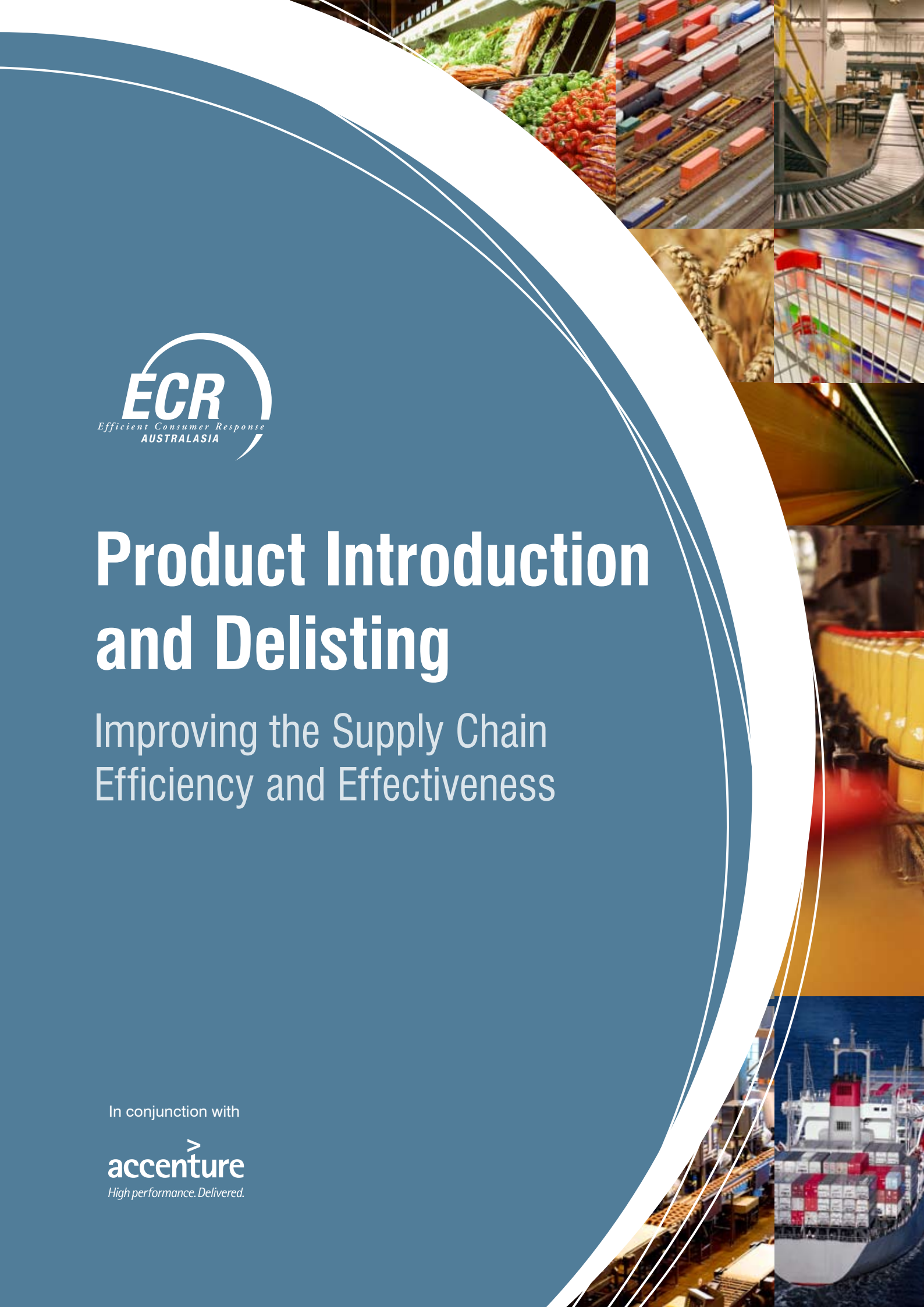




Product Introduction and Delisting

Improving the Supply Chain Efficiency and Effectiveness

In conjunction with



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About ECR Australasia

1

ECR Australasia – working together for total customer satisfaction

Efficient Consumer Response (ECR) is a business concept aimed at better satisfying consumer needs, through businesses and trading partners working together.

In doing so, ECR best practice will deliver superior business results by reducing costs at all stages throughout the Supply Chain, achieving efficiency and streamlined processes. ECR best practices can deliver improved range, consumer value, sales, service and convenience offerings. This in turn will lead to greater satisfaction of consumer needs.

ECR Australasia reflects a commitment to take costs out of the grocery Supply Chain and better satisfy consumer demands through the adoption of world's best practice. In an increasingly global food and grocery industry and a retail environment subject to rapid change, the future for Australian and New Zealand suppliers, retailers and wholesalers depends on increased efficiencies, reduced costs and added value for consumers. Influences such as global sourcing, new retail formats and channels, international retailers, competing products and services and technological innovation have all contributed to the pressure for change.

ECR Australasia is an initiative of manufacturers, retailers and wholesalers in the Australian and New Zealand food and grocery industry and is supported by the respective industry associations.

Launched in November 1999 and directed by a Board of ten senior industry executives, ECR Australasia seeks to build on earlier collaborative work in the industry in Australia and New Zealand and to access the outcomes of global ECR related activities.

ECR Australasia considers an efficient, co-ordinated, end to end supply chain is an essential enabler of new product introductions. The potential to align the product development processes, Supply Chain and ranging to ensure that time to market expectations and actual product introduction cycle times are in synch was highlighted as a potential work stream in the 2005 report on Maximising the Effectiveness of ECR Australasia. In addition frequent product launches bring rapid SKU proliferation and there is a need to develop formal

product retirement processes that are aligned with Supply Chain obsolescence processes.

The 'Product Introduction and Delisting' project aims to understand the operational inefficiencies and unnecessary costs for suppliers, retailers and wholesalers through the introduction of new product lines and delisting of others and provide tools and techniques to optimise the management of ranging decisions.

For more information about ECR Australasia, visit www.ecraustralasia.org.au

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New product introductions are business critical. As market pressures and competition increases, as consumers demand new solutions, and as shareholders place greater value on growth capabilities, the need for Australasian food and grocery companies to successfully bring new products to the market has never been more important.

While identifying new consumer insights and generating new ideas is a vital skill, the ability to execute the complex process of taking an idea from drawing board to shelf, consistently and at speed, is an essential business capability. Successful execution can result in a new product being first to market, delivering price and brand benefits. Conversely, poor execution can result in launch delays, quality problems, or cost issues that make the product unprofitable and unsustainable. Also, as most new product launches have a corresponding product exit, the ability to quickly remove product from the market with minimal cost and commercial impact is equally important.

A major factor in ensuring a timely and cost-effective launch is a company's Supply Chain function. From the procurement of new materials or equipment, right through to the on-shelf availability, the Supply Chain typically plays a major role in enabling new product introductions. Similarly for product exits. And the cost of poor execution can also be significant – Supply Chain budget over-runs for product launches alone were estimated to average 1% of revenue annually.

Given this background, and based on member input, ECR Australasia launched a study in late 2005 to improve the execution of new product introductions and delistings (NPID) across the industry, focusing on the need to increase the efficiency and cost effectiveness of the Supply Chain in support of this critical activity. The cross-industry project team conducted a detailed survey, global best-practice reviews and a series of workshops to understand current performance levels and underlying issues, and to identify a set of recommended improvement actions.

Key Findings

Team research identified six key insights based on current NPID performance and practices:

Key Finding 1.

NPID Performance is generally poor, or poorly understood. Despite its business importance, the success rates for the execution of new product introductions – measured by delivery on-time and within budget – are alarmingly low. Of greater concern is that many companies do not actively track the key measures and are unaware of their actual NPID performance.

Key Finding 2.

Supply Chain involvement throughout the NPID lifecycle is essential – but application is limited. Typically Supply Chain are not involved until the relatively late 'Product Development' phase, a point where product lifecycle costs are largely set and design changes can be costly and time consuming. Additionally, few companies seek to assess early in the new product process the fit with existing Supply Chain capabilities or the product's total lifecycle costs.

Key Finding 3.

Executorial excellence via the application of the key NPID processes, responsibilities and tools is critical – but lacks rigour. High performing companies demonstrated a clear commitment to building and consistently applying the key NPID capabilities – product lifecycle management processes, clear review criteria and checkpoints throughout the NPID process, senior management ownership and evaluation, etc. However, despite their availability, the majority of companies displayed a distinct lack of rigour in the application of such practices and tools.

Key Finding 4.

Supplier and Customer integration is highly valued – with opportunities to deliver further benefit through closer working relationships.

While internal collaboration and process rigour was recognised as the priority issue for many companies, the value of closer integration with external trading partners across the NPID process was strongly

supported, and seen as the major opportunity for step-change improvement. Areas of focus included range review alignment, NPID process integration and increasing the focus on delist management.

Key Finding 5.

Delisting capabilities lack development, focus and rigour – from portfolio monitoring through to product exit. While companies have been building their new idea development and execution skills, very few have focused on the equally important and equally frequent ability to successfully remove products from the market. Delistings can be costly and complex – but are poorly understood and executed.

Key Finding 6.

Performance management – metrics and tools for monitoring NPID execution are not widely applied – particularly Supply Chain measures. Many companies do not track NPID execution – or do not track the appropriate measures - and as a result do not have the ability to identify and remedy performance issues. While the key ‘outcome’ or post-launch measures such as sales and distribution levels achieved are more commonly used, few monitor levels of timeliness, cost, or process compliance as new products move through the critical development lifecycle.

Recommendations

In developing a set of recommendations it was necessary to recognise the breadth and complexity of the new production introduction and delisting process, spanning multiple companies and functional areas. In addition business needs and activities can vary significantly – driven by the type of product, category and company involved. To recognise and accommodate the variety of challenges and needs two key design principles were applied to assist in defining the recommended improvement actions:

- Address the end-to-end NPID process to drive overall industry improvement
- Provide a range of specific improvement actions from which companies can select and tailor to meet their own individual requirements – given differing roles, categories, capability levels, locations, etc

A NPID Execution Improvement Framework (Figure 3.1) has been defined with six key recommendations:

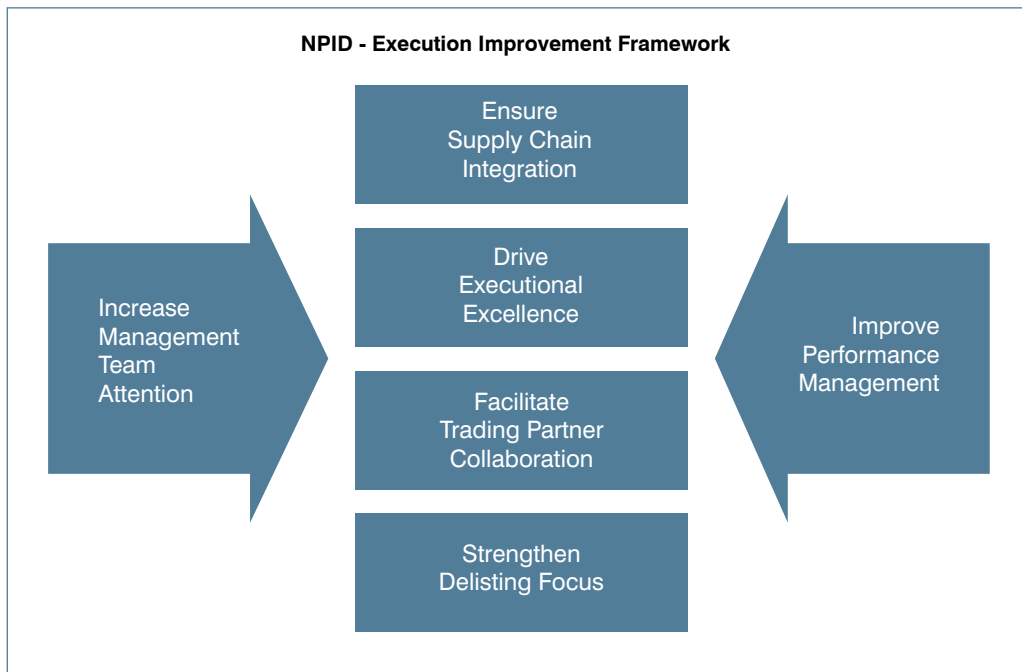


Figure 3.1



Recommendation 1 – Increase Management Team Attention on NPID Execution

Commitment to NPID excellence needs to start from the top to send a clear signal of business importance and to drive a high performance culture. Performance measures need to be on the Corporate scorecard, responsibilities at the executive level need to be clear, management need to be active in reviewing and approving product progression through the lifecycle, and importantly the focus needs to be 'end-to-end', through to delist improvement

Recommendation 2 – Ensure that the Supply Chain is fully integrated in the NPID lifecycle

The Supply Chain must be a key partner in NPID execution. Close integration should start early in the lifecycle and continue through to launch and delist. Early involvement enables the right level of awareness to facilitate progress, and allows early identification of potential hurdles or risks to be overcome. Supply Chain representatives need to be a key representative on cross-functional project teams, and actively participate at each review stage with a defined set of deliverables and assessment criteria.

Recommendation 3 – Develop and rigorously apply product lifecycle management capabilities

Excellence in NPID execution requires the consistent application of defined processes and tools. Product lifecycle management processes that control and guide new products through the development lifecycle with clear review points and criteria are mandatory. From a cost perspective the full lifecycle costs for new products should be estimated and tracked in order to understand the true profit potential. Additionally, automated tools that facilitate the process and support data management can deliver efficiency and workflow control benefits.

Recommendation 4 – Implement a formal but flexible NPID 'Partnership' framework to enable greater trading partner collaboration

Driving NPID executional improvement across the industry requires a clear, consistent and agreed approach to trading partner collaboration. A proposed 'Partnership Framework' would provide an industry standard methodology – covering key activities, indicative timings, responsibilities, deliverables, etc across the end-to-end lifecycle - that could be easily tailored to meet a range of products and scenarios. Detailed design, trial and implementation will require significant industry support, however the potential benefits to all parties, including the consumer, should significantly offset the effort. In line with this approach, ongoing alignment of range review timings should provide further operational efficiencies.

