors

- Unique superior product
- Well defined product concept from start-up
- Specific criteria
- Specific strategic role
- Systematic new-product process



Basic Forecasting Approaches

- *Top Down:*
 - Develops a forecast of economic conditions and industry trends.
 - Determines the market potential for a product.
 - Determines the sales potential for the product.
 - Measures the share of this market the firm is currently getting or plans to capture.
 - Forecasts the firm's sales of the product.
- *Bottom Up:*
 - Generates estimates of future demand from customers or the company's salespeople.
 - Combines the estimates to get a total forecast.
 - Adjusts the forecast based on managerial insights into the industry, competition, and general economic trends.

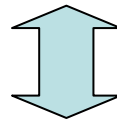
Demand Forecasting

- Customers
 - Who is target customer
 - Size of target market
 - Buying power
 - Buying behavior
 - Growth potential
- Products
 - Unique or commodity
 - Really New or Me Too
 - Size of market
 - Market potential
 - Capacity for Profit

Competitors?
Market Position?
Promotions?

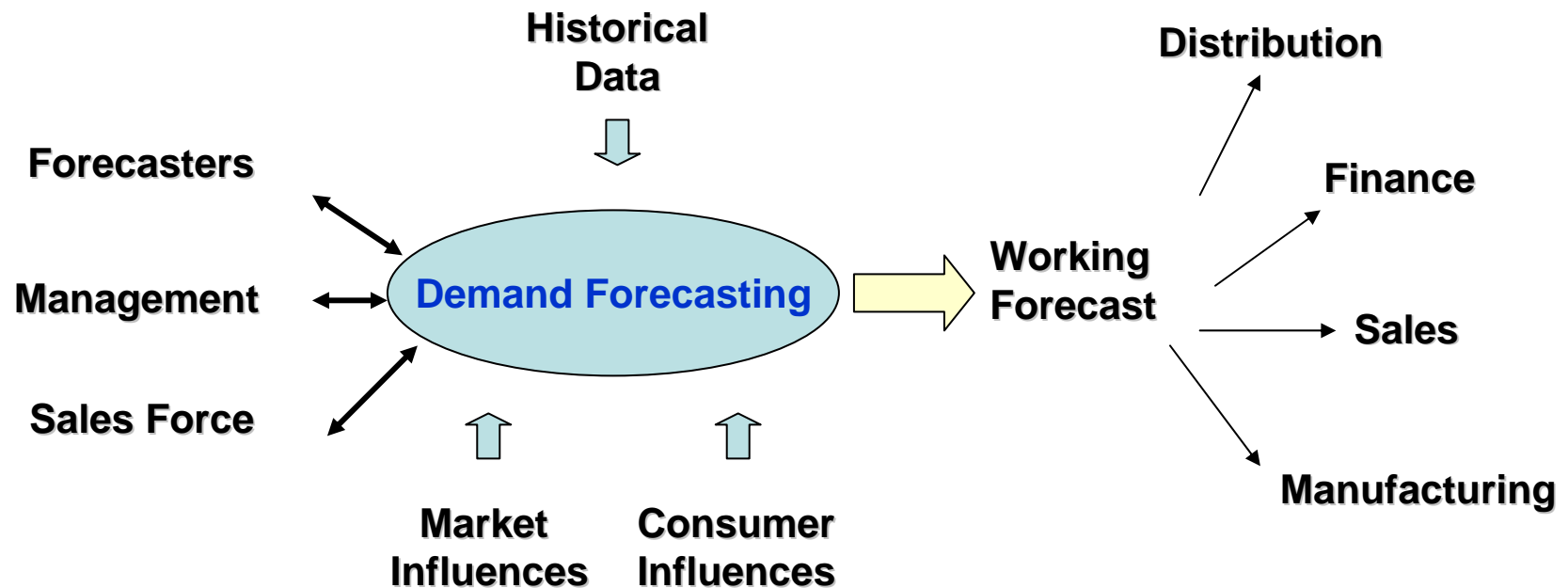
Elements of Demand Management – New Products

- Predictability
 - Effective communication
- Levels of influence & responsibility
 - Manage process

