Global New Product Introduction

NPI Workshop
Munich
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NPI Process Rationale

➢ **Why does R&S need to improve our New Product Introduction (NPI) <u>process</u>?**

- ❖ Lower the risks associated with the introduction of new products
- ❖ Decrease product launch cycle time to better synchronize global introductions
- ❖ Ensure alignment of new products with company's objectives
- ❖ Apply proper focus of resources at the local level
- ❖ Maintain a strong competitive advantage in each of our markets
- ❖ Create sales velocity for our new products that maximizes profitability
- ❖ Meet the evolving needs of our customers
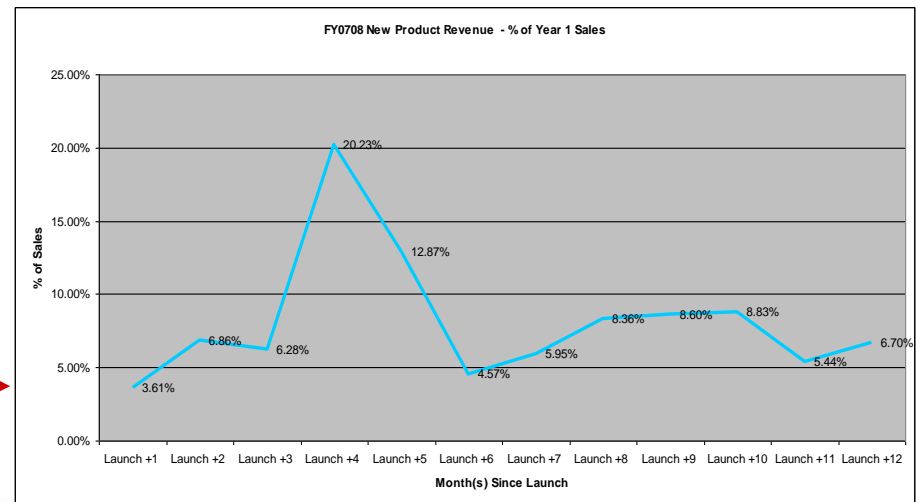
➢ **Coordination and Speed are key**

- ❖ We must set the pace in our industry for new product /feature introduction and improvement to meet competitive challenges
- ❖ This requires focused, decision-oriented, empowered, and accountable teams driven by Sales needs and coordinated by Product Marketing
- ❖ Building Sales Momentum or Market Velocity for new products requires a great deal of coordination and a quickness in getting our message out
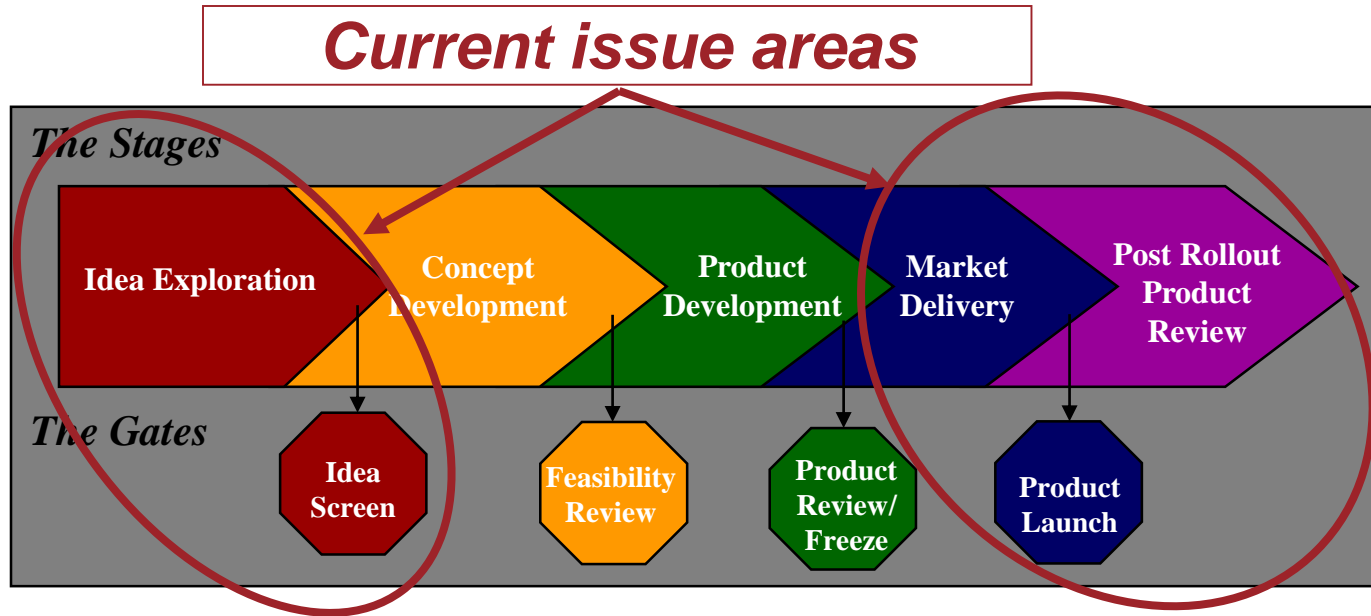
Product Launch Purpose – Build Momentum