Recommendation 5 – Significantly increase the focus on monitoring and managing product delists

Improving delist capabilities is seen as a potential quick-win for the majority of companies. Improvement starts by implementing regular portfolio reviews to identify, monitor and mitigate potential delists. Establishing clear post-launch product hand-over points between the NPI project team and normal line operations ensures ongoing responsibility for product performance, minimises lack of ownership for problem products, and creates a feedback loop to drive improvement on future NPI execution. Finally, as per product introductions, actual delistings require similar process capabilities, cross-functional teams and application rigour to manage the level of complexity and detail.

Recommendation 6 – Implement a formal NPID performance management model to clarify expectations and drive executional improvement

Maintaining the business focus on NPID, and driving continuous improvement, requires an effective performance management model to clarify expectations and responsibilities, and to track execution throughout an organisation. Implementing NPID targets and metrics across the business (including key Supply Chain measures), and aligning team and personal objectives helps communicate priorities, and to also identify areas for focus and attention.

Term	Detail
CRM	Customer Relationship Management
ERP	Enterprise Resource Planning
NPI	New Product Introduction – describes the generic process from initial idea through to market launch
NPID	New Product Introduction and Delisting – describes the entire generic product lifecycle - from initial idea through to market launch and subsequent market exit
PLM	Product Lifecycle Management
R&D	Research and Development
RIRO	Run-In Run-Out – the process of optimising the introduction of one product to the market in line with the corresponding exit of another product
SKU	Stock Keeping Unit
S&OP Meeting	Sales and Operations Meeting – Key planning meeting (typically monthly) to optimise demand and supply objectives, and to understand new product activities
Supply Chain	Generic term used to cover the entire process from sourcing of raw materials through to product being on-shelf in retail outlets. It is recognised that the breadth of the Supply Chain will vary significantly for different companies, operations and geographies.
Types of New Product Introductions	<p>For the purpose of this study, new product introductions are defined to include all of the following product types – (essentially covering any new SKU offered for external sale):</p> <p>Classically innovative products – products that appear to the consumer to bring true innovation to a category that create new categories. These include new technologies or new applications; products that have not been seen before; and new packaging that impact the essential use of a product or the presentation of a new occasion to consumers.</p> <p>‘Co-branded’ (Equity Transfer) products – products that may or may not represent significant innovation. The newness in these cases is based on the assignment of an established name of category to a product, or the extension of an equity name, through either a new or previously established product across channels.</p> <p>Me too products – products that extend a category by imitating existing items within that category without delivering any new value proposition to the consumer.</p> <p>Line extensions – products that only represent ‘new’ flavours, forms and/or sizes for existing products. These products are generally introduced either to revitalise an existing brand category or to increase or hold a manufacturer’s shelf presence.</p> <p>Temporary items – products whose consumer use dictates a radically compressed ‘life cycle’ or ‘sell cycle’. Seasonal products fall into three distinct groups; products introduced for a specific date or event; products that reappear every season; and products that enjoy a majority of their sales at certain periods but have a presence on the shelf through the year.</p> <p>Conversion items – flow through products that are substituted for other products within a manufacturer’s brand portfolio.</p> <p>Private Label products – products developed for a specific customer, where the product characteristics (e.g. branding, design, recipe, etc) are proprietary to the customer</p>

(Source: ECR Europe)

Background



New product introductions are business critical across the food and grocery industry. Market pressures are ever increasing – as growth in traditional channels slows, competition continues to increase with new entrants and retailers pursuing private-label strategies, and the number of new products coming to market rapidly increases as companies strive to win market share. Consumers are also becoming more demanding for new ideas as their needs and expectations continually evolve – and with the majority indicating that they have seen little innovation of value in recent years. Additionally, stakeholders, shareholders and market analysts are increasingly focused on a company’s capability to deliver growth (top and bottom line) through new products and services.

While being able to generate ideas built on unique insights is an essential pre-requisite, the capability to execute the myriad of activities across the new product introduction lifecycle - from new idea and concept development all the way through to product launch and to potential market exit - is essential for survival, let alone business success. A critical component, if not the most critical, in this process, is the Supply Chain. The Supply Chain’s role may vary with the product and company type, however, as shown below (Figure 5.1), it remains a major driver for the two key elements of successful execution – time to market, and cost control. Similarly for product delists, the Supply Chain is as equally important to ensure product is exited from the market in a timely and cost effective manner.

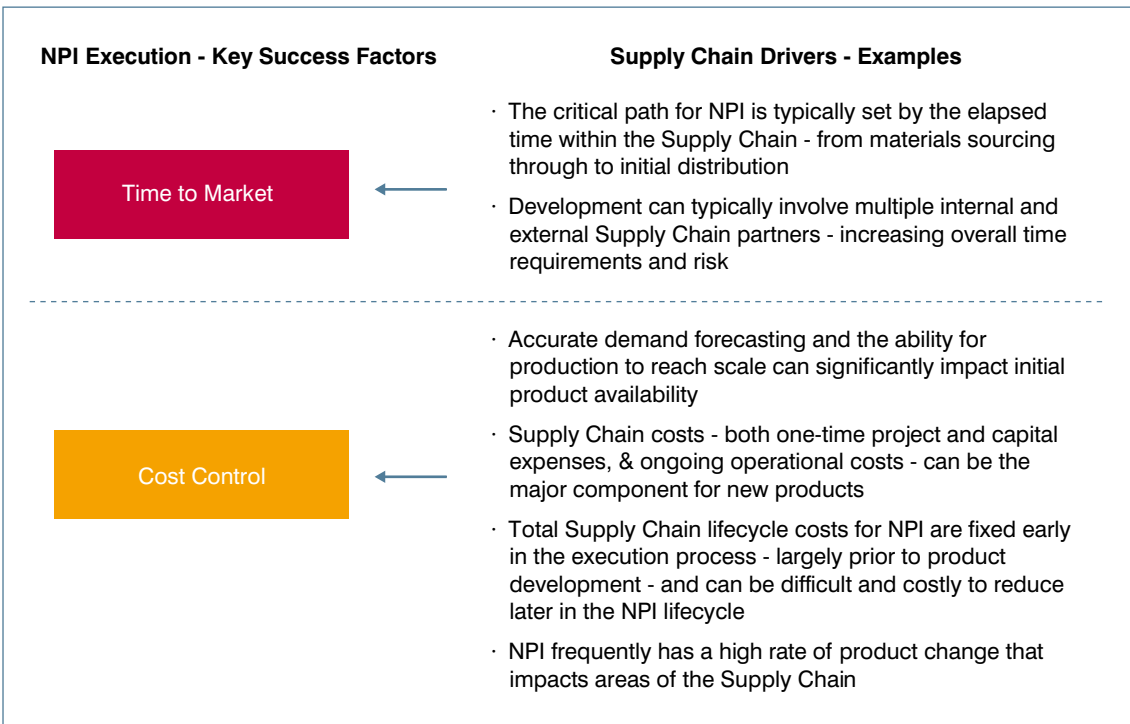


Figure 5.1

Delays in getting a new product on the shelves can have a significant impact on business success – such as the lost sales and lost margin gained from a possible first mover advantage, increased project costs, and the positive consumer perception that may come from being first to market. Controlling product and associated project costs ensures that scarce financial resources are closely managed and invested to provide the best return, whilst ensuring that new product profit margins are acceptable and sustainable. The diagram below (Figure 5.2) outlines the main commercial and operational areas that the critical NPI execution success factors of time to market and cost control can impact.

Given this background, ECR Australasia launched a study in late 2005 to improve the effectiveness and efficiency of the Supply Chain in enabling new product introductions and delistings, aiming to minimise cost inefficiencies and time over-runs, and ultimately to improve overall

success rates. A cross-industry Australian and New Zealand project team was formed to understand current performance levels and underlying issues, and to put forward a series of improvement actions. The key project activities included:

- A detailed Australasian survey of current NPID performance levels and capabilities
- A global scan of relevant best practices and case studies
- Team workshops

The survey was conducted from January to March 2006, with 72 respondents from 48 separate companies (the largest response to an ECRA survey to date) covering a broad industry cross-section. A summary of the survey demographics can be found in Appendix A.

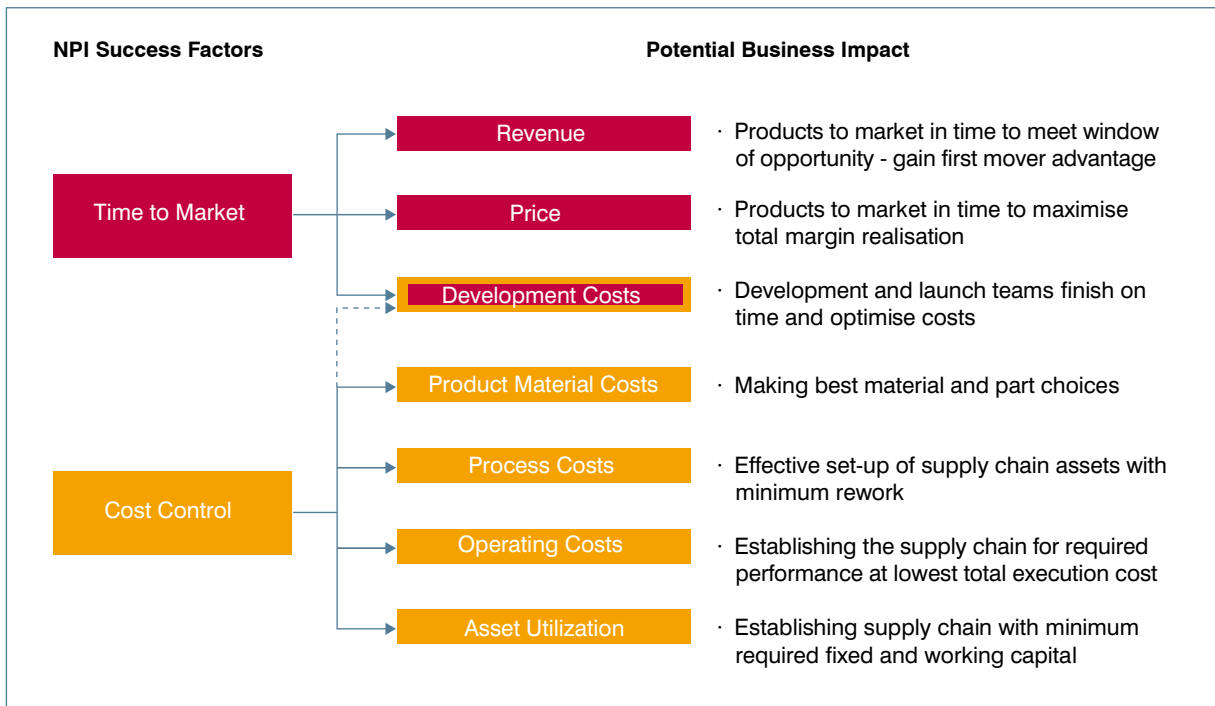


Figure 5.2

Key Study Findings

Introduction

Bringing new products to market is a major activity for the Australasian food and grocery industry. On average, surveyed consumer goods manufacturers introduced over 50 new products per year (Figure 6.1) – ranging from temporary seasonal or promotional items through to new, innovative concepts. The level of activity is even greater when considering that many products do not fully reach the market launch stage due to internal, or trading partner, review processes. Of course, for retailers and wholesalers working across a wide range of categories the subsequent volume of new products to review, plan and stock is cumulatively much higher. That most new listings usually require a corresponding product exit further serves to highlight the business importance of an effective and efficient, end to end, new product introduction and delisting capability.

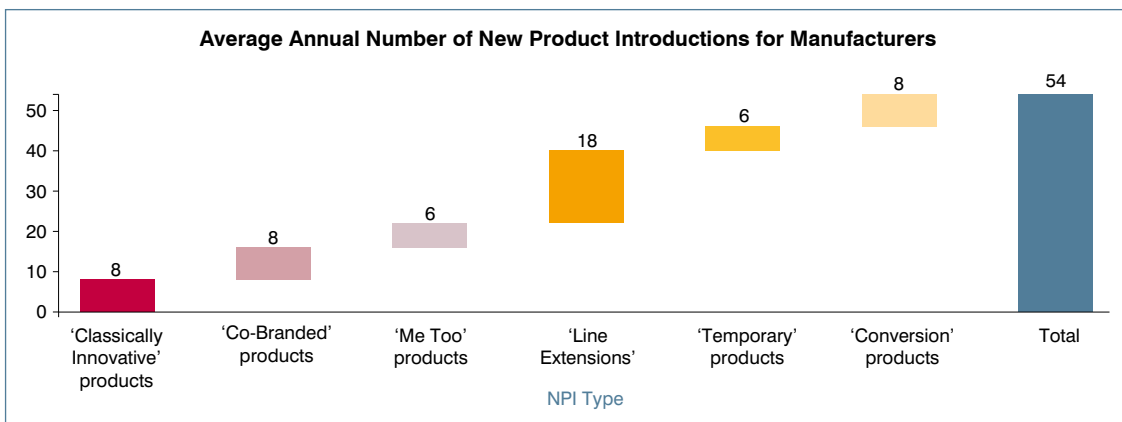


Figure 6.1

In order to identify opportunities to improve the effectiveness and efficiency of the Supply Chain in enabling NPID execution an Australasian survey was conducted with a range of manufacturers, retailers and wholesalers. Survey details can be found in Appendix A. The survey was supported by a series of team workshops, case study reviews and a scan of global approaches and best practice. This research identified six key insights based on the current performance and practices in introducing or exiting consumer products – with each insight directly relating to, or impacting, the Supply Chain’s own performance in this business critical area.