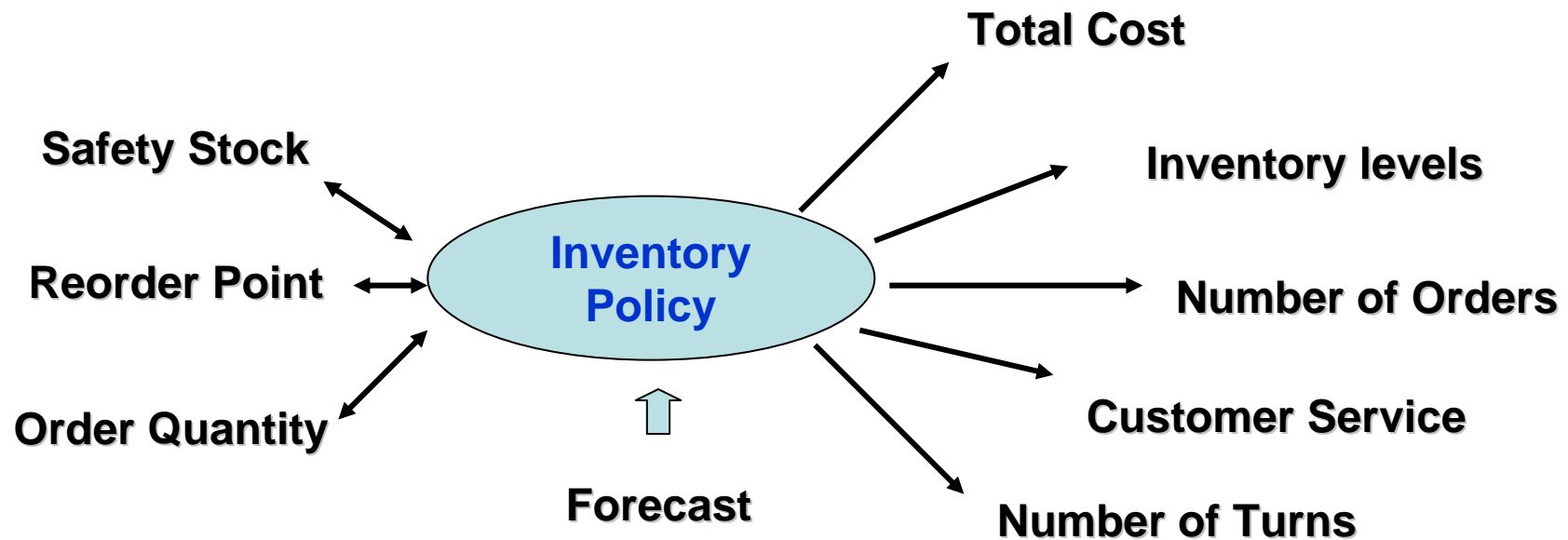


- Demand Forecasting
 - Inventory Policy
- Scheduling and Production

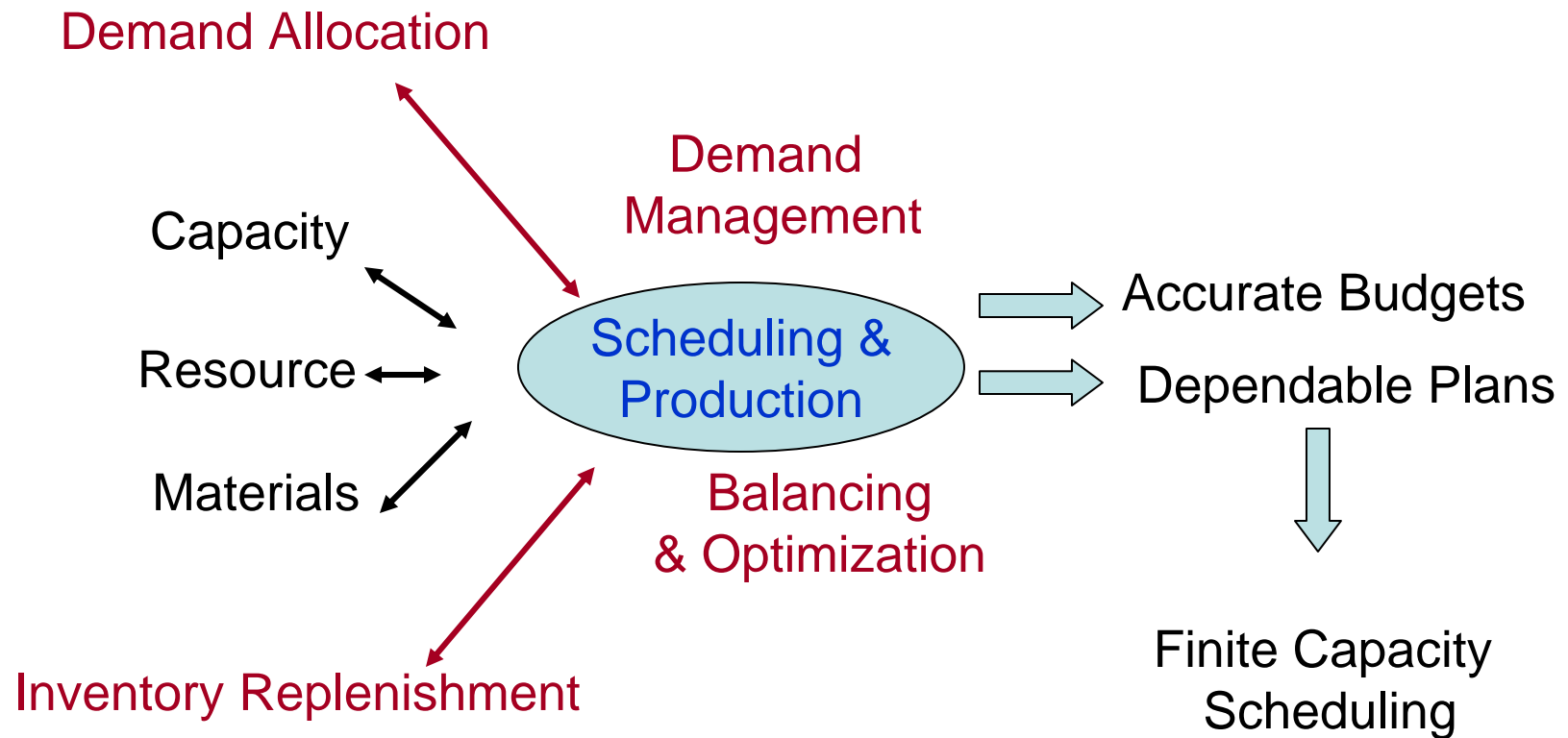
Collaborate – Demand Forecasting

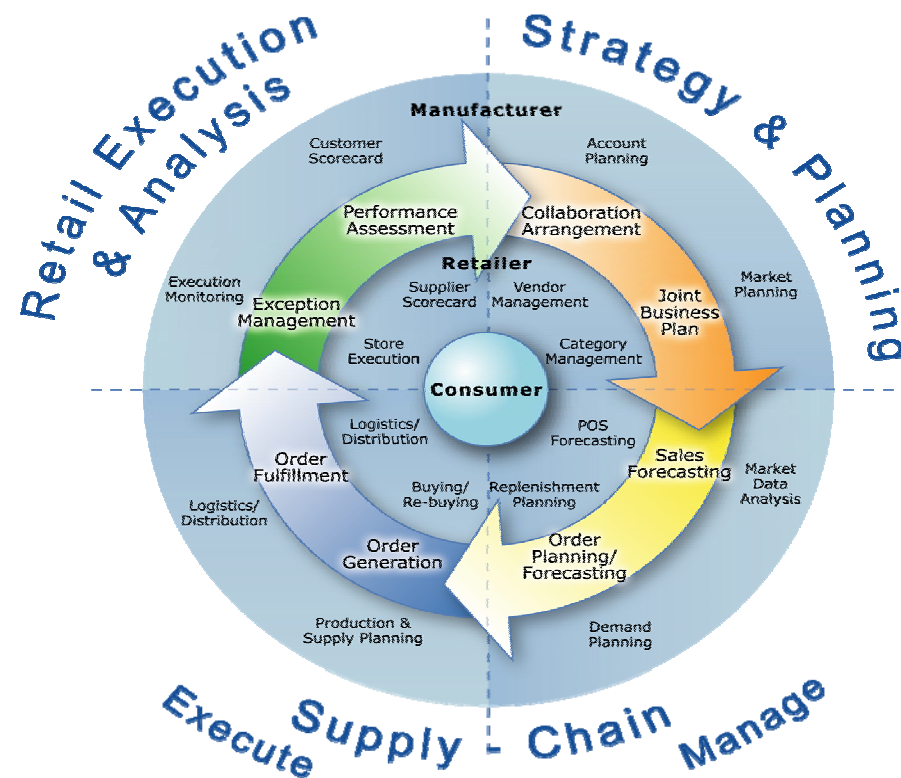


Collaborate - Inventory Policy



Collaborate Scheduling & Production



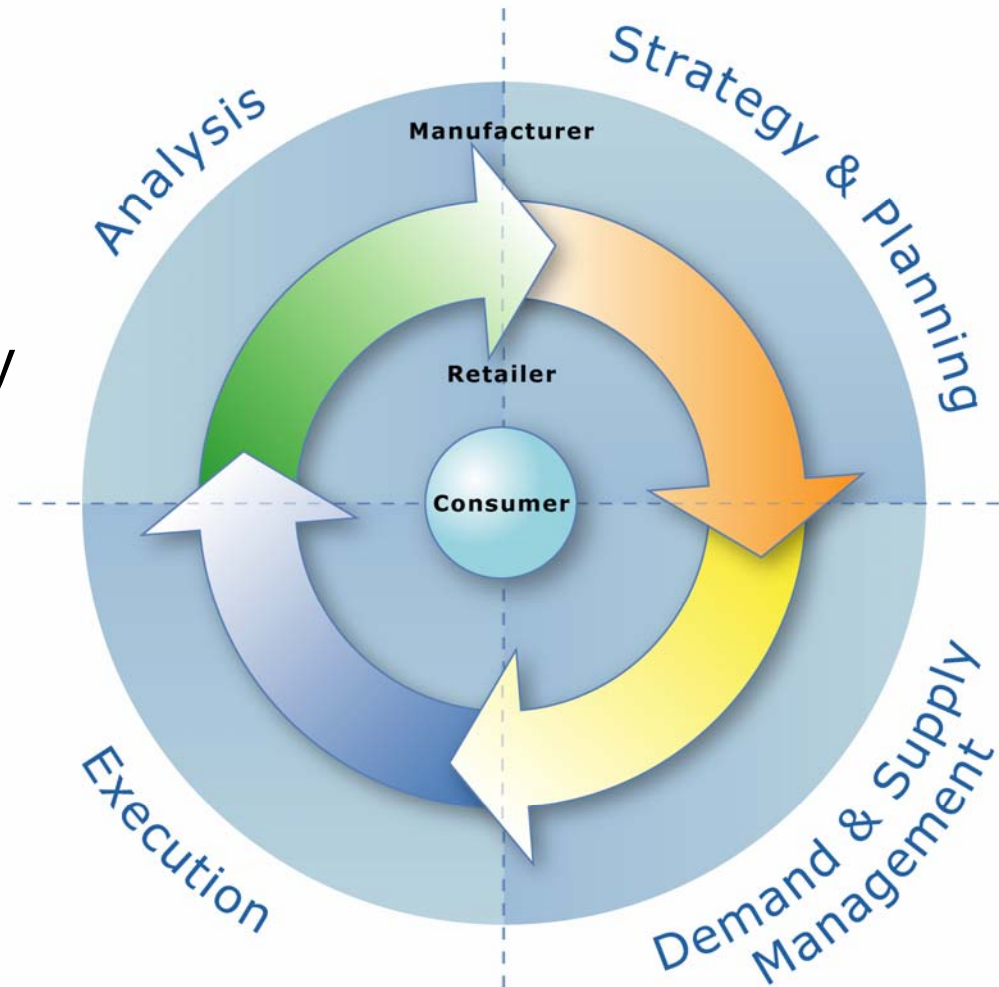