> **Over time, a post-launch revenue curve should show growth**
>
> ❖ Product diffusion into our markets relies on large-scale adoption beyond the "early adopters"
>
> ❖ Target sales velocity curve should look like this:

Innovators — Early Adopters — Early Majority — Late Majority — Laggards
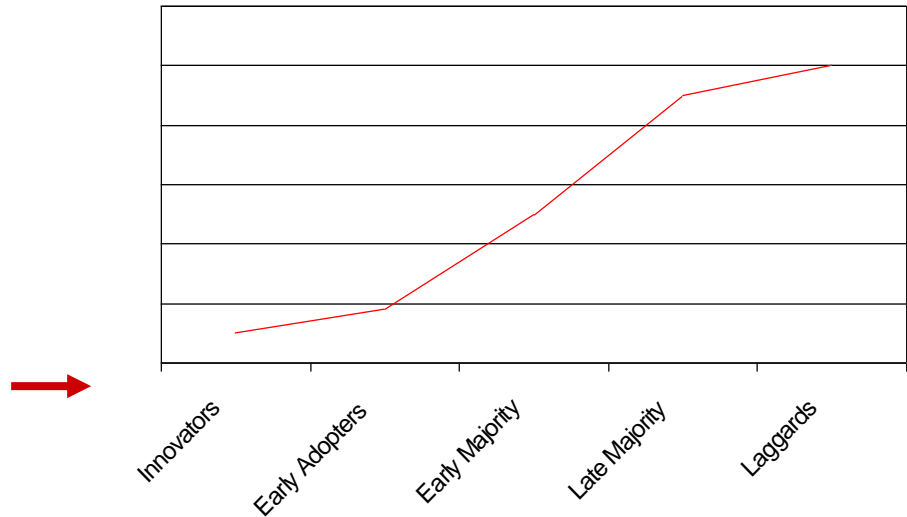
> **Most weak product launches show high initial sales volume and then a dramatic drop**
>
> ❖ This results from Sales selling to those prospects who need the least effort to understand the product
>
> ❖ It is often a result of lack of coordination in handoff between Development, Marketing and Sales
>
> ❖ Based on RSA data we fit this exactly

FY0708 New Product Revenue - % of Year 1 Sales

Launch +1: 3.61%, Launch +2: 6.86%, Launch +3: 6.28%, Launch +4: 20.23%, Launch +5: 12.87%, Launch +6: 4.57%, Launch +7: 5.95%, Launch +8: 8.36%, Launch +9: 8.60%, Launch +10: 8.83%, Launch +11: 5.44%, Launch +12: 6.70%

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"Textbook" Stage-Gate NPDP

Current issue areas

The Stages

| Idea Exploration | Concept Development | Product Development | Market Delivery | Post Rollout Product Review |