Summary

- NPID Performance...
 - ...is generally poor, or poorly understood
 - and company size nor the simplicity of the new product is a guarantee of success
- Supply Chain Involvement...
 - ...throughout the NPID lifecycle is essential
 - but application is limited
- Executorial Excellence...
 - ...via the application of the key NPID processes, responsibilities and tools is critical
 - but lacks rigour
- Supplier & Customer Integration...
 - ...is highly valued
 - with opportunities to deliver further benefit through closer working relationships
- Delisting Capabilities...
 - ...lack development, focus and rigour
 - from portfolio monitoring through to product exit
- Performance Management...
 - ...metrics and tools for monitoring NPID execution are not widely applied
 - particularly Supply Chain measures



NPID Performance

While growth through innovation and new product development is a major business priority for most business, the actual success rates for the execution of new product introductions and delistings are alarmingly poor. Recent Accenture studies coupled with local survey results highlight the challenges in execution – both in delivering on-time and to budget:

- 90% of all new product launches do not reach the expected objectives
- Over 70% of new product introductions do not respect the schedule
- Less than 10% of Australasian companies consistently deliver NPI on time
- Only 10% of Australasian companies reported new product implementation costs at (or below) budget
- Only 50% of product delists regarded as being successfully managed
- And less than 10% of companies reported that product delist costs were consistently managed to budget.

Furthermore many companies have a poor understanding of actual performance as they do not actively monitor and measure execution status through the product lifecycle (Figure 6.2). More than one in five companies did not track whether actual products were successfully listed, a similar number did not track the timeliness of the product implementation, and larger numbers did not capture whether products were implemented to budget or the annual Supply Chain cost of new product projects. Despite the business importance of NPID there appears to be a clear lack of focus and attention.

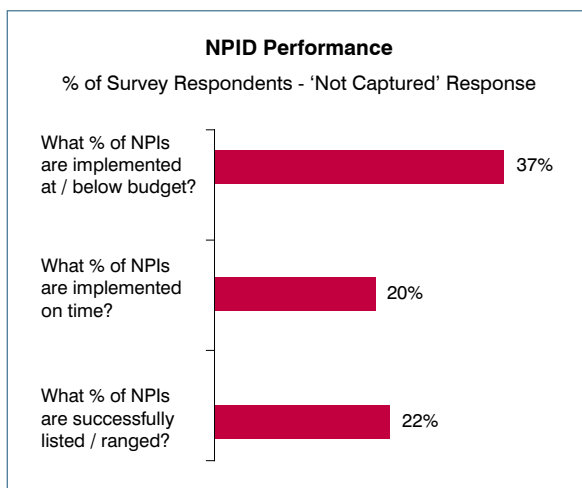


Figure 6.2

Our findings also highlighted that company size (based on annual revenue) was not a prerequisite for, or a guarantee of, success. When it comes to NPI execution, size - and the implied scale and capability advantages that may come with larger companies – does not necessarily matter. Plotting a companies size and NPI success (based on the percentage of On Time and On Budget new product introductions) in Figure 6.3 illustrates the point, with a wide range of 'success' levels across the wide range of business sizes. Perhaps smaller companies have fewer product introductions per year, and a greater business reliance on successful NPI execution, ensuring increased attention? Conversely, is it that larger companies develop and launch so many products that it is difficult to maintain a consistent, disciplined focus? The variety of results suggests that many different factors beyond size and scale are critical to success.

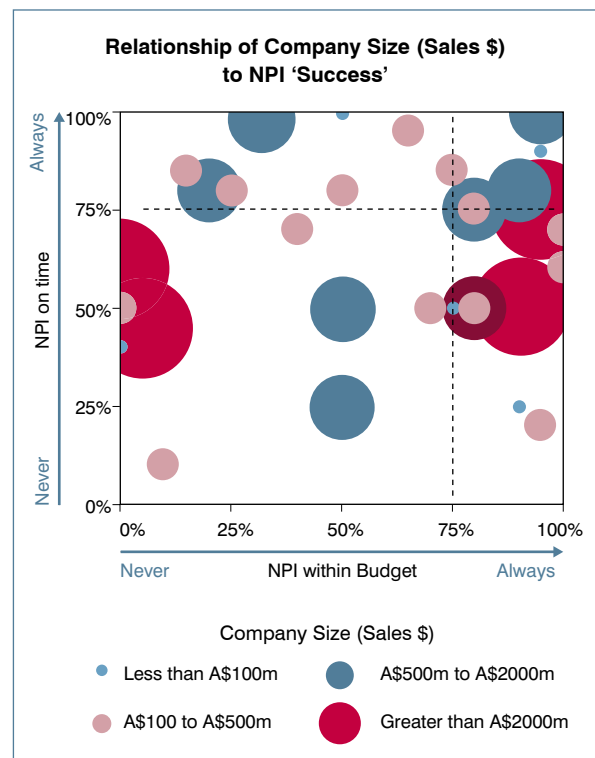


Figure 6.3

Similarly, the type of new product does not correlate with implementation success. Reviews highlighted that products largely regarded as more straightforward, such as Line Extensions or Temporary Items, were as likely to incur time delays or budget over-runs as typically more complex and challenging Innovative products. It could be deduced that simpler products may not attract the same focus and rigour as high profile new concepts, hence increasing the implementation risks, however the overall poor levels of performance highlights the challenges that the industry faces to execute the wide and increasing range on new product introductions.

Supply Chain Involvement

The Supply Chain is a major enabler in bringing new products to market, and in taking product off shelves and out of warehouses when they are delisted. The Supply Chain is also regarded by surveyed companies as a major factor in the success of NPID execution – in terms of the time-to-market, cost management and product quality – as indicated in Figure 6.4 below. This was also reflected in that 86% of surveyed companies established cross-functional teams with Supply Chain representation to support the NPI process.

Major Drivers of NPID Success – Sample Comments

“Clear communication of plans to all members of Supply Chain i.e. joint NPD meetings with suppliers and in-house manufacturing to ensure achievable targets are agreed and met.”

“Clear communication with Supply Chain”

“Including Supply Chain in project management process”

“Alignment between Merchandising and Supply Chain”

“Early engagement across the total Supply Chain”

Figure 6.4

While the importance of Supply Chain involvement was clear, the initial timing of this involvement was largely at the relatively late Product Development stage (Figure 6.5), a point where the ability to influence total lifecycle costs is limited. Research has shown that approximately 70% of a products lifecycle costs are determined by the end of the Conceptual Design (phase) and the opportunities to reduce product cost significantly decrease beyond this point (Figure 6.6).

Initial Supply Chain involvement in the NPI process

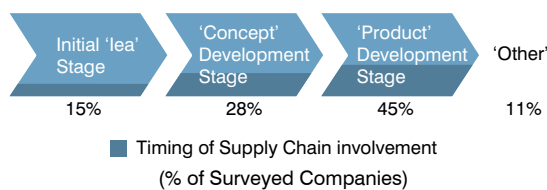
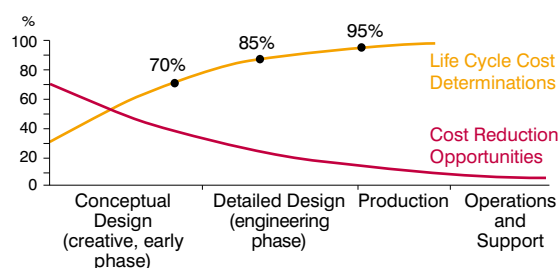


Figure 6.5

NPI Cost Determination



Source: DARPA RaDEO Project

Figure 6.6

The growing volume and variety of NPI also brings the potential to introduce additional complexity (and therefore additional cost) into the Supply Chain. Such costs can include dealing with new suppliers through to the installation of new equipment, and storage for an ever increasing number of SKUs. But very few companies (15%) rigorously evaluate new product ideas against their level of Supply Chain commonality with existing materials, products, skills and operational capabilities (Figure 6.7). This type of assessment can provide an early indicator of new requirements, and an early opportunity to consider aligning product design and development with existing suppliers or capabilities, with the aim to minimise complexity, cost and the NPI timeframe.

Are New Product Ideas evaluated against their level of Supply Chain commonality with existing Products?

(% of Surveyed Companies)

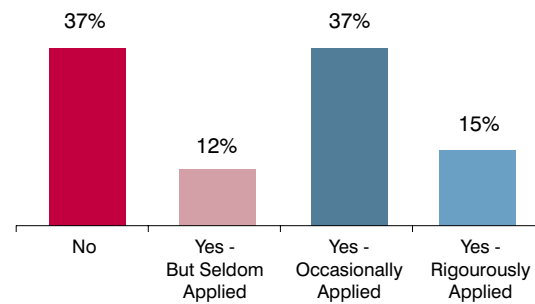


Figure 6.7



Executorial Excellence

The challenge for companies to commercialise new ideas by bringing products to markets on time, within budget, and in a repeatable manner, is significant. New product introductions are increasing. Processes are complex and often ownerless, and typically cross multiple functional silos. Multiple stakeholders with varying objectives, deliverables and timeframes can confuse accountabilities and limit collaboration. Change through the development life-cycle can be significant.

Taking an idea from drawing board to market at speed and with minimal cost is exceptionally difficult. But is also essential. A critical success factor identified through case study reviews and team research was the rigorous application of a range of NPID capabilities – e.g. processes, tools, structures – to deliver sustainable executorial excellence.

The small number of surveyed companies with consistently high success rates in terms of both time to market and on-budget delivery all demonstrated high levels of application of the following elements:

- Formal NPI processes
- Establishment of cross-functional teams to manage NPI
- Cross-functional participation in the formal NPI review and approval process
- Executive team participation in reviewing NPI checkpoints

However, results for the majority of companies showed a disappointing lack of rigour in applying these practices and tools, despite many having them available. For example, as illustrated in Figure 6.8, only 11% of respondents did not have formal NPI processes, but a further 44% confirmed that these processes were in place but were not rigorously applied. Similar results and lack of disciplined process application were highlighted for areas such as the involvement of cross-functional teams, executive reviews and the maintenance of single data sets to support consistency and minimise confusion.

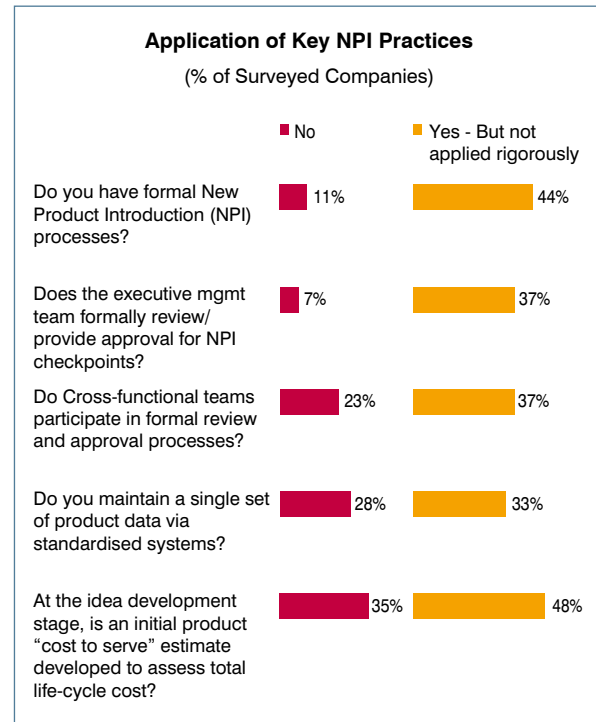


Figure 6.8

The challenge of cost control for NPI was underlined with over 90% of companies reporting projects not being delivered to budget, and lack of ongoing profitability can be a major cause of early product exits or delists. However very few companies surveyed (only 13%) confirmed that they consistently developed a full life-cycle cost and cost-to-serve estimate early in the development stage.

Interestingly, while many companies admitted a lack of process rigour they clearly acknowledged the importance of applying NPID processes, and their potential to deliver Supply Chain efficiencies:

Q. What is the major driver of NPI delays?

A. Lack of internal management processes (#1 Response)

Q. What is the major driver of Delisting failure?

A. Lack of internal management processes (#1 Response)

Q. What specific action could improve the efficiency of NPI within the Supply Chain?

A. Improve NPI processes (#1 Response)

Q. What specific action could improve the efficiency of product delistings/exits within the Supply Chain?

A. Improve Delisting processes (#1 Response)



An increasing global trend is the application of formal automated product lifecycle management (PLM) tools to support NPID. As ERP systems govern resources and CRM tools manage customer information, the objective of PLM is to provide an enterprise view of a product's complete life. PLM systems provide capabilities such as program and lifecycle management as products move through the NPID 'stage & gate' processes, overall portfolio management, product data co-ordination and management, and can enable development collaboration with external partners. From the Australasian survey nearly 60% of companies have employed some form of automated PLM solution – ranging from basic stand alone tools through to specialist systems integrated with their core transactional systems.

Recent Accenture research in Europe confirmed that PLM system implementation was a key lever to improve NPI execution, from reducing time to market through to increasing product quality and innovation (Figure 6.9)

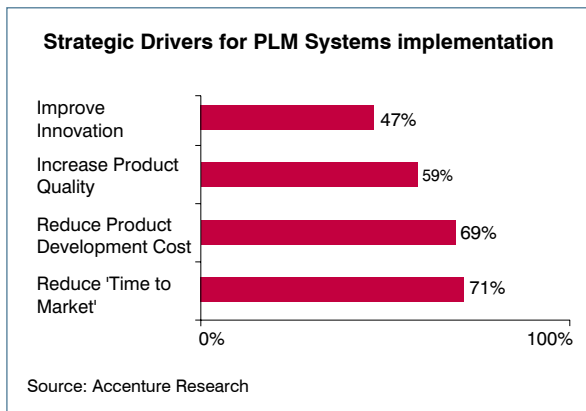


Figure 6.9

Customer and Supplier Integration

Collaboration is regarded as vital for NPID success. Interestingly, the study identified that internal collaboration on NPID was, initially at least, a higher priority (and in many cases a pre-requisite) for many companies before building close integration with external parties. Companies need to get their own ways of working in order – through cross-functional project teams, clear processes and accountabilities, etc – as a critical first step and a platform on which improved external relationships could be developed.

However the value of collaboration with external trading partners, and the opportunity to further develop this process area, was strongly supported across the industry. As a forum for sharing new ideas, finalising launch plans or discussing potential delists, Range Reviews were seen as a valuable tool by all parties. From the survey, a strong majority of Manufacturers, and all Retailers and Wholesalers, agreed that these reviews were valuable in identifying and assessing new product introductions (Figure 6.10).