The CPFR wheel above has been tailored specifically to accelerate Speed-to-Market for new products on the Front End:



Four Collaboration Activities

1. Strategy and Planning
2. Demand and Supply Management
3. Execution
4. Analysis



Strategy & Planning

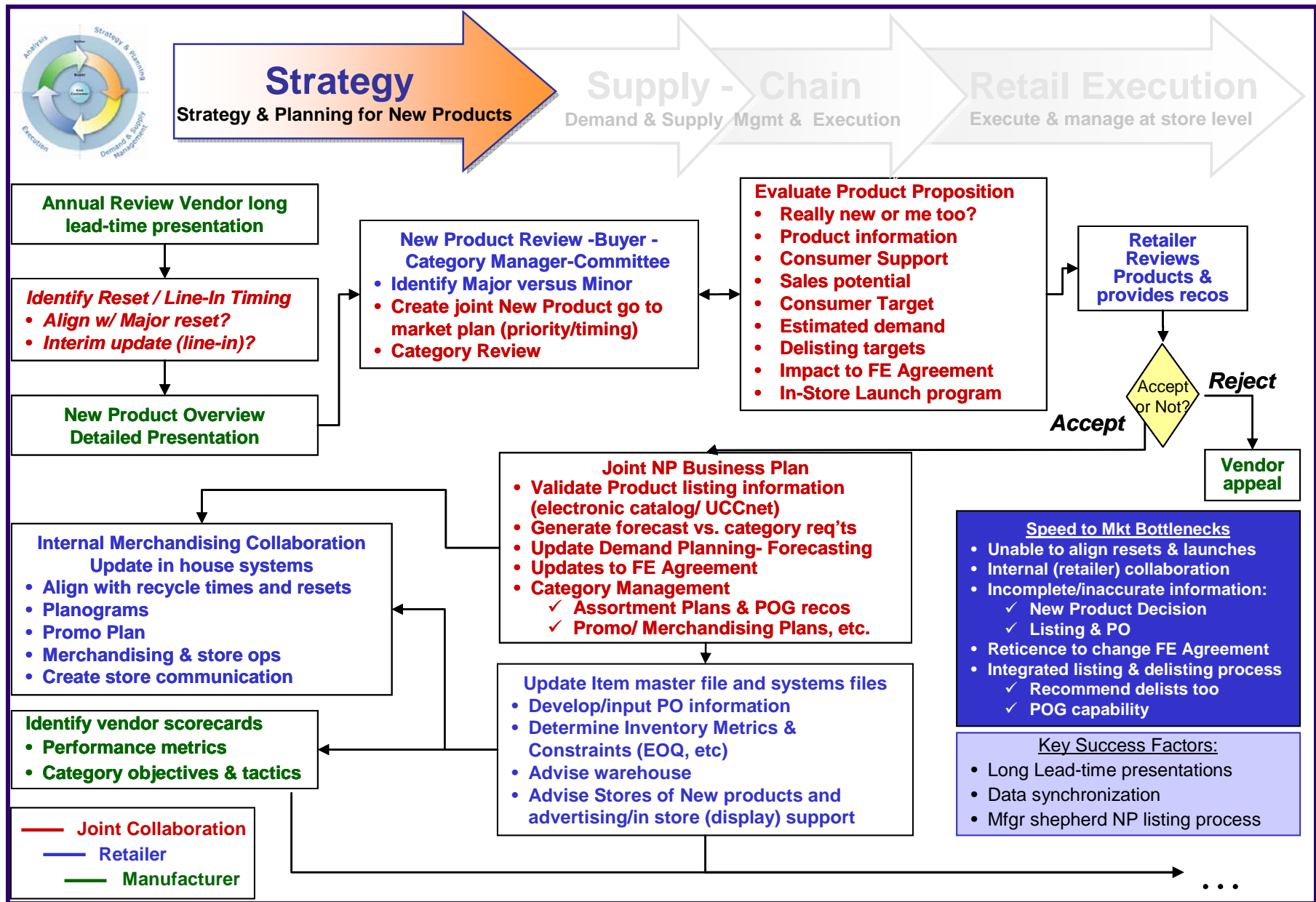
- Establish the ground rules for the collaborative relationship.
- Determine product mix and placement.
- Develop event plans for the planning period.