The Gates

- Idea Screen
- Feasibility Review
- Product Review/Freeze
- Product Launch

- ➢ Under this model the front-end idea exploration involves Sales and Marketing in a closed-loop process for developing product or feature requirements
- ➢ Further development of the concepts and the products themselves are primarily an R&D function
- ➢ R&S does the Product Development pieces of this very well
- ➢ Market Delivery stages insure alignment of the message and the hand-offs from R&D to Marketing to Sales

Keys to Successful Product Launch

- **Match product capabilities to a market need**
  - ❖ Input from Sales with regional/HQ PM team tracking – closed-loop process required
  - ❖ Customers need to see themselves in our story – depends on marketing message
- **Effectively set the positioning of the product**
  - ❖ Confused buyers do not buy
- **Set clear launch Goals and Objectives**
  - ❖ # of units, revenue, specific customer penetration, etc. – determined cross-functionally with Development, PM, and Sales/Sales subsidiaries
  - ❖ Report on progress
- **Identify resistance to selling**
  - ❖ Sales may show resistance if significant change must occur or if they do not understand the marketing plans
- **Create some leverage in the market**
  - ❖ Inform sales teams as early as possible
  - ❖ Channel partners need to be informed ahead of launch
  - ❖ Industry analysts and the press
- **Product Management determines go-to-market strategy and Marcom executes**

Current Situation

- **Communication <u>before</u> the product development process is lacking**
  - Product requirements are delivered "over-the-wall" rather than through bi-lateral communication
  - Sales and Marketing need to direct R&D but we need to provide good data
  - Fixing this is a longer-term objective of the process (let's call it "Stage 2")
- **Though some inter-departmental coordination takes place on <u>market delivery</u> there are still problems getting all regional teams aligned**
  - We must improve our coordination of the defined market introduction process <u>from Type Approval 2 through launch</u>
  - There are currently multiple processes running in parallel in Div1/7, Div9, Div5, etc. that we can integrate to improve our market delivery
  - A key factor in this is empowering the sales organizations (including those with local marketing) to own this part of the process and drive project activities with guidance from Munich
- **As a result Sales indicates they are not satisfied with our product launches and we are not developing the necessary momentum that is required to realize new revenue streams**

Sales Regions   R & D/PM   Marketing
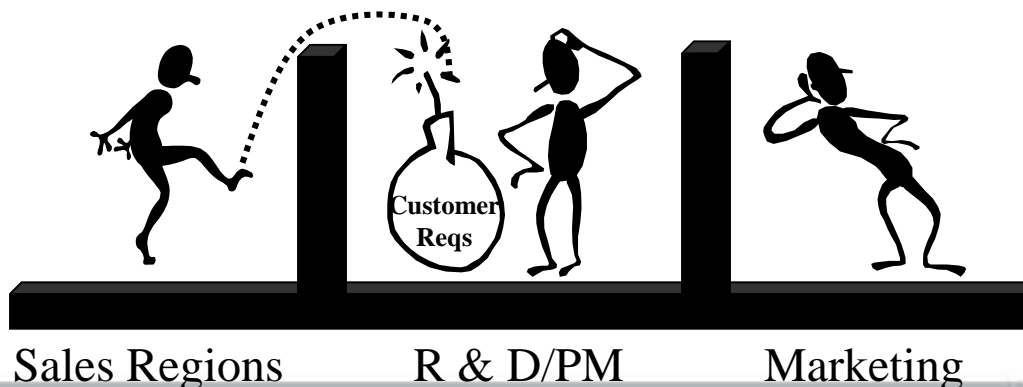
Current NPI Process

➢ Product launch has been viewed as an <u>event</u>, not a <u>process</u>

➢ We treat launch simply as the end of the development process with no official hand-off from Development to Marketing to Sales

➢ Marketing's responsibility today is to work through a list of deliverables – not plan a full launch program

Div 1 NPI as defined by 1MA ➡

Early Info to International Sales	International Sales Budget Planning	Market Introduction Planning	Key Customer Visits	Customer Visits	Feedback & Success Monitoring
				Marcom Preparation	Marcom Implementation

Subsidiaries' Focus Areas ➡

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Where Do We Start to Improve?