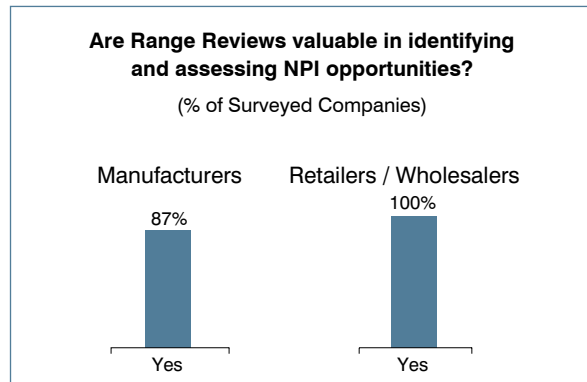


Figure 6.10

At the other end of the NPID lifecycle, these reviews were seen by even greater numbers as beneficial for identifying and managing product delists (Figure 6.11).

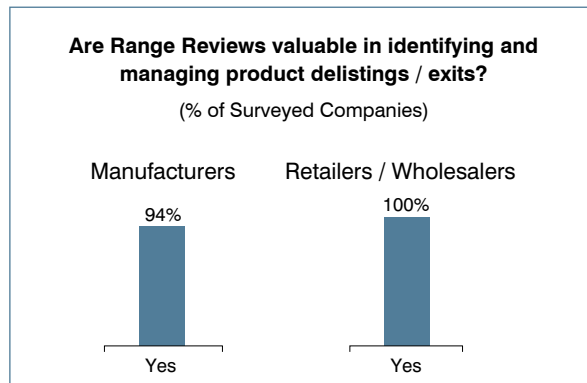


Figure 6.11

Specific comments from companies (locally and globally) reinforced the view that, where appropriate, early sharing of NPID ideas and plans with external parties (from raw materials suppliers through to retail customers) was regarded as ‘best practice’ and an important factor in successful development and execution.

Beyond being an effective means for sharing ideas and monitoring SKU performance, alignment of the timing of category Range Reviews across Retailers and Wholesalers was highlighted as an area that would deliver significant Supply Chain benefit. A large majority of manufacturers (78%) and all major retailers and wholesalers supported this approach – indicating it would provide efficiencies from planning through to launch. Comments on the rationale included:

Manufacturers

“Enable more efficient manufacturing runs and optimisation of marketing support”

“Cohesive approach - minimising wastage in the Supply Chain process”

“Enable the business to focus on core categories and share knowledge across market”

Retailers and Wholesalers

“More effective planning, execution, marketing, expenditure control”

“All would benefit from the specific focus to the category at that time”

Looking at specific areas of integration, forecasting was highlighted as a major issue for product launches. Forecast inaccuracy was quoted as the #1 driver for NPI budget over-runs. Similarly, ‘Improve forecast accuracy’ was seen as the primary opportunity to reduce Supply Chain costs with regard to NPI and the #1 action to improve the product launch process for Supply Chain benefit. However, surprisingly, while the study indicated that forecast changes and inaccuracies were largely ‘par for the course’ for new launches, very few companies developed formal contingency plans to deal with the likely stock issues. Whereas improving the discussion and understanding of initial forecasts is required, it also appears that greater focus and collaboration should be placed on monitoring post launch sales and activities, and developing tools and processes to manage the probable forecasting issues and their potential trade offs.

Finally, as covered in greater detail in the next section ‘Delisting Capabilities’, product delistings lack the same level of trading partner focus and integration afforded to new product launches. The level and timing of communication was largely regarded as inadequate, as were the processes to work together to minimise

cost and consumer impacts. Improved delisting communications, plans and processes were identified by the study team and surveyed companies as a potential source of major industry and individual benefit – and a potential quick win.



Delisting Capabilities

The combination of increasing numbers of new products coming to market and for the most part, a ‘one SKU in, one SKU out’ approach, means that product delistings are a frequent and important business activity. However, for most companies delistings are not successfully managed and subject to frequent cost over-runs. Only 38% of Australasian surveyed companies had the view that delistings were managed successfully on a relatively consistent basis while a smaller subset of 26% indicated the majority of delistings were managed within budget – and the cost of product delistings can be high. The average annual Supply Chain cost to manage product exits, per surveyed manufacturer, was estimated at \$2M – and this excludes the reduced margin due to stock clearances or the cost of write-offs (noting that very few companies actually captured these costs). Of course it would be expected that the cost impact for retailers and wholesalers would be a least similar if not very much larger.

One of the main issues with delistings appears to be a lack of focus and rigour. Companies have rightly invested in building their business critical innovation and new product introduction capabilities (though as previously highlighted – application still lacks consistency). However this focus and development does not appear to have extended to efficiently and effectively moving product off the market. Exiting stock appears to be the ‘poor cousin’ of executing product introductions – business activity and excitement builds around launching a new product however this attention and concentration can diminish once a product is listed, and as project teams move on to the next launch. Ownership can also be a challenge – does responsibility for the product rest with R&D or marketing, move across to sales, or some form of shared arrangement, and what is the ongoing role of the Supply Chain?

Managing delistings successfully requires two separate skill sets:

- **The ability to identify and monitor products at risk of being delisted or exited** – this can provide an early warning device to implement actions to improve market performance, and secondly it can allow the Supply Chain (and other functions) to mitigate the risks associated with an eventual delist (e.g. stock levels, unique raw material and packaging).

Figure 6.12 highlights the lack of processes to identify potential delists and the lack of rigorous application of such processes where they are in place. For example, from the survey, 23% of respondents did not have product portfolio management strategies to monitor the performance of active SKUs, while a further 54%

did not apply such tools rigorously. Similarly, 76% of companies did not rigorously identify products at risk of being delisted or exited (11% did not perform this activity at all, while a further 55% did not rigorously conduct this activity).

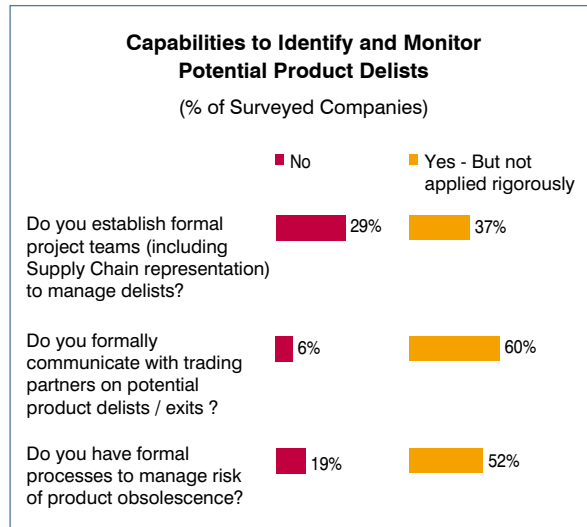


Figure 6.12

- Secondly, once a delist or exit is confirmed, manufacturers and retailers require **a distinct set of processes, tools and responsibilities to efficiently exit a product from the market** while minimising any consumer, operational or financial impact.

Looking at the survey results for actual product delisting execution highlights both the lack of delist capabilities and rigorous application (Figure 6.13). The majority of companies (23%) do not, or not consistently (54%), establish formal teams to manage the complexities of delists. Communication with trading partners on delistings appears to be inconsistent at best, and a alarmingly high percentage of companies (71%) do not rigorously apply formal processes to manage down the risk of stock obsolescence and potential write-offs.

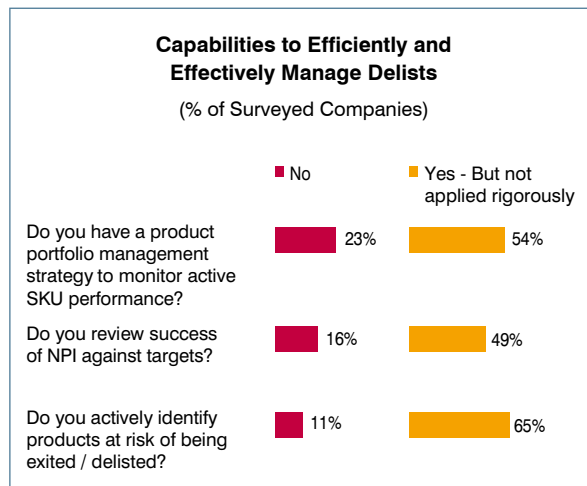


Figure 6.13



Performance Management

Performance management for NPID execution is generally inadequate. Despite the importance of driving growth and profitability through new products, many companies fail to monitor the critical measures to understand status or success – failing to track such critical areas as product listing success rates, the timeliness of product introductions, project costs versus budgets, and the costs associated with delistings (as highlighted under the initial ‘NPID Performance’ insight area on page 12)

Research highlighted that while quite rightly the major NPID key performance indicators currently utilised were focused on market outcomes such as sales and distribution levels, market share captured, and profits generated, very few companies tracked the actual execution process and success in getting products to market in the first place. Figure 6.14 shows that of the KPI’s used by surveyed Australasian companies, 77% were measuring outcomes, with only 23% being focused on executional performance (and primarily centred on only one measure – Time/Speed to Market).

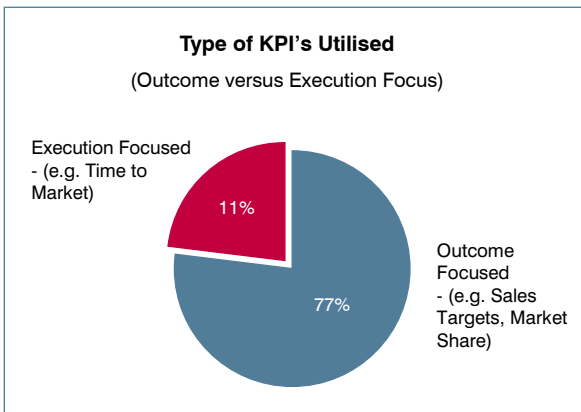


Figure 6.14

Furthermore, NPID scorecards lacked functional balance, with very few (only 11%) of the KPI’s employed measuring the critical Supply Chain activities as against ‘Commercial’ indicators (Figure 6.15)

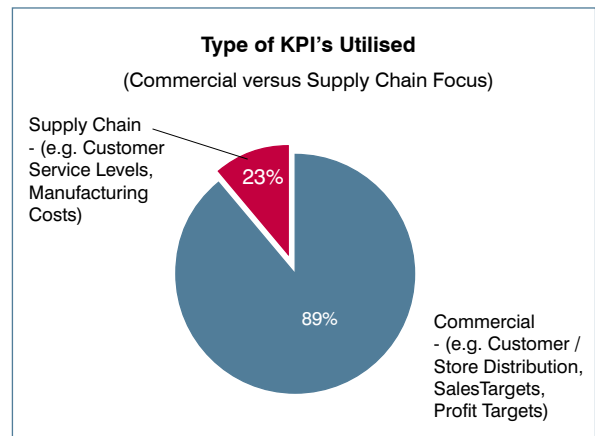


Figure 6.15

In addition, when viewing the end-to-end NPID process the monitoring of delisting activities and success is very limited. Few companies have KPI’s to monitor the level and cause of delists, with even fewer measuring the timeliness or costs associated with product exits (estimated to be significant). As a result, opportunities to improve idea or product development by providing an effective feedback loop with real market lessons learnt are limited. Similarly, measuring the real cost of product exits and delistings should drive increased attention and process improvement, and importantly allow such costs to be reflected in the assessment of the full lifecycle profitability of new ideas.

Recommended Actions



Executing new product introductions and delistings is a broad and complex business process – spanning multiple functional areas and multiple companies.

The required activities and business needs can vary significantly – driven by a range of factors including the type of new product and category involved, a specific companies existing capabilities and its role in the process (e.g. manufacturer versus retailer), through to the location involved (e.g. Australia versus New Zealand).

To recognise and accommodate this wide variety of challenges and needs the project team adopted two key design principles to assist in developing

recommendations to improve the efficiency and effectiveness of the Supply Chain in supporting NPID:

- Address the 'end-to-end' NPID process to drive overall industry improvement
- Provide a range of specific improvement actions from which companies can select and tailor to meet their own individual requirements – given differing roles, categories, capability levels, locations, etc

A NPID Execution Improvement Framework has been defined with six key levers:

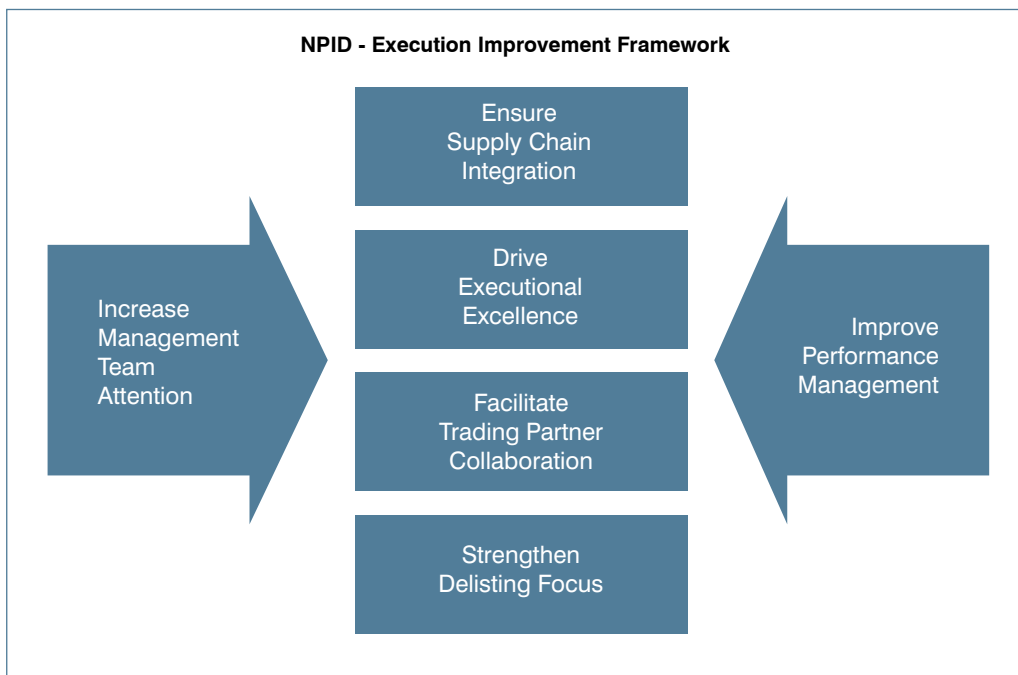
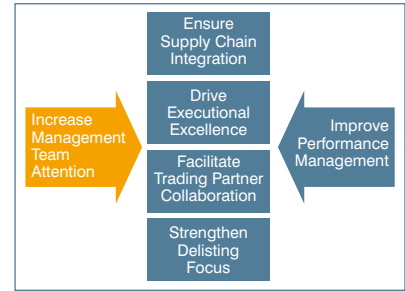


Figure 7.1

For each improvement lever a set of specific actions has been described – and case studies provide real-life examples of how companies have benefited from their application.