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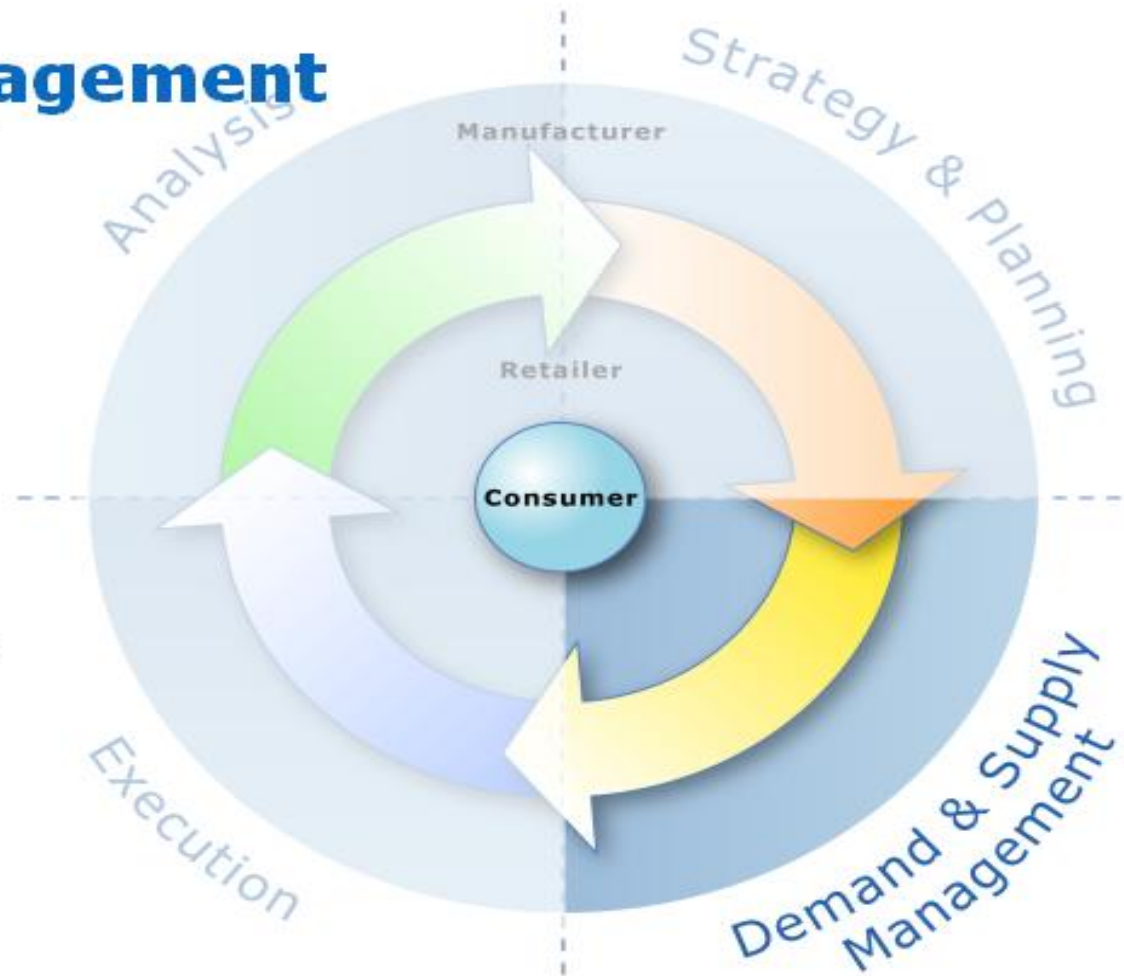
Strategy and Planning

1. Align reset cycles & new product launches where possible.
Aligning new product start ship dates with Retailer reset cycles were shown to have a positive effect on Speed-to-Market.
2. Manage listing & delisting process throughout the supply chain
Faster retailers do a much better job of identifying products they are delisting in order to make way for new items on the shelf. This Best Practice begins here in the Strategy & Planning phase.
3. Provide long lead-time presentations
Best Practice is for manufacturers to provide longer sell-in leadtimes with complete information.



Demand & Supply Management

- Project consumer (point-of-sale) demand.
- Calculate order and shipment requirements over the planning horizon