➢ **Agree on the things we want to fix**

  ❖ We don't have a standard R&D to Marketing to Sales information flow

  ❖ Lack of involvement of Sales and Marketing in defining product requirements

  ❖ A comprehensive launch plan for all new products

  ❖ Setting goals and objectives to measure product launches

➢ **Build a set of communication flows and process controls to ensure**

  ❖ … a shared vision of how we do things

  ❖ … consistent criteria for decision making and project prioritization

  ❖ … accountability from all departments

  ❖ … tangible metrics for success

➢ **Eliminate the internal barriers that traditionally have led to problems in communication**

  ❖ We need to balance the need for secrecy with the need to prepare ourselves better

➢ **Stage 2: Bring regional sales teams and product teams together on a process of idea exploration for identifying new product opportunities**

  ❖ Make more educated decisions based on global market intelligence with all subsidiaries acting in concert

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Ideas for R&S Marketing

➢ **PM and Marcom need to focus more on helping the sales team understand the market and the buying cycle for new products and not just complete a list of deliverables**
- ❖ Important axiom: Sales Support is helping one salesperson close one deal but Marketing is helping an entire sales channel close deals with a large group of buyers.

➢ **Sales velocity cannot be achieved if the product does not meet a market need**
- ❖ Our R&D teams are pulled in many directions but often don't get the solid market intelligence that they need from us
- ❖ Market-driven product development is key - but it is our responsibility to provide concrete market, competitive and buyer data that can help R&D prioritize

➢ **We need to work together to make product launches a process that starts well in advance of final development**
- ❖ Learn about customers, develop positioning, understand market needs (- 120 days)
- ❖ Understand the effect on the Sales team to recognize where resistance to sell may occur (- 120 days)
- ❖ Develop awareness programs – products will not sell themselves, our sales people need to know about them (- 90 days)
- ❖ Develop sales tools that fit the buying cycle for the product (- 90 days)
- ❖ Create and conduct Sales Readiness training (- 60 to - 30 days)
- ❖ Determine post launch measures and implement them (- 30 to + 365 days)

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NPI Task Force Formation

➢ **Objective**

  ❖ Create a global Marketing and Sales partnership to facilitate revenune growth from new products

  ❖ Represent the sales subsidiaries in the NPI process

  ❖ Share market information across regions and coordinate requirements

  ❖ Objectively evaluate product decisions

  ❖ As a global sales team we should focus on generating ideas and carrying out market introductions – product decisions and development remain with the product divisions

➢ **Team coordination**

  ❖ Div5 to own and manage the team (Schmitz/ Paul)

  ❖ Regional task force with NA, LA, Europe and Asia representatives from sales and/or marketing

  ❖ Product divisions and HQ marketing/PM teams should be represented in order to standardize throughout the company

  ❖ RSA model of PM within a sales subsidiary provides unique expertise to bridge both the front and back ends of the NPI – our tools should be ported and adapted for global implementation as applicable

  ❖ Only working together will we gain the acceptance that is needed to affect change in the global NPI

Database Demonstration

> **Lotus Notes NPI DB**

Inputs

> Market Introduction Meetings
> Sales Circulars
> Service Documentation

Process Areas

> Price setting and forecast
> Marcomm planning
> Documentation

Mktg Outputs
Sales Outputs
Svc Outputs

> Advertising and press
> Collateral materials

> Training
> Pricing/Ordering
> MSRs
> Demo
> Channel support

> Svc center capable
> Service options/pricing
> Loaner units

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RSA's NPI Today

➢ **Successes**

❖ PM Team has worked with IT to re-launch a process that works the way we do

❖ Total cycle time has been reduced significantly

❖ Recent introductions such as SMB, CMW270 and FSG have (for the most part) worked the way we want them to and have had marketing campaigns

❖ Some in Munich have agreed to a marketing/sales input process to product development – but we have not taken any action to date

➢ **Barriers**

❖ There is a communication gap between sub-divisions, 1MA, Div9 and subsidiaries

  - A common system could aid in pricing differences, customer information, etc.

❖ Over-conservatism with information sharing has caused some delays with things like demos, pricing, etc.

❖ There is no real process for the marketing part of the introduction

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