Increase Management Team Attention

If growth from new products is business critical then it follows that increasing management team attention on NPID execution is also business critical. Committing NPID to the corporate ‘radar’ sends a clear message of importance throughout the organisation – and facilitates the awareness, decision making and support required to aid speed to market and control costs. Gaining the ‘top-down’ executive level focus on successful product implementation (or exit) is also a pre-requisite to addressing the other improvement levers - providing the drive and priority to make sure detailed recommendations are actioned and sustained.



Specific actions to increase management team attention on NPID execution are:

Recommendation	Specific Actions
<p>Increase management team attention on NPID execution</p>	<ul style="list-style-type: none"> · Introduce NPID measures on the corporate scorecard · Clarify NPID accountability at the executive level · Enforce executive level signoff for all NPID stage:gate reviews · Consider introduction of ‘hurdle rates’ for all NPID · Ensure ‘end-to-end’ executive NPID lifecycle focus

Introduce NPID measures on the corporate scorecard

– to achieve management attention and to drive improvement, key NPID measures need to be monitored on the overall business scorecard with other business critical measures.

Clarify NPID accountability at the management level

– given that NPID processes cross many functional boundaries accountability can be confused or absent. Overall responsibility for NPID should preferably rest with a specific individual on the management team, with clear performance targets and associated incentives.

Enforce executive level signoff for all NPID stage:gate reviews – rigorous assessment throughout the product lifecycle ensures awareness and support from all functions, eliminates potentially poor return or high risk ideas, and importantly can help focus limited resources on ‘fewer, bigger’ product launches.

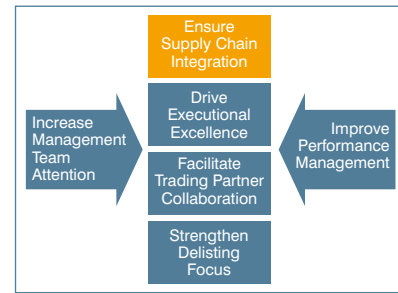
Apply ‘hurdle rates’ for all NPID – implementing minimum requirements for key new product performance metrics such as sales revenue, product profitability, and time-to-market provides consistency and clarity on management expectations, while eliminating low value activities as early as possible.

Ensure ‘end-to-end’ executive NPID lifecycle focus

– the frequency, criticality and risk/cost of product delistings demands the same management attention as bringing product to market – this action can be supported by having the appropriate corporate measures, accountabilities and review processes in place and rigorously applied.

Ensure Supply Chain Integration

From the sourcing of new packaging materials through to delivering the first product orders the Supply Chain is an essential component of NPID execution. While the overall responsibility for new products normally rests with R&D, marketing or sales functions, early and extensive integration of the appropriate Supply Chain representatives and tools into the development and delist lifecycle is a proven success factor - minimising development and delivery risks, facilitating reduced time to market and optimising one-time and ongoing product costs.



Integration actions will vary with factors such as the product complexity, the sourcing approach, and business objectives, however key actions for improvement include:

Recommendation	Specific Actions
<p>Ensure that the Supply Chain is fully integrated into the NPID lifecycle</p>	<ul style="list-style-type: none"> · Ensure supply chain representation in cross functional NPID teams · Appoint a supply chain coordinator / integrator to liaise across functions for specific NPID · Ensure supply chain participation at each product review stage · Develop a set of supply chain review deliverables and review points for each NPID lifecycle phase

Ensure Supply Chain representation in cross-functional NPID teams – first and foremost, effective integration requires the Supply Chain to be part of the project team, from establishment to closure or operational handover. In line with the size and / or scope of the NPID the Supply Chain may be represented by a range or sub-set of functional team members (e.g. purchasing, planning, manufacturing, etc), or a single co-ordinator (see below).

Appoint a Supply Chain coordinator/integrator to liaise across functions for specific NPID – large and/or complex product development and introduction projects can require many detailed activities to be undertaken by different areas of the Supply Chain – and often in parallel. Establishing a single Supply Chain co-ordinator can improve consistency, project communications and ensure tasks are correctly aligned and sequenced, eliminating potential delays and cost overruns.

Ensure Supply Chain participation at ‘stage & gate’ reviews – review and approval of new products to progress from one lifecycle development stage to the next is the fundamental control mechanism for NPID. Hence, it is essential that each and every product is reviewed and approved at each Gate by a senior Supply Chain representative prior to progression. The type of approval may vary with the process stage – for example, at the initial Idea Development review stage the Supply

Chain may simply confirm that they have the right level of awareness of any new ideas coming down the pipeline. This supports efficient planning for the next steps toward concept development or to provide early consideration of new supplier needs or capital requirements. At this early stage the objective is not to stifle idea development by providing the Supply Chain with the ability to reject new ideas, but to create the right level of awareness to facilitate overall speed to market, and to make the project team fully aware of any product development challenges or risks that may impact execution or market success. Clearly the role of the Supply Chain in NPID review and approval gains increased importance as the product moves toward full development and launch.

Develop a set of Supply Chain deliverables and review checklists for each NPID ‘stage & gates’ – in line with the action above, to ensure rigour and consistency a minimum standard set of Supply Chain tasks should be defined and completed within each NPID stage. A review checklist for each Gate can then confirm if these deliverables and assessments are in place before the product progresses forward. Again, the aim is not to add unnecessary bureaucracy and red tape, but to understand and mitigate executional risks as early as possible, and ultimately to minimise development time and cost (including the deletion or further analysis of poorly supported, high risk or low profitability ideas).



Case Study Arnott's – Early Supply Chain Involvement enables NPI success

Arnott's is a leading Australasian food manufacturer. Arnott's acquired the chocolate brands of Wagon Wheels, Quatro and Chocolate Wheaton in October 2003 and transferred manufacturing of these products to Arnott's bakeries in mid 2004. The move of manufacture of these products to the Arnott's bakeries and some quality issues meant that modifications had to be made to product packaging (pack size, weight and pallet configuration). This in turn resulted in the need to relaunch Quatro.

Understanding the supply chain requirements early in the product introduction process was identified as key to achieving success, thus manufacturing and logistics considerations were made early in the process.

1. Supply chain designed a new manufacturing process, and packaging was designed based on what the current capital could produce
2. Engagement was then sought from marketing and sales

3. Shelf impacts identified and discussed with the retailers (as pack size on shelf decreased and this change was mid range review)
4. Change from old to new product required logistics management to ensure equal days of supply of old product in each state
5. Retailers' engagement required to list new product number and link both old and new SKU to promotional groups
6. Work with field team to execute change over four week period

The outcome was a flawless in-store and internal execution. It was one of the best change-overs achieved in recent times. The key learning was to seek cross functional engagement, particularly supply chain, early in the process to ensure internal symmetry.

Case Study Clorox : Early involvement of Supply Chain and Trading Partners improves speed to market

Clorox is a marketer and manufacturer of Wraps and Bags, Household Cleaning and Laundry, Water Filters, Salad Dressings, Car Care, Cat Litter and BBQ Charcoal products. Their sales are in excess of US\$4 billion worldwide and they have a presence in over 110 countries. In Australia, Clorox is known for their strong brands, including- Glad, Chux, and Armor All.

Clorox introduced a new product, Magic Erasers, to the Chux range 12 months ago. The product proved a success and so four months later, a decision was made to extend the line with two new SKUs - bathroom and kitchen magic erasers.

Magic Eraser products are manufactured by a co-packer, who source raw materials from Europe - therefore any delays in the Supply Chain could have had a major impact on speed to market. To mitigate this risk, Clorox undertook a new process that had not been applied to other product introductions. Rather than the Marketing department providing Supply Chain with a 'brief' marketing brief on the NPI, Supply Chain were involved from the beginning. This enabled them to achieve the following outcomes very early in the process:

- Complete R&D
- Provide detailed and accurate product and technical costing
- Commissioned the co-packer to make sample products
- Early engagement of Retailers with detailed marketing brief
- Presentation of prototype to Retailers
- Supply demand forecast to the co-packer which enabled them to more accurately plan Raw Materials requirements

The early involvement of Supply Chain, coupled with rigorous project management which included weekly meetings involving cross functional teams, resulted in a highly successful product introduction. Some key achievements were:

- Manufacturing lead time was 3 months
- Strong enthusiasm from Retailers, resulting in launch date being moved forward, and Retailers providing additional support to product launch at their cost, such as in store promotions and off-location presentations
- An overall reduction in time to market.



Case Study Coca Cola Amatil - Detailed Supply Chain integration and planning key to successful launch

Coca-Cola Amatil (CCA) is predominately a major supplier of non alcoholic beverages in Australia. It has market leading brands in carbonated soft drinks (CSD's), bottled water, energy drinks and sports drinks and is a recent entrant into the Juice category through acquisition and product development.

In the face of more health and well being conducive trends, The C-C System in Australia has been investing heavily in new product development (NPD) over the last few years. A major NPD focus has been product extensions of brand Coca-Cola and diet Coke, leveraging the strength of the brand. However it became clear that consumers still had strong emotional connection with the brand and product but wanted a product that more suited and supported their health and well being aspirations, resulting in the introduction of Coke Zero, a product with a taste closer to Classic Coke than diet Coke, and no sugar.

Consumer reaction to product and packaging concept testing, and the retail customers' reaction to the launch plan showed the product had the potential to be the biggest new product launched in Australia in many years. The challenge was to ensure the launch budget, above and below the line, people resources, manufacturing and logistical resources, raw material suppliers support etc was commensurate with that expectation. To overcome this challenge, extensive forecast modelling was undertaken to develop detailed demand and production plans.

Coke Zero was launched in the second week of January 2006 and achieved significant market penetration:

- Grocery was 100% by the end of the first week of the launch.
- Non grocery channels achieved similar levels of market penetration prior to media launch on Australia day – January 26th.
- Ex factory sales to the trade exceeded all forecasted volumes by many times, even prior to media launch and increased again after media launch.

This unprecedented demand resulted in a supply constraint, with priorities for production planning and raw material/packaging supplier planning having to change significantly. Fortunately, CCA had implemented the following:

- Planned contingencies in the Supply Chain for supply shortages
- Development of sales, production and inventory volume tracking tools to ensure quick reaction to market demands
- Alignment of all elements of the Supply Chain, end to end, in a single minded focus on supporting the launch
- Flexibility in the Supply Chain for potential changes.

The recognition of the importance of Supply Chain was key to the successful launch of Coke Zero. Market share gains and sales volumes have defined this as the most successful new consumer product launch in Australia in 25 years.



Drive Executional Excellence

Consistent, timely and on-budget product introduction relies heavily on excellence in NPID process execution. Excellence through the rigorous application of clearly defined processes to control and guide new ideas along the product development lifecycle. Processes that set out the responsibilities and deliverables required at each stage of the lifecycle, and that define the criteria that must be satisfied in order to progress toward launch. Excellence also through the utilisation of tools that facilitate the NPID process, but also enable analysis, consistency of data, and information sharing. Developing a product lifecycle management capability is a fundamental requirement for bringing new products to market – ensuring constant and consistent application is a fundamental requirement for success.



Recommendation	Specific Actions
<p>Develop and rigorously apply product lifecycle management capabilities - processes, systems and tools</p>	<ul style="list-style-type: none"> · Implement and rigorously apply an appropriate NPID product lifecycle management process · Implement product lifecycle management (PLM) tools to manage the NPID work-flow process and product data requirements · Implement full lifecycle product costing models to understand and evaluate true NPI profitability · Establish process compliance KPI's to drive rigour



Implement and rigorously apply an appropriate NPID lifecycle management process – taking a new idea through to market launch can require a wide array of activities, data, resources (internal and external), systems and decisions. Control, consistency and repeatability are essential to success. A fundamental capability to enable overall NPID success is a formal process that structures and details the broad worksteps, activities, deliverables, review points and review criteria throughout the product lifecycle. Appendix B provides an example of a generic NPID lifecycle process – illustrating the broad steps, associated activities and review points where products receive a formal go or no-go decision to confirm progression and prioritisation. Of course the standard process should be customised to meet a company's specific needs, or different versions may be applied where appropriate (e.g. a light version for relatively straightforward, low risk, line extensions). However, having a structured NPID process is only as valuable as its application. Process rigour and review discipline are simply key – while all products are different and processes need to flex accordingly, the primary deliverables, review checkpoints and approval criteria need to be consistently applied to achieve sustainable executional excellence.

Implement product lifecycle management (PLM) tools to manage the lifecycle work-flow process and product data requirements – information technology tools can automate and enhance the new NPID process. At a base level PLM systems provide a means of monitoring the workflow, core data and approval requirements as a product moves through the development lifecycle. With increasing volumes such an NPID database drives much needed consistency, control and rigour. Beyond process automation, high performing companies are using PLM tools for further value-adding activities, including:

- NPID knowledge databases – as a way of capturing and sharing NPID experiences, lessons learnt and best practices
- Sharing design concepts and data with distributed development groups – including suppliers and customers – to improve development and reduce time
- Managing bill-of-materials changes
- Managing overall portfolio performance and tracking delist activity
- To automate the administration processes for new product set-up and establishing industry codes.

PLM tools need to be fit for purpose and can range from simple spreadsheets to fully integrated systems.