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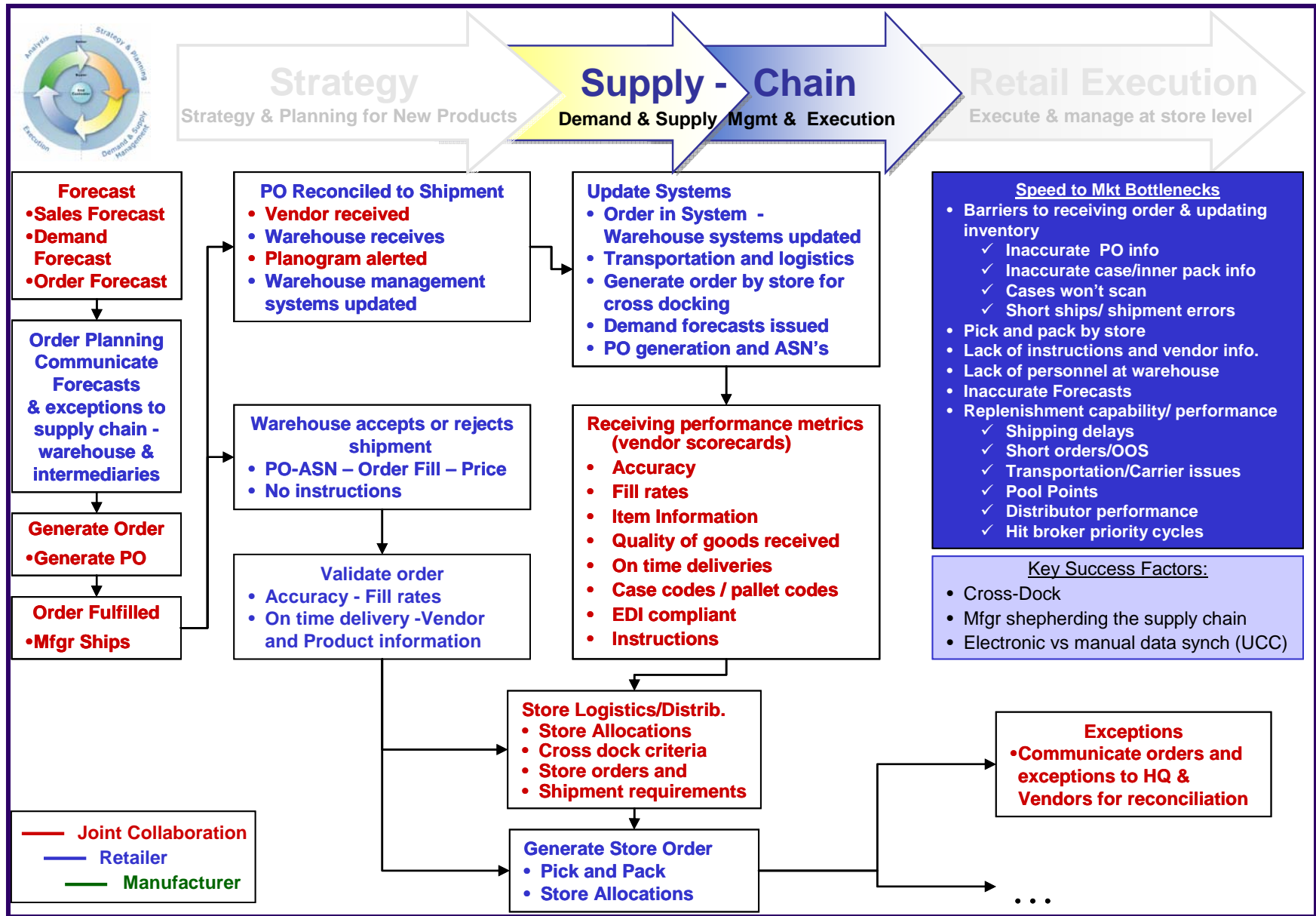
Demand and Supply Chain Management

1. Collaboration between and within Manufacturer & Retailer

Retailers and manufacturers need to collaborate / communicate better within their own organizations – across departments from HQ, supply chain, and down to store level to ensure timely product delivery.

2. Improve Forecasting and Replenishment

Vendors & retailers need systems, capabilities and resources to deliver on-time accurate “perfect orders”. A commitment to execution and accuracy.



Execution

- Place orders, prepare and deliver shipments.
- Receive and stock products on retail shelves.
- Record sales transactions and make payments.

