CPG Innovation & Growth: 
*Developing The Right Innovation & Product Lifecycle Management (PLM) Strategies for Today and Tomorrow*
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The weak global economic environment is wreaking havoc upon many companies’ bottom lines, and consumer packaged goods (CPG) companies are no exception. Consumers have adjusted their free-spending ways very quickly, so much so that item price is now the most important buying criteria for 87 percent of consumers. The new austerity has ushered in a host of new consuming behaviors, from changing eating rituals and adoption of new value-focused diets to making more use of private label goods. Another challenge: consumers are less likely to try new products, with recent research revealing that 75 percent of consumers are choosing five or fewer new, entirely unique items for their households.

All in all, it is a lot tougher to break through to and engage the consumer, despite the continued proliferation of products and investment in innovation. Under such conditions, it is equally difficult for CPG companies to meet performance goals. Consequently, many companies need strategies, processes and capabilities that can accomplish two things: deliver products enticing enough to have consumers open their pocketbooks, and produce and distribute them efficiently to reduce company operating costs.

Given these dual goals, the Grocery Manufacturers Association (GMA) determined that the time was right to investigate what CPG companies are doing in the product lifecycle management (PLM) area, because it can both contribute to growth and cost reduction. Our research with 45 respondents from 20 companies in surveys and interviews covered a wide range of topics and processes that span the entire lifecycle, which for the purpose of this study was defined as spanning five lifecycle stages, from ideation to end-of-life.
Our hypothesis, based upon discussions with retailers and manufacturers, was that much is changing in how companies use PLM and tools related to it. Yet, neither the reasons for this experimentation with tools and processes, nor its market outcomes, were documented well.

The participants were also drawn from a range of functions and specialties, reflecting the many areas that can influence product strategies and the product lifecycle.

Further, key capabilities that are inherently part of the product lifecycle— but often thought of as outside the traditional boundaries of PLM—were explored. These include:

- Consumer, Customer, Shopper Insights—how insights are derived from information and how they are shared and incorporated to increase product success
- Innovation—what companies are doing to ensure more success with new products, from idea sources to innovation processes and metrics
- Collaboration and Governance—how cross-functional collaboration is being used and what value it may have, and if the traditional stage-gate process, which is designed to analyze a product idea, test it and, if worthy, launch it in the marketplace, is effective
- Portfolio Optimization—how companies measure and maintain the success of the portfolio of products in market post launch and whether they have processes in place to identify and eliminate underperforming SKUs
- IT Systems and Data—where CIOs are making IT investments and whether they enhance PLM
Our research into managing product lifecycles yielded a number of insights, clarified what steps companies can take to maximize the returns on PLM investments and raised some interesting questions. Key findings:

- All five capabilities are part of building effective PLM processes and all can help increase revenue and control costs.
- Leading CPG companies—those that efficiently develop and deliver goods consumers want, and identify those that are no longer necessary—succeed in part because they integrate these capabilities better and continuously across the lifecycle.
- The definition and use of these capabilities, and PLM itself, differ greatly from company to company. Many companies equate PLM with activities related to the stage-gate process or point solutions that address discrete operational issues, which is shortsighted.
- The myriad of tools and processes available to enable all stages of PLM are not leveraged to their best advantage, making it less likely that the right product is in the right place at the right time for the right period of time.

While PLM is an effective capability to reach performance goals, firing on all PLM cylinders remains challenging, especially for consumer companies contending with fewer resources to invest. The good news: leading companies have shown that seizing the right opportunities to refine PLM strategies and capabilities will result in winning products, produced and delivered cost effectively. This report will discuss current and leading PLM practices and capabilities and provide a short action plan of PLM refinements that have proven to significantly impact product success.

**Conventional Scope of PLM may Limit Product Performance**

If you ask a dozen product managers at CPG companies to define PLM, you may end up with a dozen different explanations. And, therein, lies one of the problems. While more than one-third (36 percent) of respondents to our survey state that they have a holistic PLM strategy, most survey respondents do not, leading to the conclusion that the scope of PLM is something of a moving target.

### Innovation is Critical Stage of PLM

#### Which of the following statements apply to your company's approach to innovation?

<table>
<thead>
<tr>
<th>Statement</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Our innovation strategy varies by category</td>
<td>82%</td>
</tr>
<tr>
<td>We are typically fast followers with most new products</td>
<td>41%</td>
</tr>
<tr>
<td>We have an effective, holistic approach to new product development and introduction (from innovation through end-of-life)</td>
<td>36%</td>
</tr>
<tr>
<td>Our organization has a well-defined innovation strategy</td>
<td>34%</td>
</tr>
<tr>
<td>We effectively seek breakthrough innovation opportunities</td>
<td>32%</td>
</tr>
<tr>
<td>We are typically first to market with most innovations/new products</td>
<td>23%</td>
</tr>
<tr>
<td>We have an effective process for capturing ideas from outside our company</td>
<td>14%</td>
</tr>
<tr>
<td>None of the above statements apply</td>
<td>2%</td>
</tr>
</tbody>
</table>
To be sure, the 2009 version of PLM is, or at least can be, very different from that of a decade ago in large part due to advances in some of the key capabilities explored here, including innovation processes, technology and analytics. The pace at which companies adopt and apply these new tools differs markedly. For example, our research showed that:

- The traditional approach to PLM is alive and well—that is, an approach that emphasizes and invests in R&D, stage-gate, and product launch activities. In fact, 90 percent of CPG companies surveyed believe they are great at launching products; but questions remain as to a) whether they do so as efficiently as possible, and b) if they can extend that success to post-launch stages of the lifecycle.