Implement full lifecycle product costing models to understand and evaluate 'true' NPI profitability – an effective NPID process capability should ensure that resources are only focused on bringing viable products to market. A key success factor for new products, if not the most critical element, is profitability. Most companies assess the direct product profitability (usually gross margin/return), but very few seek to understand and evaluate the overall full lifecycle profitability based on the total cost of ownership of the new product introduction. Such a costing model goes beyond the direct product manufacturing/sourcing costs to evaluate and estimate the other direct and indirect Supply Chain cost drivers – both one-time and ongoing. For instance, sourcing a new raw material may include the cost of finding, auditing and setting up new suppliers, the cost of storage, or the potential cost of obsolescence or write-off of unique ingredients or packaging due to delist. Similarly, product lifecycle costing should consider other indirect costs such as project development costs (including internal resource needs), new capital investment, finished goods storage costs, product data establishment, and an estimate of the likely need for product delist/exit costs. Given the level of complexity and cost that new products can drive into the broad Supply Chain some companies now apply a standard estimate of 'setup' costs to each potential new

SKU as part of the NPI profitability evaluation. A holistic view of lifecycle costs and profitability not only provides a more complete view of new product profitability to support management review, it can assist in eliminating (or the early redesign of) poor projects, and in reducing Supply Chain complexity and cost.

Establish process 'compliance' KPI's to drive rigour – the initial survey shone light on the lack of NPID process application across the industry. Formally tracking at a management level a set of performance indicators that monitor the level of process compliance – e.g. % of products where formal NPID 'stage & gate' processes applied, % of products formally reviewed and approved at each Gate – will help increase rigour and provide an early indicator of potential process issues or inefficiencies that need to be addressed to avoid workarounds, or an emerging lack of discipline.

Case Study Sanitarium Health Food Company - Benefits of Rigorous NPI Planning

Sanitarium Health Food Company, a major FMCG company, recently executed a brand name change for a product from "Good Start" to "Weet-Bix Multi Grain". The challenge was to make the change whilst maintaining high service levels to customers, with minimal write off costs, and without losing consumers or sales through the transition.

In order to overcome key Supply Chain challenges such as.....:

- Minimising packaging and finished goods write off
- Working within retailer constraints, systems and processes
- On shelf availability; and
- Managing the forecast for:
 - Old stock run out
 - New stock pipeline fill

Sanitarium set up a dedicated project team with a sole point of contact to manage the new product introduction process. The following actions were key to the success of the project:

- Frequent communication internally via weekly meetings and externally
- A realistic timeline that was rigorously monitored and followed
- Early stakeholder involvement
- Accurate forecasting
- Communication with sales team about planned product availability.

By focussing strongly on these actions, Sanitarium achieved a highly successful new product introduction. They maintained service levels, gained desired distribution quickly, sold old product rapidly and achieved a 30% increase on sales compared to the old product.



Case Study Kimberly-Clark - Detailed planning and communications enable successful product upgrade

Kimberly Clark (K-C) are a global company operating in both Australia and New Zealand. They specialise in non-food – household and personal care products. Recently, K-C released a new consumer-preferred upgraded product in its Baby Care category.

This resulted in a number of challenges, namely:

- Moving from 6 to 8 SKUs
- Clearing old product fast to create space for the new products
- Change in price points and barcodes from previous products resulting in need for new shelf tickets
- Potential loss of existing picking slots in customer warehouses
- Selling out of the old products.

In order to circumvent potential delays in launch and cost over-runs, the details of the new product was communicated extensively within the company. In particular, Territory managers were briefed well in advance, which enabled them to involve Supply Chain in early discussions on stock clearance and getting the new product to store in the most efficient manner. Pipeline fill was factored into initial forecasts (over and above weekly

sales requirements) to ensure out-of-stocks at launch were avoided.

The considerable effort invested in planning the NPI assured a successful changeover. All retailers bar one ranged the full 8 SKUs. The new product replaced the old in all stores within 3 – 4 weeks and the cost to clear the old product was minimised. Close management of stock at retail and wholesale level prior to changeover ensured minimum stocks in Supply Chain at launch

- Stock checks in stores and DC's in weeks leading up to launch
- Stock moved around prior to launch to clear at maximum price.

Some key learnings are to ensure early internal communication, have a sell-through channel for old stock and work with retailers well in advance of the changeover date.

- Ensure clear expectations are given to Supply Chain and that key dates/gates are measured
- Have a clear owner of the launch (Brand Manager)
- Monitor/measure progress with Sales team (presentations/acceptance/codes received etc).

Case Study Campina - The benefits of automated PLM solutions

Netherlands-based Campina - a large dairy company with production sites across Europe- is consistently ranked among the top global dairy companies. Campina recently recognised a growing need to improve its product life cycle management (PLM) capabilities. Key motivators were the need for significantly more efficient innovation processes; more expedient accommodation of evolving food legislation; and more effective tracking and tracing capabilities.

Campina thus set out to develop a product specification system to help:

- Improve product version control
- Communicate and collaborate more effectively with business partners; and
- Increase visibility across other European business units.

Campina also rationalised its New-Product development, Product-clearance and Product-change Management into a single Product Lifecycle Management process.

The changes to Campina's PLM processes helped them to achieve a cost reduction of around 5 percent in R&D, purchasing, production and marketing. Campina also decreased its overall time to market by about 10 percent. Equally important, the company is better able to sustain its leadership because fast and easy exchange of critical information is a hallmark of its product development operations. Other benefits include better clearance and change control procedures.

Case Study Simplot - The benefits of formal Product Lifecycle Management processes

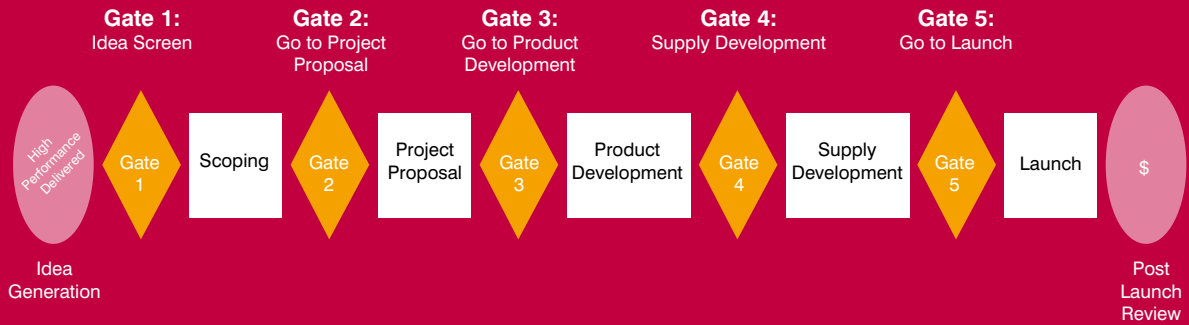
Simplot Australia are a privately owned marketer and manufacturer of frozen and shelf stable products. Simplot are one of the top ten food and beverage companies within the Australian markets supplying consumers with the quality brands – Birds Eye, Leggo’s, John West, Edgell, I&J, Ally, Seakist, Harvest, Plumrose and Chiko.

Simplot Australia introduced a new 5 ‘stage & gate’ NPI Formal Process in April 2005

Over the last 14 months some of the key benefits have been:

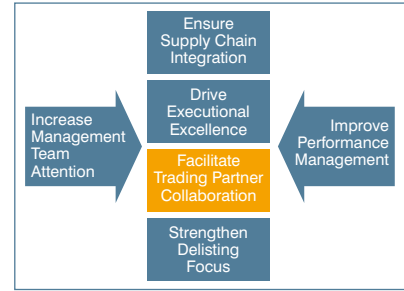
- Fewer errors and less recycling
- Allocates costs and risks as you move through each ‘stage & gate’
- Shorter times to market due to more efficient use of resources
- Increased cross functional communication and cooperation
- Better allocation of resources
- Earlier detection / high risk issues leading to a higher success rate
- More products on time and on budget
- Increase visibility to all key stakeholders in the business
- Improved launch and higher customer satisfaction.

Simplot Australia introduced a new 5 ‘stage & gate’ NPI Formal Process in April 2005



Facilitate Trading Partner Collaboration

Working closely with trading partners across the product development lifecycle is highly valued by the industry, and recognised as a major success factor. Currently the level of collaboration can vary significantly – influenced by the companies and individuals involved, the product category, the emergence of private-label strategies, existing tools and approaches, and as with other areas of NPID execution, the level of process application rigour. Driving real improvement for all parties, and importantly consumers, requires a clear and more consistent approach. Such a framework would provide the necessary structure and end-to-end NPID process detail, coupled with the inherent flexibility to cater for a wide variety of requirements. Further alignment of review activities across retailers would enable operational benefits and improve product launches.



The two recommended areas for broad trading partner collaboration are highlighted below:

Recommendation	Specific Actions
<p>Implement a formal but flexible NPID Partnership framework to enable greater trading partner collaboration</p>	<ul style="list-style-type: none"> Develop and trial a NPID Partnership framework Engage with Retailers to commit to Range Review alignment

Develop and trial a NPID Partnership framework

– beyond the necessary internal improvement actions, an agreed industry model for facilitating external collaboration from idea generation through to product launch, and eventual delist, is seen as a critical initiative in order to drive step-change NPID benefit. The proposed NPID Partnership framework is envisioned as the industry standard for trading partner engagement – a methodology that is available to all, delivers a ‘win:win’ for manufacturers, retailers/wholesalers and consumers alike, and provides the flexibility to be easily modified to fit a wide range of NPID.

Key features of the proposed NPID Partnership Framework would include:

- Identification of the key areas and actions for collaboration across the entire NPID lifecycle
- Indicative timing and dependencies
- Clarity on lead responsibility for each activity
- Clarity on the key functions/roles involved in each activity
- Key deliverables per activity (and sample templates with supporting instructions)
- Flexibility to be easily tailored for different NPI types, different categories, etc.

- Detailed focus on the joint delist activities and responsibilities
- Major areas of Supply Chain interaction (both Retailer/Wholesaler and Manufacturer)

Achieving an effective Partnership Framework will require considerable industry support and effort – from finalising a draft Framework (Figure 7.2), through trial and gaining ongoing acceptance and compliance. Proposed next steps for industry approval are as follows:

- Gain major retailer and manufacturer commitment (Q3 2006)
- Confirm ongoing ownership for the NPID Partnership initiative (Q3 2006)
- Develop draft NPID Partnership Framework (Q3 2006)
- Identify Trial Partners – e.g. to cover different scenarios - Australia and NZ participants, Short Shelf versus Ambient/Shelf Stable, Food versus Non Food, etc (Q3-4 2006)
- Conduct Partnership Framework trials (Q4 2006 – Q2 2007)
- Assess trials and refine Partnership framework (Q2-Q3 2007)
- Roll-out across Australasian industry (Q3-Q4 2007)

Sample - NPI Partnership Framework

NPI Partnership Framework Checklist							
NPI Stage	Indicator Timing (pre-launch)	Activity	Responsibility (Retailer / Supplier)	Retailer / Wholesaler Contact	Supplier Contact to be present with retailer	Deliverable / Outcome of Step	Key Supply Chain Interaction for Supplier
Development	60 weeks						
	Annually	Provide retailer NPI	Retailer	Buyer	Brand Manager / Account Manager	Suppliers briefed on retailer strategy for NPI	
	50 weeks	Develop and present ideas	Supplier	Buyer	Brand Manager / Account Manager	Retailer briefed on new product ideas	
Concept Development	35 weeks						
	30 weeks	packaging mockups and bench samples	Supplier	Buyer	Brand Manager / Account Manager	Retailer briefed and provides feedback on new product concepts	
	30 weeks	Demand forecasts, agreeing	Supplier	Buyer / Vendor Replenishment Planner	Account Manager / Demand Planner	Agreed demand assumptions	Demand assumptions to be communicated to Demand Planners to update forecasts based on retailer feedback
Launch Development	24 weeks						
	14 weeks	Agree Pricing / Margin	Supplier	Buyer	Account Manager / Category Manager	Agreed RRP & retailer margin	
	14 weeks	Set performance	Retailer	Buyer	Account Manager / Category Manager	Agreed KPIs for new products	Hard rates and KPIs to be communicated to Supply Chain
	14 weeks	Form to retailer with details of	Suppliers	Buyer / Distribution Manager	Account Manager / Category Manager	Product information given to retailer	Supply Chain to communicate product codes and characteristics
	14 weeks	Agree likely Launch Date	Retailer	Buyer	Account Manager / Demand Planner	Agreed launch date	Any changes to launch date to be communicated to Demand and Production Planners
	14 weeks	Communicate and discuss	Supplier	Buyer	Brand Manager / Account Manager	Marketing Plan updated with retailer feedback	Changes to marketing plan to be communicated to Demand Planners and forecasts updated.
	14 weeks	Agree promotional	Supplier	Buyer	Account Manager	Promotional tactics and volume estimates agreed	Demand Planners to update demand forecast with promotional plan agreed with retailer
	14 weeks	assumptions including scenario plans and	Supplier	Buyer / Vendor Replenishment Planner	Account Manager / Demand Planner / Production Planner	Demand scenarios and assumptions agreed	Demand Planner to develop scenario demand forecasts with retailer input. Production Planner to develop contingency plans to deal with scenarios.
	14 weeks	Present at Retailer Category Review	Supplier	Buyer	Brand Manager / Account Manager	Suppliers given feedback of probability of new product being ranged	Account Manager to feedback probability of ranging and likely distribution to Demand Planner and Production Planner. Supply chain plans to be updated based on feedback.
Product Launch	12 weeks						
	8 weeks	ranging and target distribution	Retailer	Buyer	Account Manager	Confirmation of new product ranging decisions	Account Manager to feedback ranging decisions to Demand Planner and Production Planner. Supply chain plans to be updated based on feedback.
	8 weeks	Replenishment Planners provide retailer	Retailer	Vendor Replenishment Planner	Demand Planner	Order forecasts communicated to supplier.	Demand Planner to integrate order forecasts into short term demand forecasts.
	8 weeks	Complex provided to	Supplier	Buyer	Production Planner / Account Manager	Product samples distributed to retailer	
	6 weeks	Contact details for supplier	Supplier	Buyer	Account Manager	Contact details circulated.	
	6 weeks	First order date agreed	Retailer	Buyer / Vendor Replenishment Planner	Account Manager / Demand Planner	Agreed first order date	Account Manager to feedback first order date to Demand Planner and Production Planner. Supply chain plans to be updated based on any changes.
	2 weeks	Place first order	Retailer	Vendor Replenishment Planner	Customer Service Officer	Order received by supplier.	Customer Service Officer enters order and allocates stock.
	1 weeks	Ship to trade	Supplier	Distribution Centre Staff	Distribution staff	First order delivered to retailer DC.	Supply Chain to ship stock to customer DC.
	1 weeks	Ship to Store	Retailer	Distribution Centre Staff		New product delivered to store to put in on shelf.	
	8 weeks after launch	review of new product performance	Supplier	Buyer	Account Manager / Category Manager	Post Launch Review completed with retailer feedback.	Supply Chain to provide feedback on key new product KPIs and learnings.
Product Delisting							
	Quarterly	which are performing below category	Retailer	Buyer	Account Manager	List of SKUs at risk of deletion at next review.	At risk SKUs to be communicated back to Demand Planner and Production Planner. Supply chain plans to be updated to manage risk of deletion while maintaining service levels.
	14 weeks prior to deletion	deletion candidates at retailer range review	Retailer	Buyer	Account Manager	List of likely deletion candidates at next range review	Deletion candidates to be communicated back to Demand Planner and Production Planner. Supply chain plans to be updated to manage risk of deletion while maintaining service levels.
	10 weeks prior to deletion date	deletion plan with alternatives to minimise	Supplier	Buyer	Account Manager / Category Manager / Production Planner	Deletion Plan	Demand Planner and Production Planner to develop deletion plan to minimise inventory exposure and maintain customer service.
	4 weeks prior to deletion	Confirms deletion timing performance.	Retailer	Buyer	Account Manager	Confirmation of SKU deletion decisions	Demand Planner and Production Planner to execute deletion plan and run down raw materials and finished goods inventory
	0-10 weeks prior to deletion	update deletion plan and	Supplier	Buyer	Production Planner / Category Manager / Account Manager	Updated deletion plan	Demand Planner and Production Planner to update deletion plan based on latest sales and production figures.