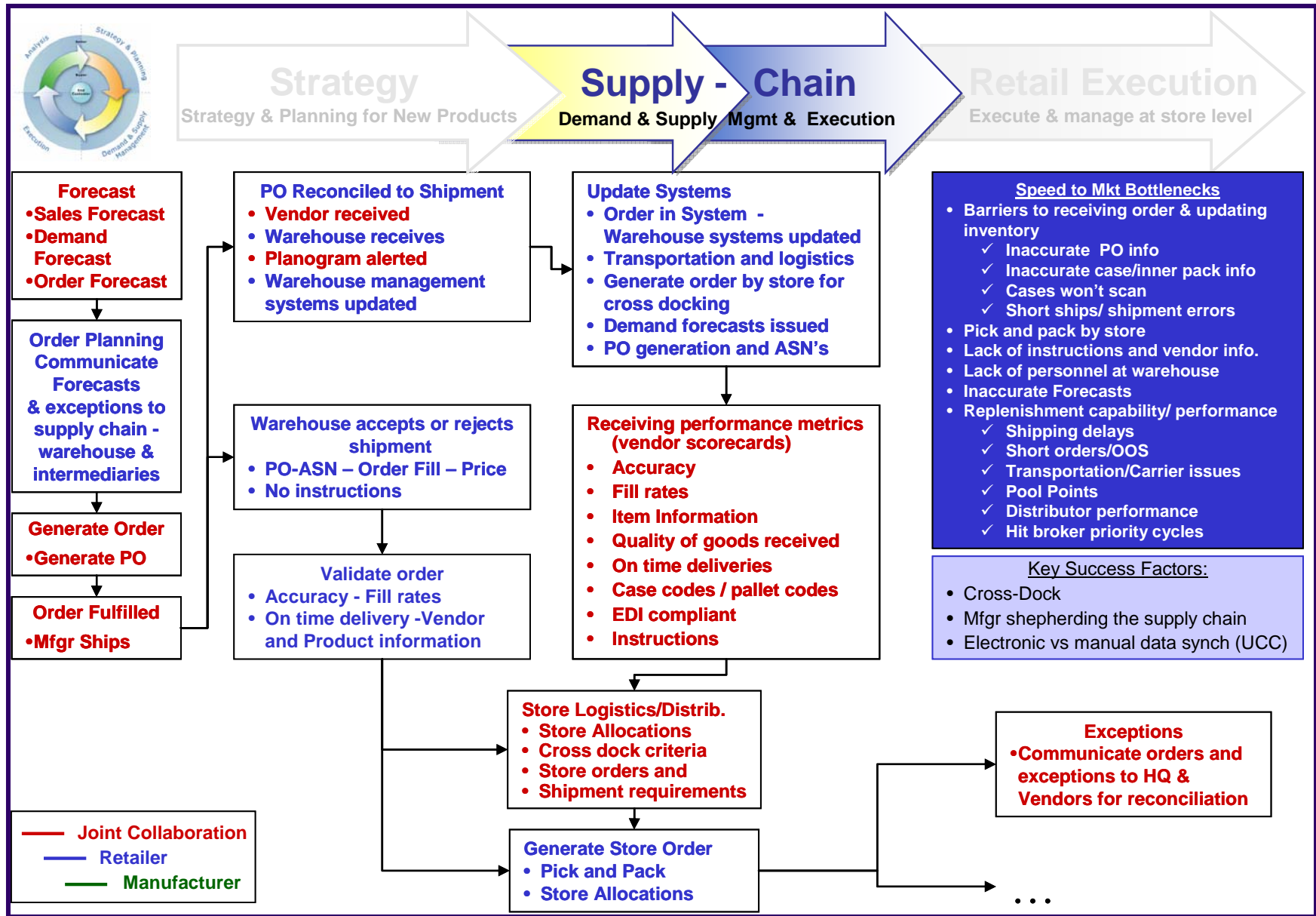


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Execution

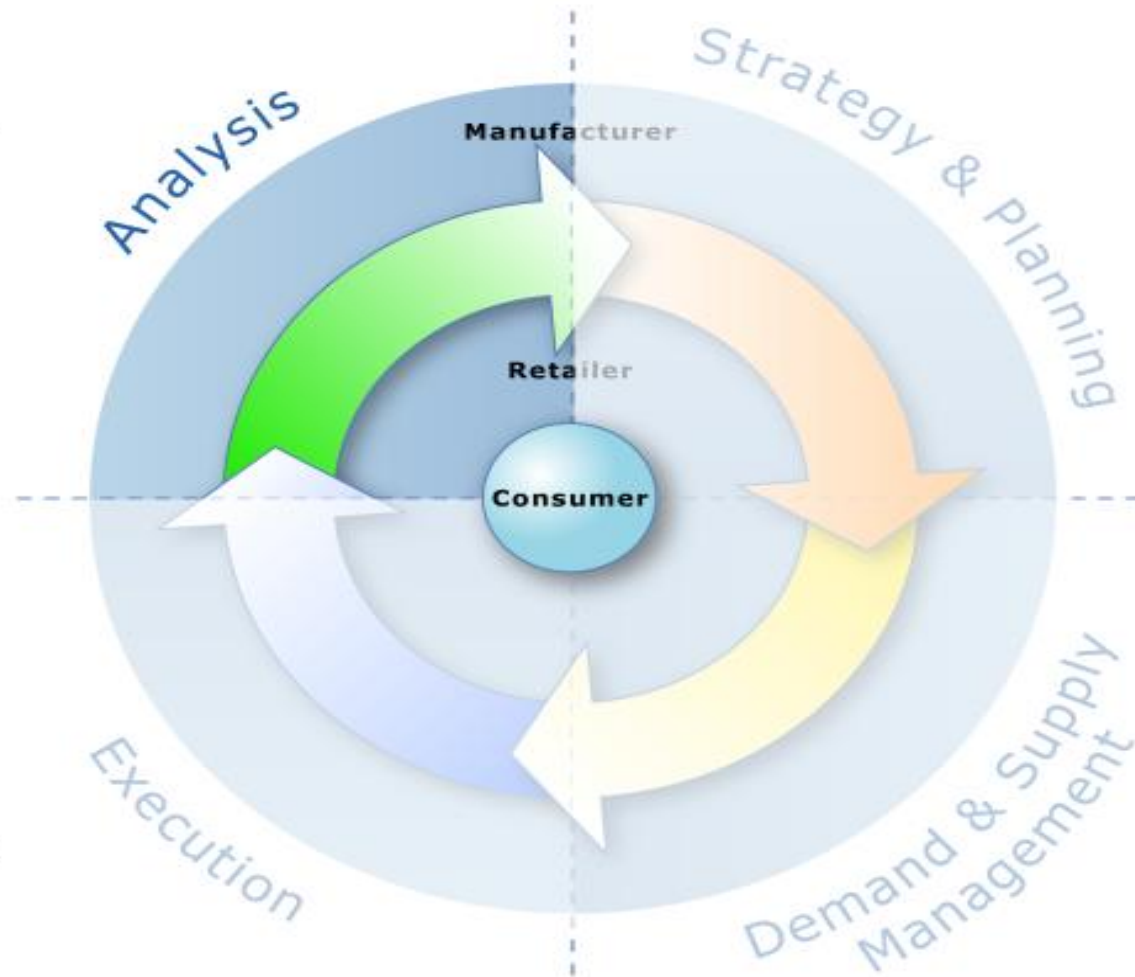
1. Best Practices retailers are more proactive in managing, collaborating and accelerating the retail sell-thru of discontinued items well in advance of new product arrival to stores
2. Tools, metrics and incentives to facilitate / encourage prompt & proper in-store resets to POG

Best Practices are to manage & encourage proper in-store resets & Planogram compliance. Most retailers do a better job during major resets than for interim updates. Best Practice retailers are faster & more accurate on all launches, reflecting their commitment to Speed-to-Market execution on all launches!



Analysis

- Monitor exception conditions.
- Calculate key metrics.
- Share product and market insights.
- Adjust plans for continuously improved results



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Analysis - An effective Measurement System will...

1. Change behavior
2. Be easily understood
3. Be easily applied across organization
4. Reflect customer needs and expectations
5. Be compatible with current measures
6. Be accurate in interpreting results
7. Be cost efficient to implement (the consultants question)
8. Accurately reflect costs
9. Be easy to adapt to a changing environment

Key Performance Measures Must Tell you ...

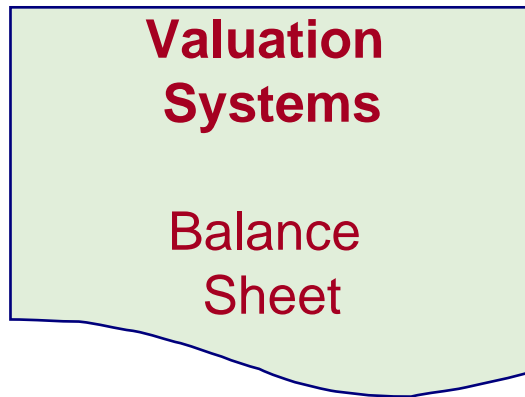
1. If your goals and strategy are on track
2. If you are meeting the needs of your Stakeholders
3. If current performance is aligned with Strategy
4. Level of Customer Satisfaction
5. Level of Employee Satisfaction
6. Whether Processes are effective and efficient
7. If improvements are necessary

Performance Measures for *Federal Express*
Customer Satisfaction, Employee Satisfaction
EVA, Market Share, Cycle Time

