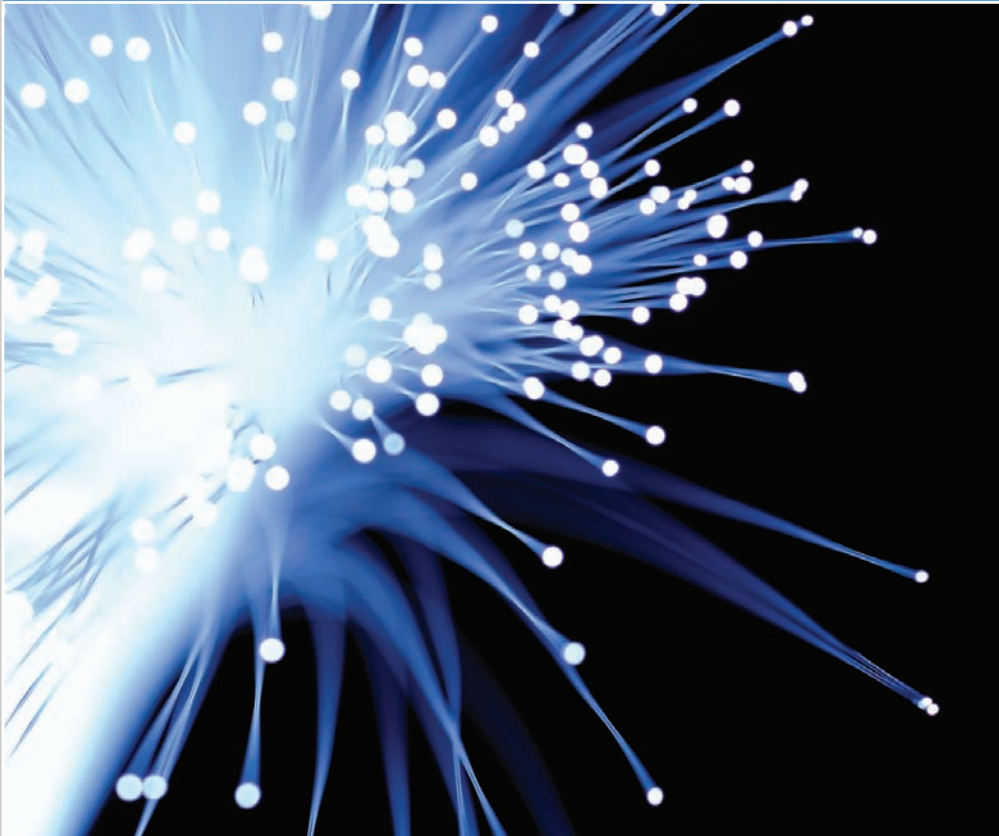


Winning with Intelligent Incremental Innovation



A breakthrough new product is every company's desire — but the reality is that line extensions and product refreshes are CPG's bread and butter. Executing these efficiently and effectively can be the difference between profit and loss in a tough market. Here's how smart companies win the incremental innovation game.

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Intelligent Incremental Innovation: 'BREAD & BUTTER' OF CPG COMPANY SUCCESS

Like new item development, the product refinement process is a cross-functional, complex effort, requiring up to 1,200 interactions and decision points. How well you manage it has a huge impact on your speed to market, shelf share and profitability.

Books and articles continue to be written about breakthrough innovation: how to find the next innovative idea that will propel a brand to reach a higher plateau of success and achieve spectacular growth that leap-frogs the competition. And rightly so . . . a brand must remain relevant, and innovation is the engine to provide the relevance (and growth) that a consumer packaged goods (CPG) manufacturer needs.

Breakthrough innovation brings that fresh idea that zeros in on what delights a consumer and provides that growth and profitability. Perhaps less exciting and not receiving as much press coverage is incremental innovation. Some portion of the company's resources and product portfolio is made up of incremental product introductions versus breakthrough products. It could be a formula tweak, a refreshed packaging scheme, a new size or configuration, or a variant for a new market. But whether breakthrough or incremental, CPG manufacturers are looking to improve the performance of their development process.

Table 1 below shows the findings from a recent Aberdeen Group study of CPG companies and their approach to innovation.

