

# Does Better NPD Strategy Need Better Stages and Gates?

Dr Trevor Davis, IBM  
Consumer Products Expert



## Key topics



**Strategic alignment is key to business success - how do companies keep NPD aligned to imperatives?**



**Stage and gate portfolio management is ubiquitous in Food and Drink companies – do they always deliver the best outcome?**



**The way that gate meetings are managed is crucial to speed and to quality of product development - what are the lessons ?**



**How much influence on success do hard metrics and criteria really have?**

# NPD thinking and metrics have changed



70s

Budget



£



80s

Project



Profit

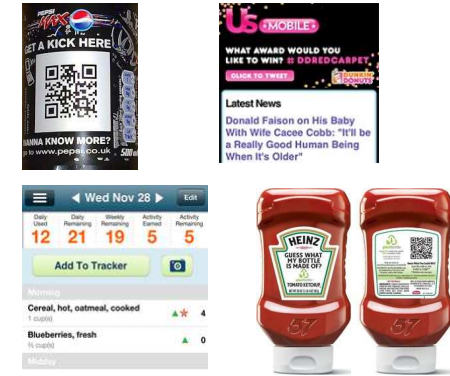


90s

Portfolio  
Gates



ROI



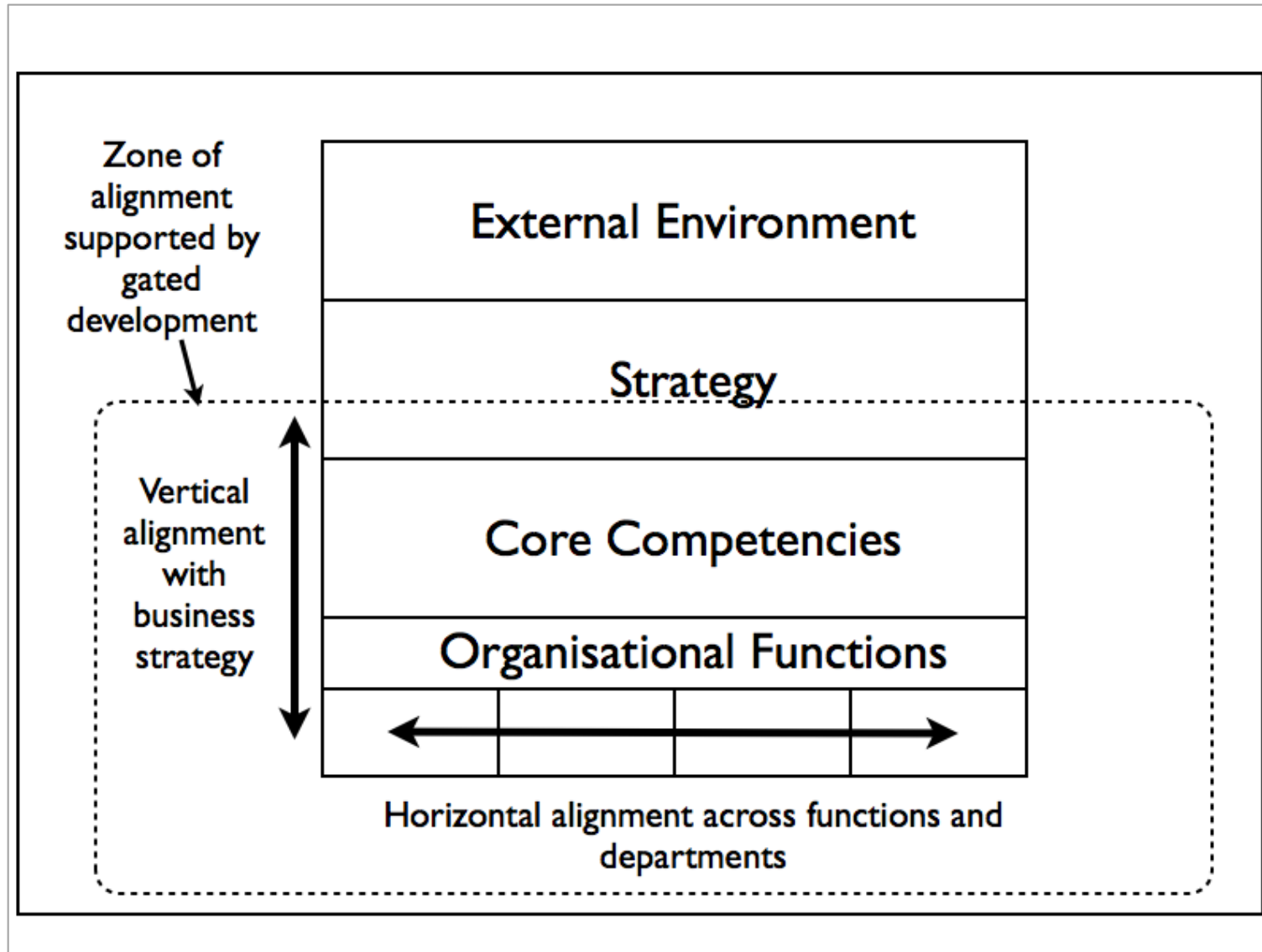
00s

BMI  
Open  
Reverse  
Crowd  
Frugal

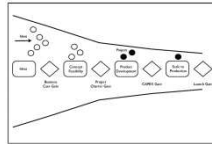


Value

**(Stages and) gates help with strategic alignment....**



## ...and a good practice set of KPIs exist for decision-makers



### Process Performance Measures

- Number of ideas in funnel
- Cycle times – To market & by stage
- Proportion of external involvement
- On-time / on-budget launch
- Time-to-profitability
- New product/service development spending by phase



### KPIs

- Portfolio payback measures
  - Profit contribution #1
  - Return on Investment
  - Margin
- Revenue due to new products/services released in past year
- Project measures
  - Investment (CAPEX, OPEX)
  - discounted cash flow (IRR, NPV)
  - break even point
  - Incremental NPS
  - Cannibalisation

...but two questions bother me



Do the metrics produce 'good' gate decisions?



Will the current good practices hold true?