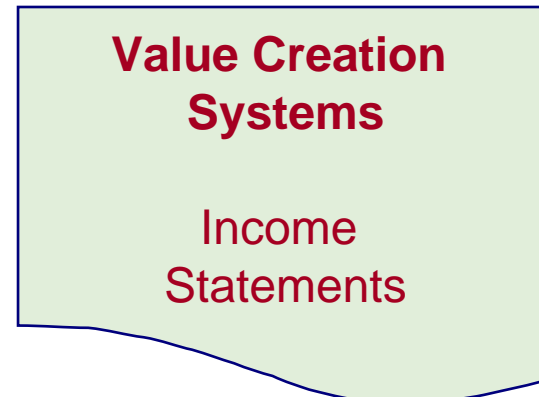
Key Performance Indicators should:

1. Tell us something important about our products services and processes
2. Provide information that facilitate understanding
3. Help us to get closer to:
 - How well we are doing
 - How our customers feel
 - Whether we are meeting our goals
 - Whether improvements are necessary

Contemporary Management Systems Were Not Designed to Cope With the Complexity Presented by Intangible Assets



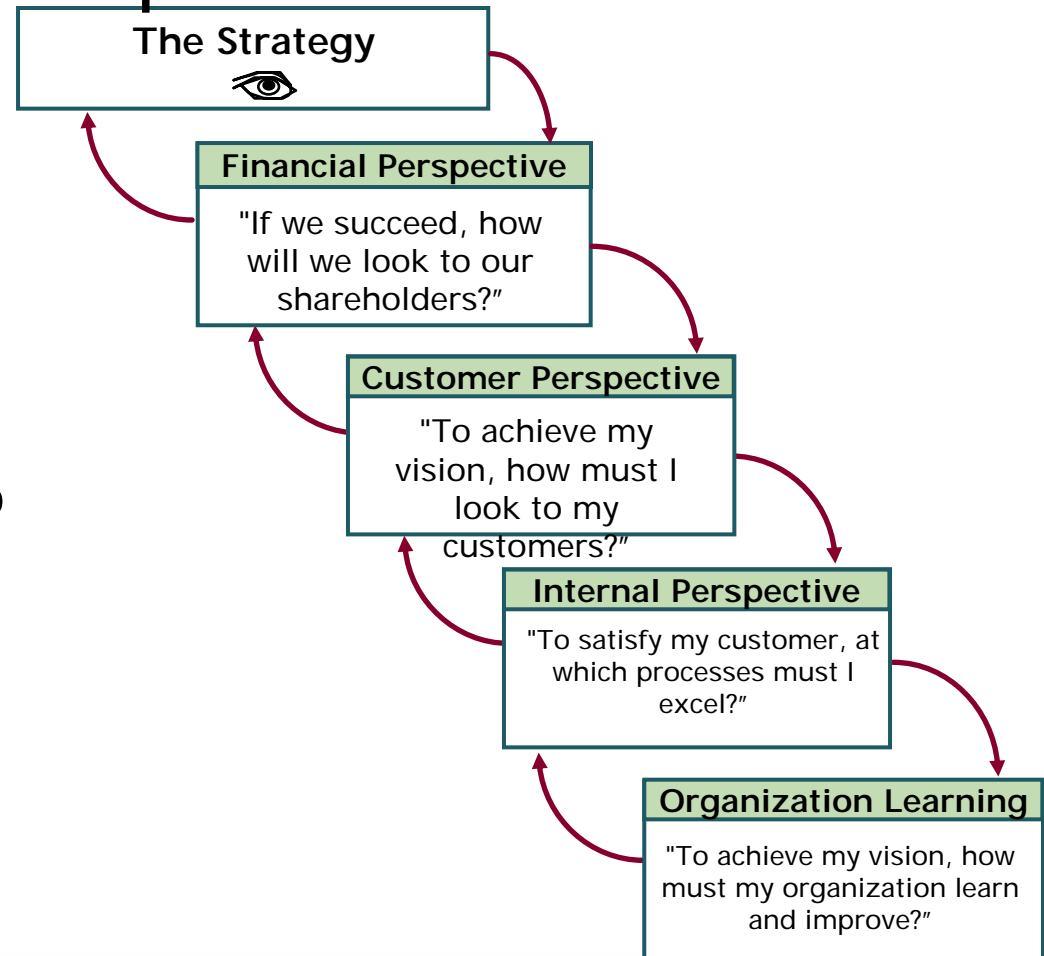
- ☐ Can measure macro value (e.g., market-to-book ratios)
- ☐ Cannot measure the value of specific intangible assets