An ever-changing consumer and demands from retailers for new products are the drivers behind the first pressure listed below (demand for new product types). Finding that next breakthrough product that will change the category and propel a brand forward is the primary desire, but the reality is that incremental line extensions and product refreshes also must be executed by the organization. The lowest performing products on a retailer's shelf are at risk of being dropped, and if that SKU belongs to your brand, a new offering needs to be proposed to take its place; the shelf space is far too valuable to lose to a competitor. For a CPG manufacturer, line extensions and retail replacements in markets across the globe typically add up to dozens if not hundreds of incremental products to be developed and delivered, in a window of time that is often only six to nine months.

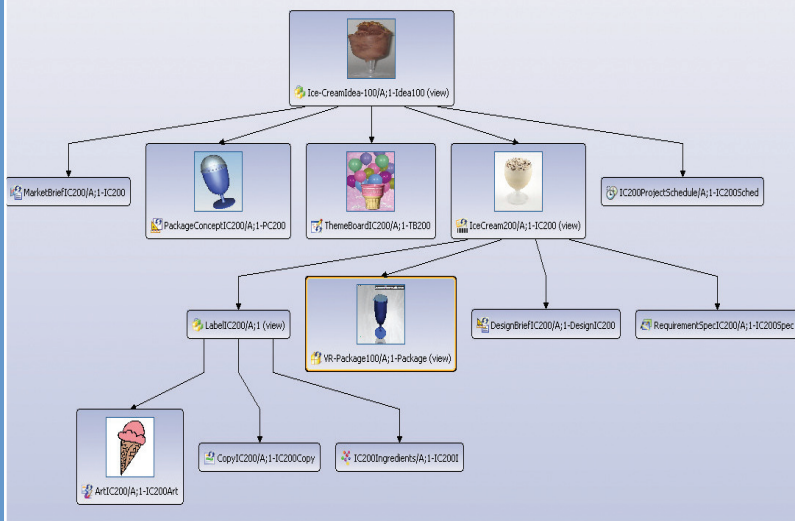
Table 1:
Top Five Pressures Driving CPG Companies to Improve Product Development

Pressures	All Respondents
Demand for new product types	39%
Consumer demand for 'green' or eco-friendly products	33%
Race to be first to market with new product types around the world	23%
Compliance to regulations required for market entry	20%
Seek lower cost supply chains by leveraging local suppliers	20%

Aberdeen Group, October 2008



When ideation, portfolio management, formula management, packaging and artwork management are executed in a PLM environment, better decisions result from a single source of all product data, available globally to everyone touching the new product development process.



A product has many different information elements associated with it — approved legal claims, artwork files, CAD drawings, regulatory statements and symbols, the ingredient listing, test results, market research results, raw material purchasing quotes, and quality control plans, to name a few. Having these elements managed in relationship with one another takes what is usually a stack of different data from different sources and turns it into a meaningful set of data about that product. The relational browser of Siemens PLM shown here is a visual representation of all the various elements, created by various cross functional team members associated with a new product.

Incremental innovation, just like breakthrough innovation, needs to be managed in a strategic fashion. The risk is that the organization attempts to execute too many line extensions, including many that do no more than cannibalize existing product. The management of a brand or product portfolio is a crucial task, and takes on even more importance in a volatile, uncertain economy.

PLM (product lifecycle management) software is the platform for managing innovation and for making better strategic choices. End-to-end management of the new product development process, from idea through delivery to the shelf, is a process where time is often wasted and value is often lost. A process managed by a PLM platform increases the chances that the most promising ideas are carried through the product development process, and executed on budget and on time.

When ideation, portfolio management, specifications management, packaging and artwork management are executed in a PLM environment, better decisions result from a single source of all product data, available globally to everyone touching the new product development process.

More importantly, with Siemens PLM software, the relationship of various product data, in its many different forms, created by many cross-functional areas of the organization, is accurately captured, accessible globally, and is the single source of all things related to the product. This accuracy and accessibility increases speed to market and is essential for successful incremental innovation. ■



New Product Development: A Complex Process



The new product development process is a **cross-functional, complex effort**. A team of people meet as often as weekly to exchange information, and coordinate the development. There are hundreds of decision points in a new product development process, up to 1,200 interactions and decision points.

"What is playing out in the processed goods industry is very similar to other recent trends in product development in other industries. Many key assessments of the product, such as

costing and regulatory compliance are often delayed because of rapid changes. Increasingly, development organizations realize that the importance of these assessments is finding the means to perform them in a way that is associative with formulas as they change. It's a subtle but absolutely critical ability that affects the top and bottom lines of the business." ■

PLM Solutions for the CPG Industry: The Impact of Formula Management and Specification Management, October 2008, Chad Jackson, Aberdeen Group



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