## Current gate-keeping practices may not be future proof

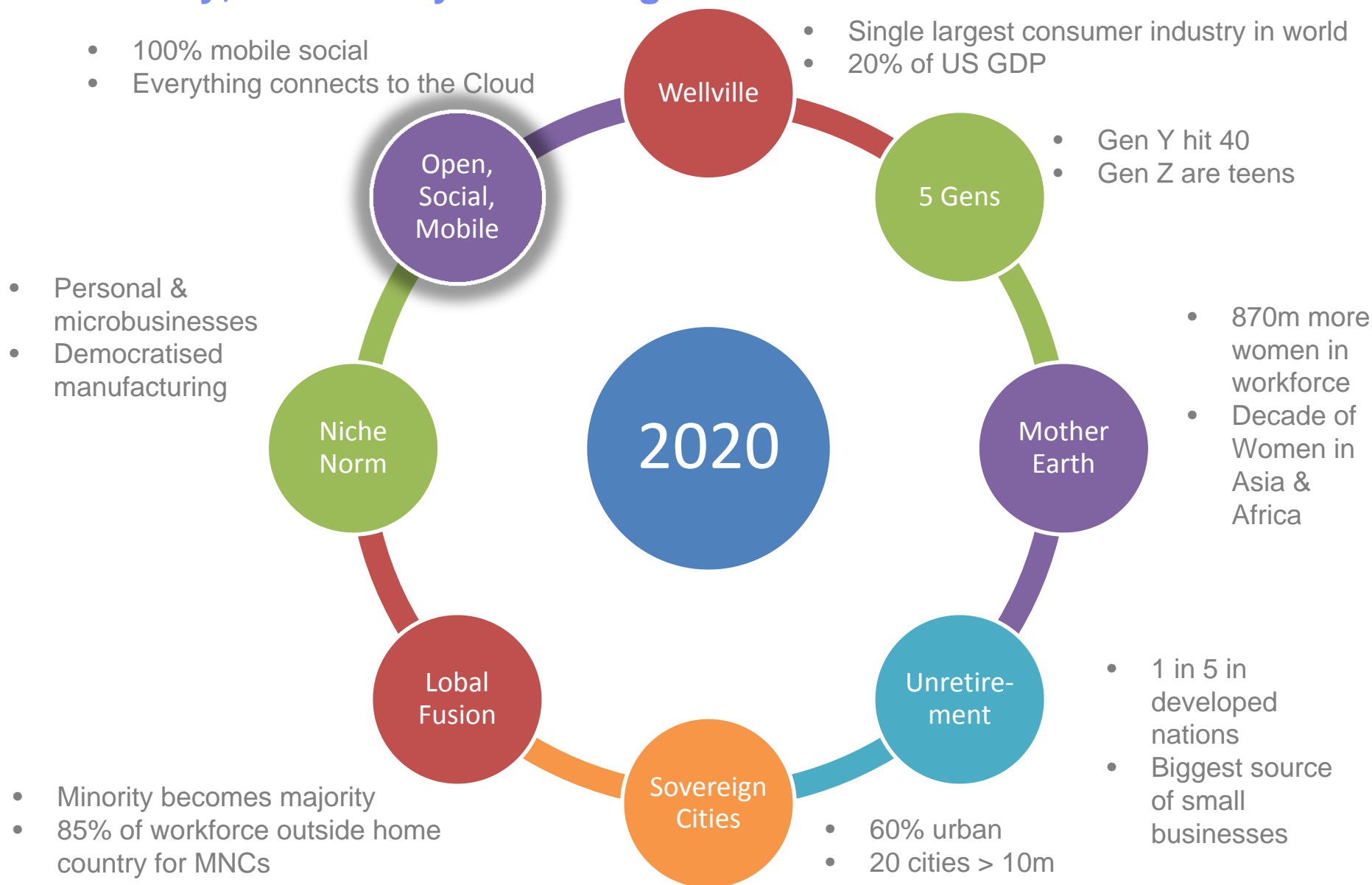


- Brings rationality and transparency to incremental NPD
- Perhaps only 50-60% of projects truly go through the gates
- Reduces information asymmetry and knowledge silos without systems
- There is a subtle sway factor at work in informal stakeholder networks that mitigates transparency



- Loudest voice wins in many cases, irrespective of the facts
- There is a loose-tight tension for higher novelty NPD that can stifle disruptive innovation
- Tendency to kill white space and business model innovation too early