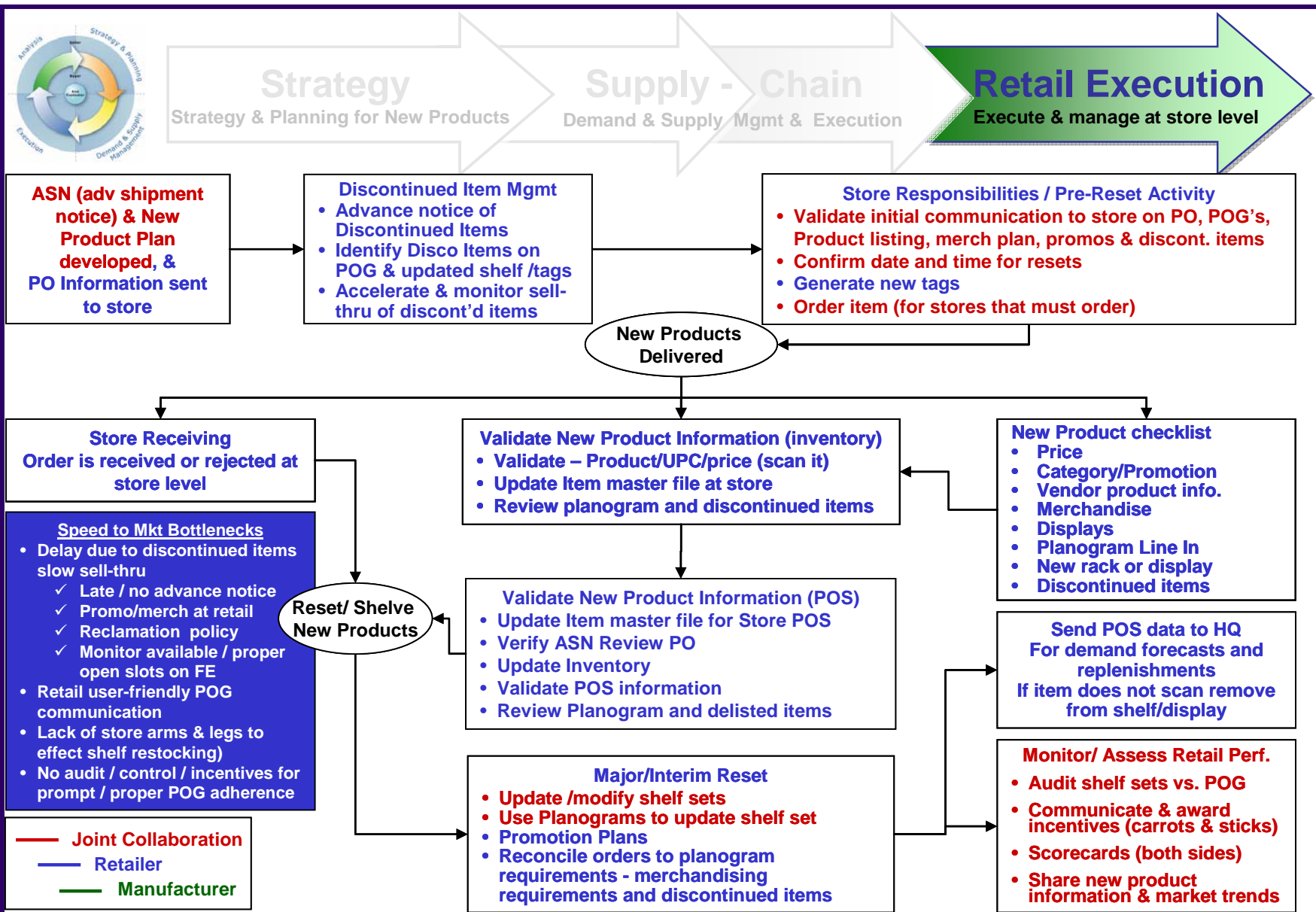


- ☐ Cannot describe value creating factors
 - Cycle times
 - Customer Experience levels
- ☐ Cannot deal with timing issues of cause & effect (accrual accounting inadequate)

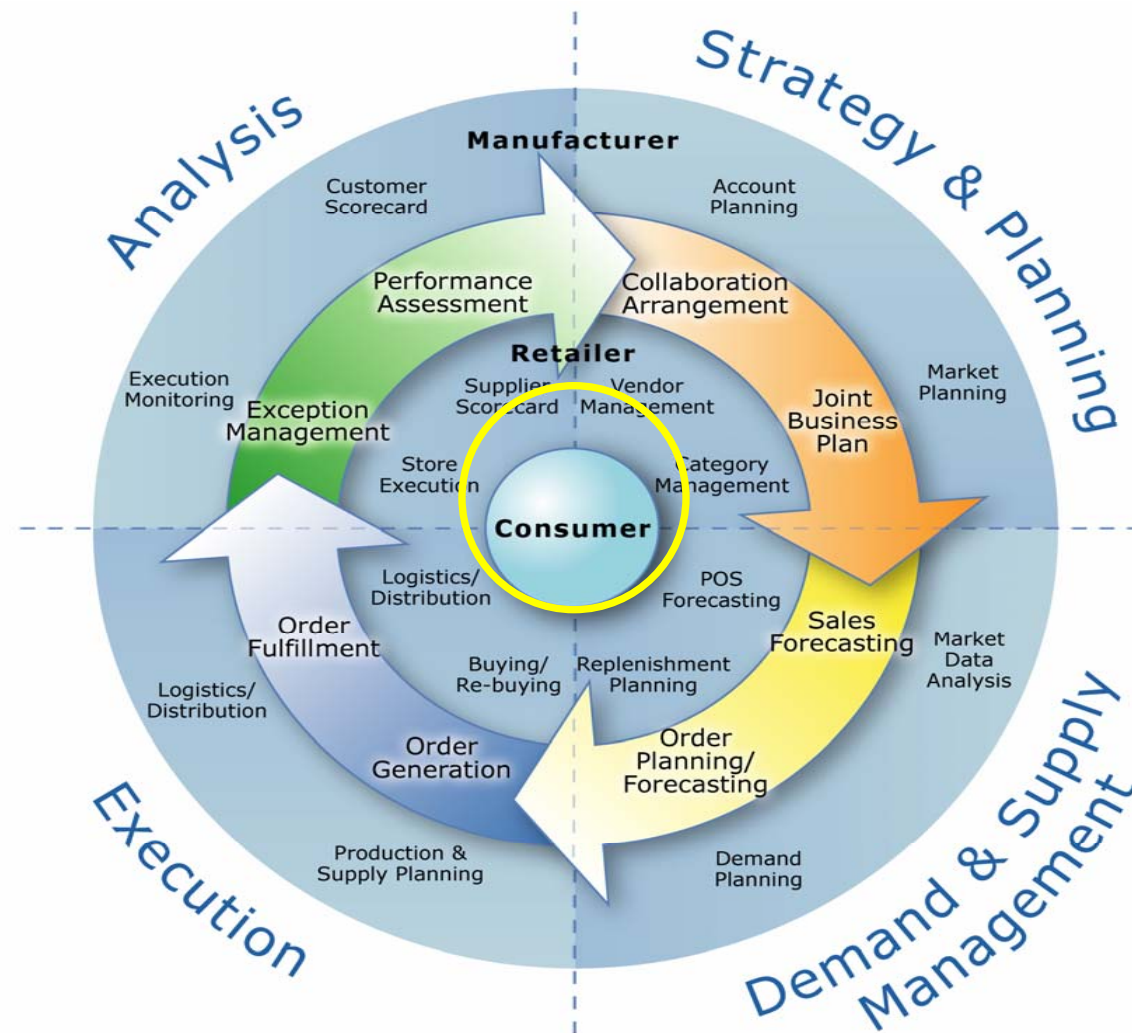
The Balanced Scorecard provides framework to translate the vision and strategy into operational terms

- Measurement is the language that gives clarity to vague concepts.
- Measurement is used to communicate, not to control.
- Strategy can be described as a series of cause and effect relationships





Speed to Market is fueled by collaboration



A Final Note with Respect to New Products and Speed to Market

*“In life you will have one of two things
..... discipline or regret!”*

Maria Wallenberg - Inez's Grandmother

The catalyst for change is taking responsibility
For You
For Your Company
For Your Products
For Your Customers