Recommended Actions



Figure 7.2

Engage with Retailers to commit to Range Review alignment – currently, under a prior AFGC initiative, the major Australian retailers committed to aligning the timing of category reviews for the 2007 calendar. Based on the level of operational inefficiency (and cost impact) highlighted by this survey, and the significant pan-industry support for Range Review alignment, an ongoing commitment to this approach is strongly recommended. To facilitate support and implementation the following next steps are proposed:

- Confirm Major Retailer Commitment (Q3 2006)
- Confirm NZ Retailer and Manufacturer Approach (Q3 2006)
- Determine Ongoing Industry Responsibility for Facilitating Alignment and Timetable Development (Q3 2006)
- Develop Proposed 2008 Calendar (Q4 2006)
- Conduct Aligned Range Reviews (Through 2007)
- Assess 2007 Range Review Benefits (Qualitative and Quantitative) (Complete Q3-4 2007)
- Confirm 2008+ Alignment (Q4 2007)

Case Study Pfizer Consumer Healthcare - The benefits of early customer communications

Pfizer Consumer Healthcare (CHC) is a large manufacturer of Over-The-Counter medicines and products. It is part of the Pfizer Inc corporation, which is one of the world's 10 largest companies. Pfizer CHC supplies both the Grocery and Pharmacy channels. Innovation and unique selling points are critical to the success of the business with a consistent supply of new products driving category growth over the past years. Pfizer manufactures locally as well as sourcing products from its global manufacturing sites.

Recently, the business was faced with long term supply issues. While a product range was reformulated, Pfizer worked with key accounts to manage the situation for 12 months. A decision was made, at a Range Review, to delete impacted SKUs despite the estimated loss of \$1m in sales and to re-design the Planogram to minimise sales losses for both parties. This was immediately communicated to Supply Chain, which resulted in the following:

- Presented Supply Chain with the time-line, indicating when stock would be available so that a Run-In Run-Out (RIRO) plan could be invoked and changed back to the previous optimum range
- Replan of Supply Chain requirements for category entry
- Maximisation of contingency sales opportunities and minimisation of out-of-stock / deletion impacts in the interim
- Getting agreement to new pick slots
- Collaboration on operational requirements that ultimately enabled a quicker market re-entry when stock became available.

Upon reflection, the key actions that helped Pfizer to achieve success were:

- Early and frequent communication with key customers
- Presentation of concepts at least 12 months out from range reviews
- Customer feedback on proposed range, sizes, packaging, Supply Chain needs and order multiples
- Establishment of an internal project team to review customer feedback and ensure manufacturing and supply timeline adherence
- Customer feedback of any changes and further recommendations
- Confirmed rationale for new product success to the customer at Category review - in particular incremental sales and profit projections.

As a result of these actions, Pfizer achieved better category management, built closer working relationships with key accounts, optimised plan range options and minimised shelf management planning impacts. In addition, the liaison with key account operations enabled a quicker return to market which resulted in significant benefits, highlighting that early customer collaboration via range reviews enables better management of the Supply Chain, and in particular the early assessment of RIRO scenarios.



Case Study Arnott's and Coles Supermarkets - Collaborative planning ensures NPI success

The collaborative planning approach adopted by Coles Supermarkets and Arnott's resulted in the outstanding launch of Arnott's Tim Tam Dangerous Liaisons in February 2005.

Approach

Pre-planning commenced six months prior to launch, with final product details and forecasts confirmed 18 weeks from launch.

Pre-planning and joint forecasting were critical as Arnott's had to shut down the Tim Tam line 12 weeks prior to launch to install new equipment. As this shut down occurred over the summer months, to meet confirmed volumes from Coles, additional temporary cool storage had to be installed in the Arnott's bakery to store the stock requirements for launch. The product also needed to undergo extra treatment in the manufacturing process (super glossing) to ensure the product did not bloom or become heat effected over the extended storage period.

Communications

Arnott's

Internal communication in Arnott's was essential to enable success, particularly between sales and supply chain to ensure stock requirements were met. State and area manager product and sample requirements were a major focus of the launch. By engaging these stakeholders, key forecast inputs were captured in the Sales and Operations Planning process.

Coles Supermarkets

The launch was featured in the weekly communication bulletin to stores, as well as the Shop Talk store communication magazine.

State managers were sent suggested allocations to review and confirm, or to raise issues regarding the launch via the state executive conference call. Launch packages and samples were also sent to internal stakeholders at Coles. The launch was supported with full catalogue exposure, press ads and in-store promotional activity during week of launch.

Outcomes

This was Arnott's most successful launch in 2005, and was also Arnott's most challenging to deliver (due to the manufacturing shut down).

Coles market share of Arnott's Tim Tam Dangerous Liaisons was 36.9% for the first four weeks of launch, and 37.9% for the first eight weeks of launch.

100% distribution of the three new SKUs was achieved within three weeks of launch.

Key Learning's

Early supply chain engagement is critical to success for the supplier and the retailer.

Supplier / Retailer collaboration on large launches ensures success to both parties, as well as the consumer.

Strengthen Delisting Focus

The monitoring and management of product delists is generally poor – particularly when compared to new product introduction processes. For many companies, improving their delist focus and capabilities could represent a significant quick win, operationally and financially. While actions taken to enhance the overall NPI process and launch quality should in turn help to reduce the frequency of delists, increased attention is required on monitoring the live portfolio to identify and where possible remedy under-performing SKUs. This process also allows each function to begin to mitigate the likely risks in the event of an eventual market exit. For those products confirmed for exit or delist, the same level of executional excellence required for product introductions is again essential to co-ordinate a smooth removal of product across the entire value chain with minimal customer or financial impact.



Recommendation	Specific Actions
<p>Significantly increase the focus on monitoring and managing product delists</p>	<ul style="list-style-type: none"> · Implement regular portfolio performance reviews to identify and monitor potential product delist risks or planned exits · Establish clear hand-over points for each NPI from project team to line operations · Establish cross-functional project teams to manage stock exits/delists · Build contingency plans and risk mitigation actions into NPI launch plans

Implement regular portfolio performance reviews to identify and monitor potential product delist risks or planned exits – while post-launch performance reviews are prevalent across the industry, the ongoing monitoring of live SKU's is less so. Tracking performance indicators (sales/distribution, profitability, stock levels, stock ageing) across the entire portfolio on a regular basis (e.g. quarterly detailed reviews and monthly reviews of amber or red products) can provide early warning of products potentially at risk. Importantly this can move the Sales, Marketing or Supply Chain functions to implement plans to address the root causes and avoid a delist, but also ensures that additional care is taken when re-ordering or manufacturing stock, or when unique raw materials or packaging are sourced.

Establish clear hand-over points for each NPI from the 'project' team to line operations – new product project teams often monitor the immediate post-launch phase and then disband or shift their focus to the next challenge. But the rules and timing for handing responsibility over to normal operations can lack clarity and consistency. At best this can lead to confusion, but of greater concern is that underperforming products may lack the required attention in the critical first 6-12 months on the market, eventually resulting in failure. Putting in place effective criteria (sales targets, quality levels, profitability targets, minimum time periods) to be satisfied prior to a shift in responsibility maintains the necessary focus, but also places the responsibility for success clearly with the project team and product sponsors. This accountability can also help create a virtuous

improvement cycle as teams strive to address lessons learnt - from execution issues to inaccurate performance targets - on future development projects.

Establish cross-functional project teams with Supply Chain representation to manage stock exits/delists – as with introductions, removing products from the market can be complex and cut across multiple organisational lines. Particularly so for the Supply Chain where planning through procurement need to harmonise activities to minimise cost exposure, but also to align plans with commercial commitments. Major product or range exits may necessitate a single co-ordinator being appointed to provide a central point of contact and integration across the Supply Chain. Cross-functional project teams to manage product exits ensures all impacted parties can understand and closely co-ordinate the required actions to limit consumer, customer, supplier and financial impact.

Build contingency plans and risk mitigation actions into NPI launch plans – as initial demand forecasts can be notoriously difficult to accurately estimate, and performance targets not always met, it follows that plans should be in place to address a range of post launch scenarios. Strategies developed (and where appropriate shared with trading partners) in advance to deal with possible stock availability or quality issues can help limit the risk of extended out-of-stock situations in the critical post-launch period and avoid a product failure. Conversely, plans for quickly dealing with possible overstocks may limit the impact of future price reductions and product obsolescence.

Case Study Nestlé NZ -

Process rigour across the product lifecycle delivers cost benefits

Upon recognition of the lack of rigour in the management of product lifecycles, Nestlé in New Zealand - a Top 5 manufacturer, made significant steps to improve the level of performance visibility throughout the organisation. In particular, product write offs/clearances was seen as an area where there was ample opportunity to minimise costs. The decision was made to view product lifecycle management in four key stages with key actions in each.

1. NPD Reviews

A full review of all major launches with the Management Team and the Demand / Supply Team 13 weeks after invoice date, capturing learnings for future launches

2. Ongoing Performance Reviews

Establishment of Unit / Store / Week hurdle rates for each major category. Products that did not achieve their hurdle rates were placed onto a 'Watch List' and brought to attention in Sales and Operations Planning / forecasting meetings. The formal presentation of products on the 'Watch List' is currently being enforced

3. Identification of Range Review Timings

The timing of range review meetings was historically not a fixed event and securing this information wasn't easy. Continuing work has been done to ensure more timely reviews and better customer alignment

4. Proactive Discontinuation of poor performing lines

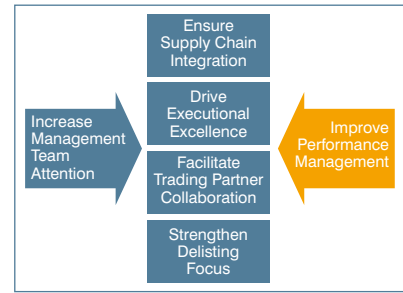
Product lines that were not meeting minimum production run rates and had been placed on the 'Watch List' were proactively managed by all key functional teams, such as Supply Chain, to ensure a successful delist.

These changes, particularly the early identification of poor performing SKUs, have helped Nestlé make more positive and proactive decisions and has resulted in a significant cost decrease across the business.



Improve Performance Management

Finally, maintaining an ongoing business focus and developing a high performance culture requires an effective performance management model. Such a model would deliver a set of measures, processes and accountabilities across an organisation to track, and continually enhance, the execution of new product introductions and delistings. Clarifying the NPID 'scorecard' and targets can enable the necessary focus, and helps align expectations across the organisation with the overall business strategy and priorities. This recommendation also provides the necessary review and feedback loop to check that the other NPID improvement actions are being addressed and delivering benefits.



Recommendation	Specific Actions
Implement a formal NPID performance management model to clarify expectations and drive executional improvement	<ul style="list-style-type: none"> · Ensure NPID metrics are on the appropriate functional & corporate Scorecards · Clarify NPID performance accountabilities and align with personal objectives & incentives · Develop set of Supply Chain NPID metrics



Ensure NPID metrics are on the appropriate functional and corporate scorecards – as with any business activity, ‘if its not being measured then its not being managed’. Team research suggests that to some extent this applies to NPID execution. As a critical lever for growth and profitability, tracking the key performance indicators as new products move through the development and delist cycle should be fundamental. Companies should look to develop a performance culture that demonstrates their level of commitment to successfully implementing new products – and to start driving this culture throughout the organisation by actively tracking (and addressing) the key performance indicators at the overall Corporate level and on the appropriate functional scorecards. As current performance levels are understood, improvement actions and targets can be put in place. Appendix C provides a list of potential NPID process and outcome focused measures for consideration.