## Volatility, uncertainty and change ahead for food and drink

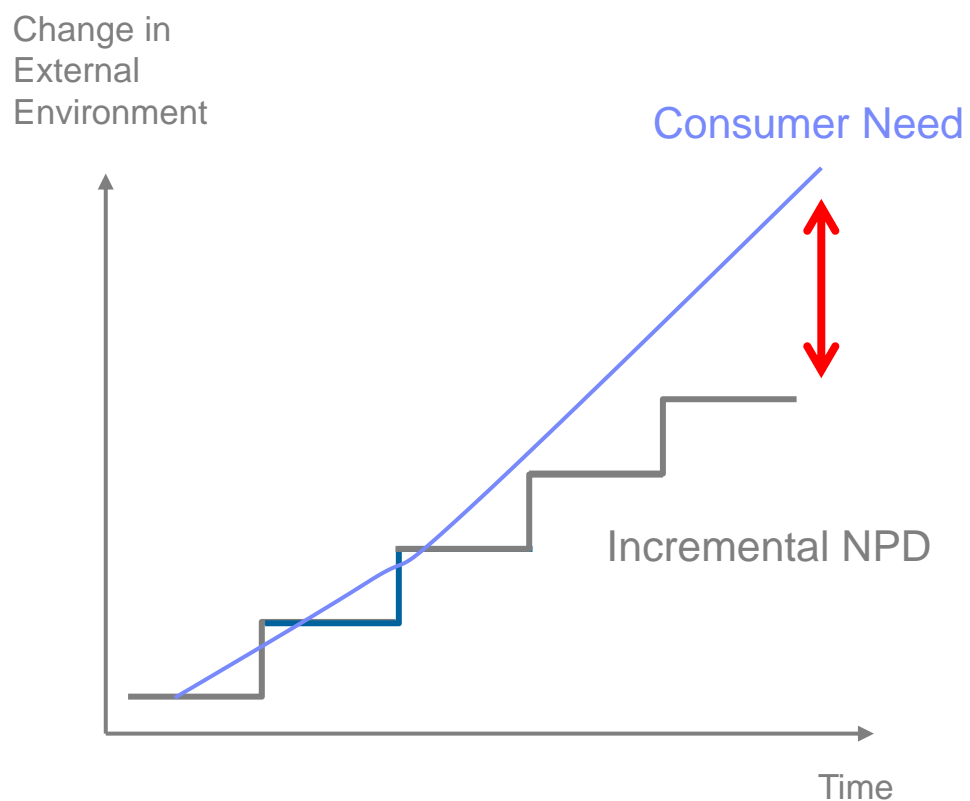


Source: Davis, IBM, 2013



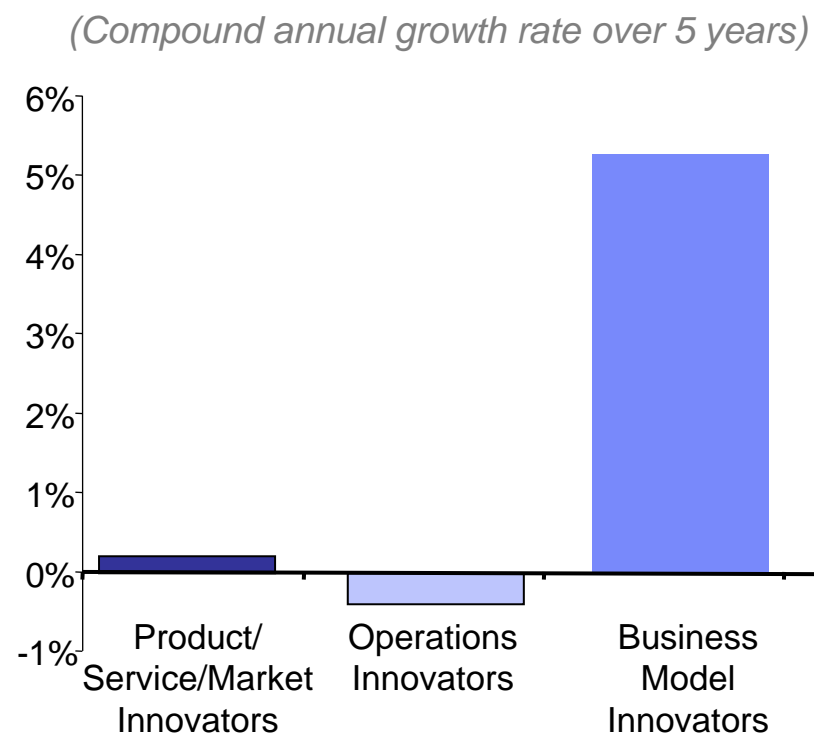
## During VUC the risk of misalignment is high – disruptive innovation & business model innovation become important

Strategic Misalignment Between NPD Efforts and Market Conditions



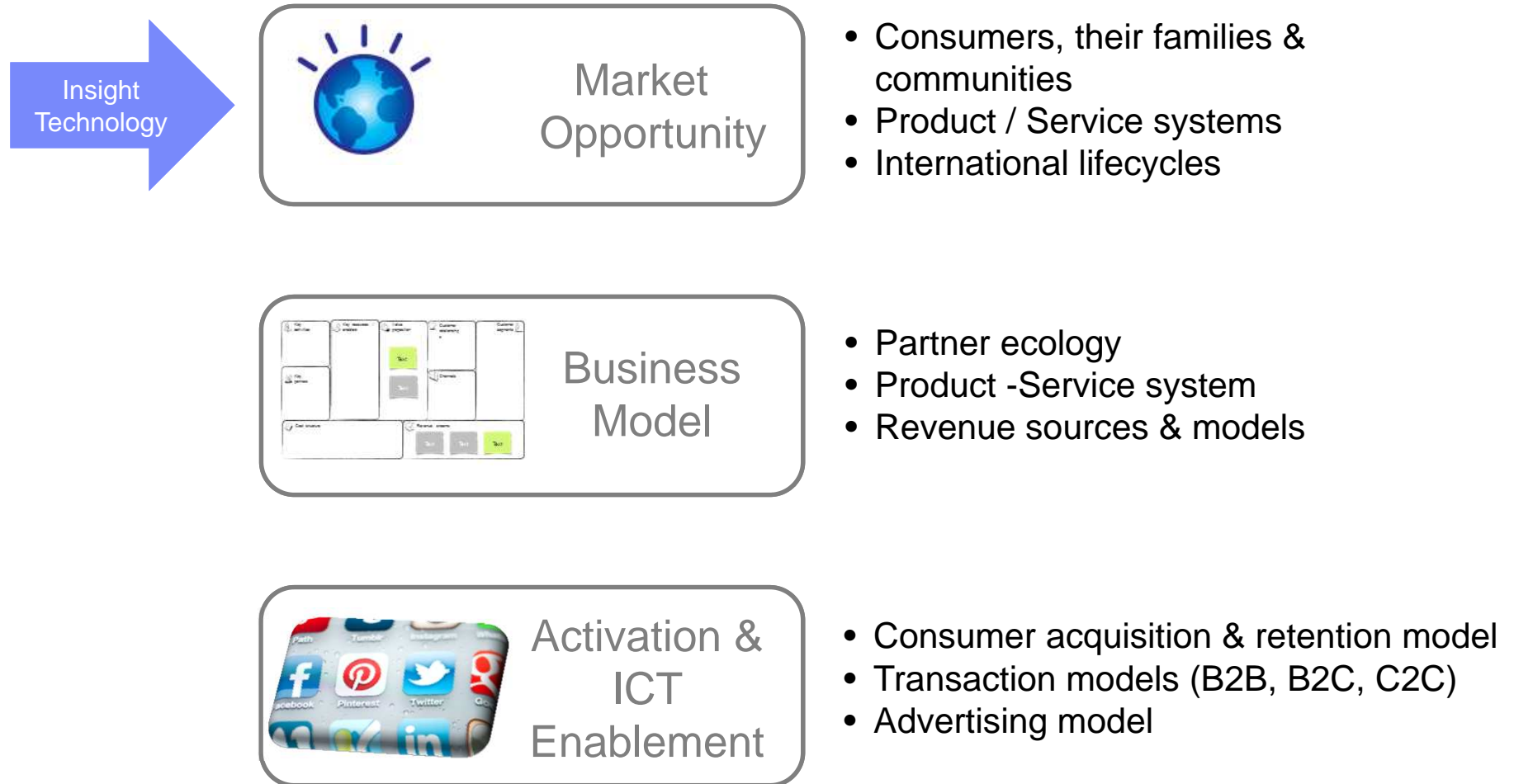
Source: IBM Study: Seizing the Advantage: When and How to Innovate Your Business Model

Operating Margin Growth in Excess of Peers



Source: IBM CEO Study: Expanding the Innovation Horizon

# The food and drink industry is new to business model innovation



## “Open, social, mobile” – a fresh look at gates and metrics

- Innovation process metrics are often “simple lies” – time to stop fooling ourselves