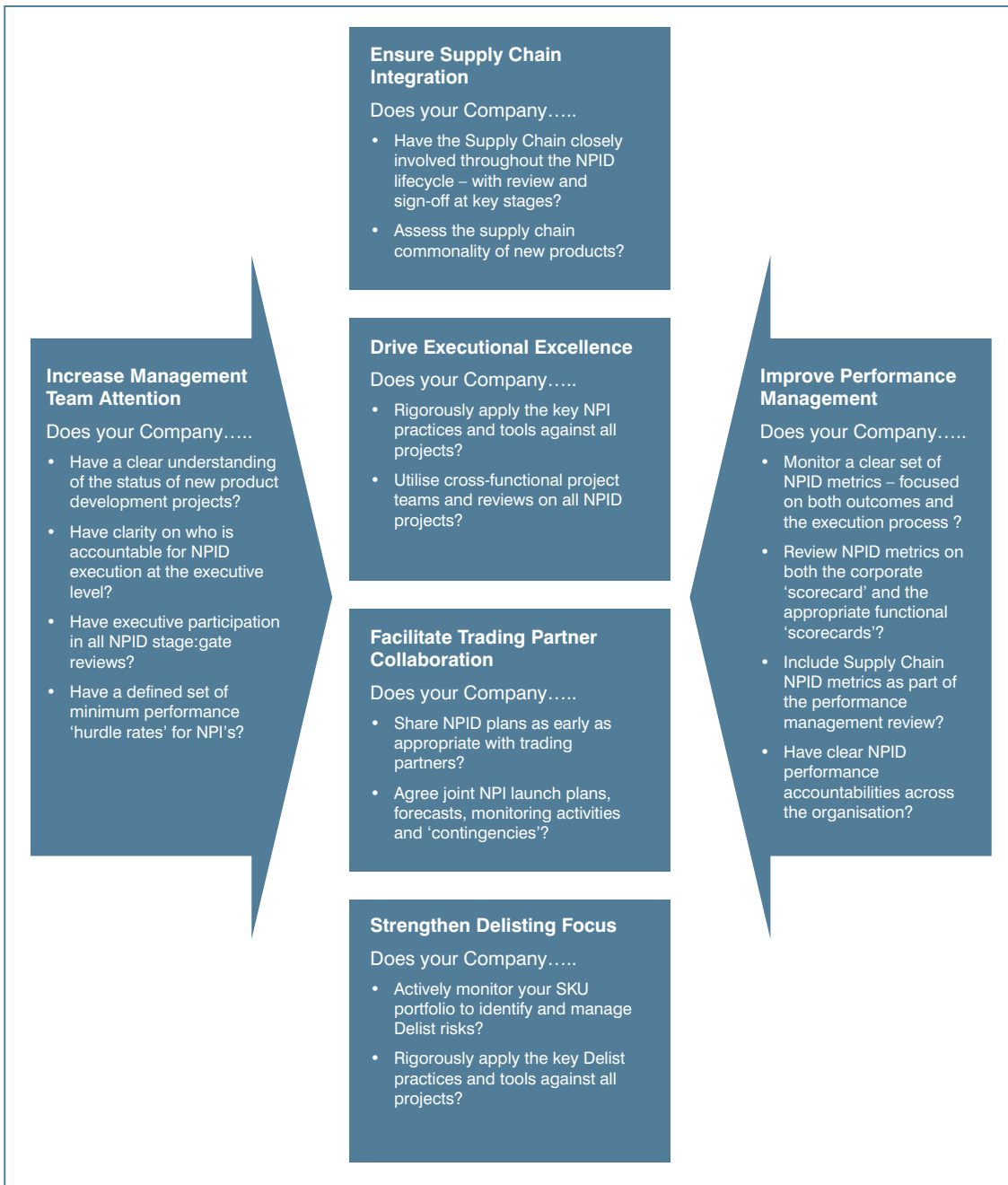
Clarify NPID performance accountabilities and align with personal objectives and incentives – in addition to the need for clear metrics and review processes, accountabilities for delivery need to be clarified across the organisation (in addition to the action raised in

the Improve Management Team Attention section to clarify executive NPID responsibility). A hierarchy of accountabilities and associated performance measures for NPID can clarify delivery responsibilities for what can be a complex cross-functional effort. Aligning personal objectives and rewards systems where appropriate may further clarify expectations and sharpen team focus, and drive a high-performance NPID culture.

Develop a set of Supply Chain NPID metrics – finally, as it is integral to NPID success, the performance management model should be balanced and include Supply Chain operational and financial measures as suggested in Appendix C.

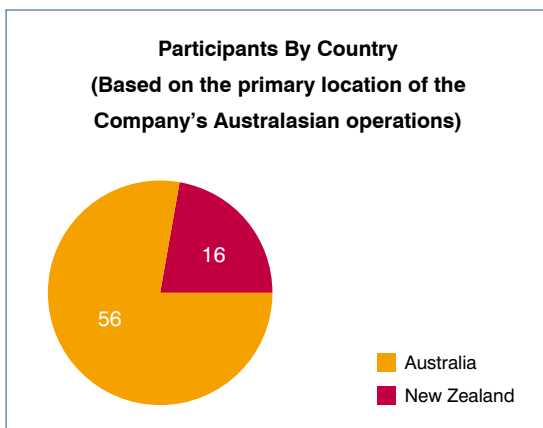
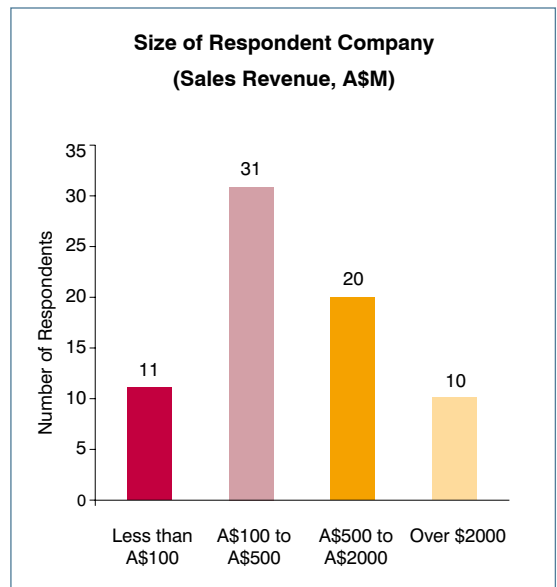
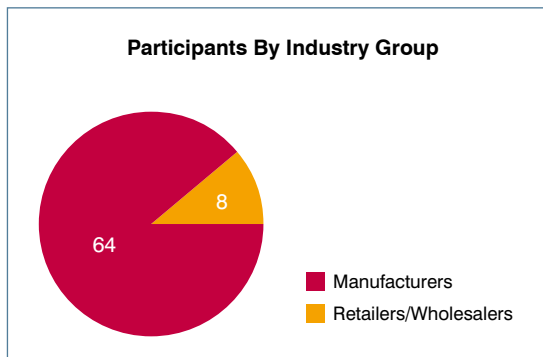
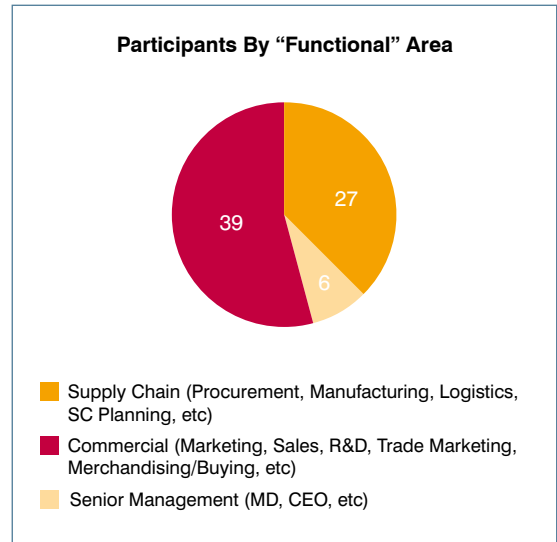
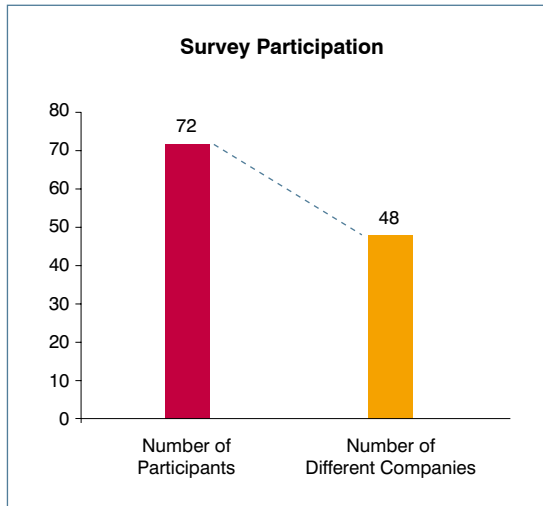
NPID Self-Assessment Tool

Based on the proposed NPID Improvement Framework, the simple Self Assessment Tool below provides a quick approach to evaluate your Company's NPID execution capabilities against identified industry best practices. Each question should be assessed against your Company's current approach - i.e. each question should be preceded by the words 'Does your Company....' - with 'No' answers identifying areas for improvement. Potential actions to address these areas can be found in the corresponding sections within the Recommended Actions section of the document.



Appendix A - Survey Overview

The New Product Introduction and Delisting survey was conducted across Australia and New Zealand from January - March 2006. The response rate was the highest of any ECRA study to date, with 72 respondents representing 48 different companies.



Note that a large number of respondents operated in Australia and New Zealand and their responses referred to both operations.



Appendix B - Sample 'Product Lifecycle Management' Process



Key Activities

- | | | | | | |
|--|--|---|---|--|--|
| <ul style="list-style-type: none"> • Generate new product ideas • Conduct market screening studies • Develop high level sales targets • Assess investment needs and risk profile | <ul style="list-style-type: none"> • Generate product and packaging concepts • Draft product value proposition • Conduct market analysis and concept tests • Evaluate sourcing/ production options including investment needs, capacity assessment • Develop bench samples • Develop business case – broad targets, product and full lifecycle costs | <ul style="list-style-type: none"> • Finalise product specifications • Confirm sourcing/ production approach • Create bill of materials • Procure raw materials • Prepare and conduct factory and transit trials • Conduct consumer and customer tests • Prepare initial launch plans • Create bills of materials • Update business case | <ul style="list-style-type: none"> • Refine launch plans – demand and supply • Build launch stock • Allocate and deliver stock • Conduct launch activities • Monitor demand and stock levels • Update forecasts and production plans • Transfer ownership to 'line' operations | <ul style="list-style-type: none"> • Monitor key product metrics – e.g. sales, distribution, share, profitability, quality • Agree and implement improvement actions | <ul style="list-style-type: none"> • Propose product exit/delist • Understand exit implications – customer and consumer, stock, raw materials • Develop risk mitigation plan • Develop exit plan • Monitor and exit stock |
|--|--|---|---|--|--|

Supply Chain - Areas of Focus

- | | | | | | |
|---|--|--|---|---|--|
| <p>Create awareness- and identify production options and risk</p> | <p>Develop integrated Supply Chain development plans and confirm feasibility</p> | <p>Complete trials, costs – and plan approach, resources and materials for launch period</p> | <p>Execute launch production and distribution plans</p> | <p>Track key Supply Chain performance metrics</p> | <p>Collaborate to mitigate risk and execute product withdrawal</p> |
|---|--|--|---|---|--|

Key Review Criteria

- | Viability 'Gate' | Feasibility 'Gate' | Launch 'Gate' | Post Launch 'Review' |
|---|---|--|--|
| <ul style="list-style-type: none"> • Consumer value proposition • Market attractiveness • Fit with Company strategy • Potential returns • Investment needs • Executional risk | <ul style="list-style-type: none"> • Product feasibility – Commercial, Supply Chain, Financial, Technical • Project plan – Time to Market, Budget • Complexity check • Business case evaluation | <ul style="list-style-type: none"> • Production readiness • Marketing readiness • Sales readiness • Business case evaluation | <ul style="list-style-type: none"> • Production to plan • Distribution and Sales to forecast • Financial results to forecast • Quality results and Customer/Consumer feedback • Competitive actions |



Appendix C - Sample NPID Metrics

The table below provides samples of metrics to monitor NPID performance – both ‘outcome’ focused (centred on the market results of the new product) and importantly, ‘process’ focused indicators for monitoring execution status and compliance throughout the product lifecycle (including delistings). The set of metrics employed should be tailored and balanced in line with a company’s operations, strategy, NPID plans and activity levels to ensure they are fit for purpose – and that they are implemented at the appropriate level within the organisation. A key sub-set of measures should be tracked at the executive scorecard, and supporting metrics aligned with functional or project scorecards.

‘Outcome’ Focused

- % of Sales from NPI
- % of Volume from NPI
- % of Gross Margin from NPI
- Return on Investment
- Time to Profit / Payback
- NPV Assessment
- Sales
- Rate of Sale
- Distribution (and Distribution Grading)
- Market Share
- Gross Margin
- Shelf Position
- % NPI Alignment with ‘Strategic’ Platform
- Customer/Consumer Complaints
- NPI Market Longevity
- Customer Ranging/Acceptance
- Consumer Awareness
- Consumer Acceptance
- Level of Cannibalisation
- Finished Goods Write-Off/Clearance Costs
- % of NPI per Product Type (e.g. Innovation versus Range Extension)
- Delist:NPI Ratio
- Annual NPI Spend

‘Process’ Focused

- NPI Execution ‘Index’ - # ‘Successful’ Launches (Time, Cost and Quality)/#Launches
- Delist Execution Index - # ‘Successful’ Delists (Time, Cost and Quality)/#Delists
- % NPI Delivered on Time
- Time to Market
- % NPI Delivered on Project Budget
- % NPI Delivered on Product Cost Estimate
- Budget Variance
- Time to Market Variance
- % of NPI/R&D Investment
- NPID Process Compliance %
- NPID Review Compliance %
- NPID Review Meeting Attendance %
- NPID Management Team Review Compliance %
- NPID Supply Chain Integration Compliance %
- Time per Lifecycle Phase/Stage
- % NPI by Lifecycle Phase/Stage
- % of Launches/Ideas
- % Go/No-Go Decisions Per Phase/Stage
- # Design Changes Per Phase/Overall Lifecycle
- % NPI Ideas Shared with Trading Partners
- Sourcing Cost Variance
- Manufacturing Cost Variance
- Distribution Cost Variance
- % of NPI per Product Type (e.g. Innovation versus Range Extension)
- Forecast Accuracy
- NPI Case Fill/DIFOT/Customer Service Levels
- NPI Inventory Cover
- Aged Stock Profile (Stock at Risk) – Value, Volume
- # Products ‘At-Risk’ of Delist
- Annual NPID Supply Chain Spend
- NPID Supply Chain Cost Overrun (\$ and %)
- Portfolio Review Meeting Compliance
- % NPID Projects Appropriately Staffed
- Un-Budgeted Supply Chain Costs