- Business process accounts for 25% of NPD activity at best
- Social collaboration and knowledge exchange account for the rest



- Macro-forces will increasingly favour product-service systems for food and drink (and most everything else in consumer products)
  - Requires disruption and business model innovation
  - Need ICT at the core of NPD thinking

### Sample Metrics

- Efficiency of knowledge utilisation
- Project / idea followers, likes, pins, ratings, votes
- Participation in challenges and competitions (consumer partners & employee)
- Searches
- # of geniuses and their followers (consumer, partner & employee)
- IP value generated / re-used

### Sample Metrics

- Profit by revenue stream
- Cost by dimension of innovation
- Net promoters / rejecters
- Consumer value captured
- Monetization of market offer
- Stakeholder engagement
- Brand reputation and sentiment
- Consumer reviews and ratings

[Scopri il progetto](#)
[Proponi la tua idea](#)
[Vota le idee degli altri](#)
[Guarda le idee in valutazione](#)
[Leggi il Blog](#)

Connetti il tuo account con Facebook

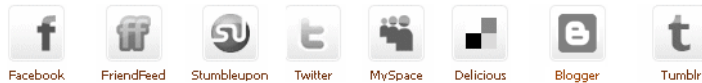
**Le idee da votare**  
 Nel Mulino che Vorrei...  
 Si è concluso il Sondaggio sui prodotti della nuova serata...

**ci sono: 2.182 idee**  
 Aggiornato al 01/09/10

**ci sono: 18.631 voti alle idee**  
 Aggiornato al 01/09/10



Condividi questa idea



[Create a Chocolate Bar](#)
[Recommended Creations](#)
[chocri gift Certificates](#)
[chocri in Bulk](#)
[More Info](#)

Donations: \$54667.93 | 0 Items | \$0.00

**Design Your Own Chocolate Bar!**  
 Pick your base and favorite toppings  
 Give your bar a personalized name  
 Enjoy organic, fair-trade chocolate from Belgium delivered to your doorstep.

[Start creating](#)

**chocri in the media**  
 TechCrunch, The New York Times, GLAMOUR, DAILY CANDY, COSMOPOLITAN, MAXIM, GQ, Esquire, TODAY InStyle

**Favorite Chocolate Bars**  
 Recommended chocri Creations

**Knorr**  
 Mario & KNORR  
 Mario Pierre White has used KNORR products in his restaurant kitchens in the U.K. for more than 30 years.

For over 100 years  
 KNORR Rich Brown Gravy

Product | Recipes | More | Competitors

**mymuesli** custom-mixed cereals

[MUESLI](#)
[MIX](#)
[BLOG](#)
[FAQ](#)
[ABOUT](#)

**MINGLE YOUR FAVOURITE MUESLI**  
 You mix it, we ship it. It's all organic and delivered right to your door. Choose from over 80 ingredients! Give it a try...

**MIX YOUR FAVOURITE MUESLI ...**  
 566 quadrillion possible muesli variations, all organic

**566 QUADRILLION MUESLIS. WHICH IS YOURS?**  
 "... marvelous ..." [treehugger](#)  
 "... dream muesli ..." [the guardian](#)  
 "... muesli has joined the internet revolution ..." [Telegraph.co.uk](#)  
 "... anything is possible ..." [TIMES ONLINE](#)

[mix your own ...](#)
[have a go](#)

**FINEST ORGANIC QUALITY**  
 For your muesli we use only the best organic ingredients. No additives what so ever. Pure taste every spoon.

**PRESS & AWARDS**  
 what others say about us

**HEALTHY PRESENTS**  
 Gifts & vouchers

**80 ORGANIC INGREDIENTS**  
 See all muesli ingredients

# Does Better NPD Strategy Need Better Stages and Gates?

For more information contact [trevor.davis@uk.ibm.com](mailto:trevor.davis@uk.ibm.com)