- Companies are making use of significant amounts of consumer and shopper insight and analytics to guide the first stages of a product’s lifecycle through launch performance. An overwhelming 86 percent thought using insights in the innovation stage was very important, while fewer than half (40 percent) thought it was very important in the commercial portfolio optimization stage.

- Because of the intense focus on upfront launch activities, companies are not giving the same attention to issues that pop up in later lifecycle stages, such as SKU proliferation and the resulting organizational complexity it can create. A sizable cohort—40 percent of companies—revealed that they do not have a rigorous process for eliminating underperforming products and rationalizing their product portfolio, and only 17 percent thought they were very effective.

- Cross-functional collaboration across the stages is occurring, with R&D and marketing functions working closely to develop products; however, more than one-third of respondents say their organizations’ culture does not encourage open collaboration across the entire enterprise.
There is an opportunity to better understand and exploit the lifecycle of products to maximize incremental revenue to the portfolio, incremental contribution to margin, and minimize cost to serve. For example, more than one-quarter of respondents questioned whether they could effectively adjust and optimize their portfolio based upon cost-to-serve retail channels.

Companies leverage IT extensively and anticipate more investment in technology as budgets warrant. The planned IT investments, aimed primarily at tools and capabilities, are used mainly for data gathering and analytics in an effort to identify the effectiveness of product spend (“Are we placing the right bets?”). Fully utilizing IT to make process improvements across PLM stages is a future goal.

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Although used by many companies and well understood, the stage-gate process as currently employed appears to have a number of limitations. First, despite the seemingly rigorous gate process, few projects are ever killed before launch. In our survey, 74 percent of products that go through the Manufacturing and Test gate are launched, yet, more than half of the respondents reported that “go/no-go” decisions could be made more effectively. Second, despite the upfront investment in understanding the market, more than one-third believed their pre-launch forecasts were inaccurate. Finally, depending on the type of product (e.g., breakthrough vs. line extension), much of the activity required in each stage may add little value.
Even for companies that equate PLM with the pre-launch, stage-gate process focused on new product development, it appears that their investments fall short of delivering all the value they could. Survey findings reveal that the majority of companies do not make use of new tools and approaches for increasing the effectiveness of their innovation and new product development stages, for instance, and don’t reap the benefits of investments they do make. For example:

- Innovation is still part of a centralized R&D function in most companies (and up to 10 percent of total sales is spent on R&D). Yet, it is the marketing organization that often “owns” the final commercial success of the product.

- The majority of companies report that 30 percent or less of new product ideas come from outside of the company; however, high performers expect 40 – 50 percent of new products to come from outside their company. Indeed, one of the most successful product launches of the last two years, Clorox’s GreenWorks® household cleaning items, was developed with input from retailing partners Safeway and Walmart. Similarly, Kettle Foods, Inc. engaged consumers in online voting to determine which chip flavors the manufacturer should produce and made it easy to buy the new products online.

Companies use a broad range of consumer and shopper data in the New Product Development and PLM processes, but insights from this data are not broadly or efficiently shared across the organization.

These opportunities for continued improvement in both PLM generally and the innovation stage, in particular, are reflected in the marketplace. Truly differentiated, innovative products that fulfill a need will find a warm reception from even cash-constrained consumers as winning products, such as the Green Works items and Kettle Chips show. The reverse is also true: the main reason new products fail is because they do not have any distinctive, unique value and, therefore, do not meet an unmet consumer need—that is, the development and launch processes failed to yield the right product.
The good news is that companies can and do improve their PLM and innovation processes with effort. Until recently, ConAgra Foods struggled to bring truly differentiated products to market, and its new product team was kept busy on product extensions or requests for new packaging. Once ConAgra Foods leaders committed to making innovation a core competency, the company pulled out all the stops. Now, new product ideas need to clear two “screens.” The first screen is a requirement for new product development to deliver “fewer, bigger, better” products, and the second is a five-item list of target categories or goals. With this more focused approach, new product development grew in importance, became more creative and fun, and the evaluation of ideas more rigorous. The company also uses shopper insights differently. One manager stated that “until a new idea is vetted by insights, it doesn’t make it past the filters of ‘fewer, bigger, better.’”

**Section Synopsis:**

PLM is seen as a key enabler of success for consumer companies, and one that particularly affects the product development and launch stages that are the traditional focus of PLM. Survey respondents revealed that the five capabilities explored here all play a role in the impact of PLM, yet, there is inconsistency in deploying and balancing each capability to its best advantage. Investments in innovation and pre-launch insight and analytics have grown during the last decade as new tools become available to facilitate these capabilities; however, too many new products are still failing once in market, so

**ConAgra: Reworking Product Development Approach**

ConAgra Foods reworked its new product development approach to increase the success of every launch. Ideas need to pass two “screens.” The first screen is to meet the corporate goal of delivering “fewer, bigger, better” products, and the second is a short list of targeted categories or goals. With this focused approach, new product development grew in importance, became more creative and fun, and the evaluation of ideas more rigorous.

<table>
<thead>
<tr>
<th>Cause of New Product Failures</th>
<th>0</th>
<th>25</th>
<th>50</th>
<th>75</th>
<th>71%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumers find no new or unique value proposition</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>71%</td>
</tr>
<tr>
<td>The product failed to meet consumer needs</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>61%</td>
</tr>
<tr>
<td>The product is priced incorrectly</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>49%</td>
</tr>
<tr>
<td>Our product cost was too high (and the product is unprofitable)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>44%</td>
</tr>
<tr>
<td>We forecasted incorrectly (and had inventory shortages or stockouts)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>34%</td>
</tr>
<tr>
<td>The product is late to market</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>22%</td>
</tr>
<tr>
<td>Poor trade promotion execution</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>20%</td>
</tr>
<tr>
<td>We encountered supply chain issues (such as a late supplier)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>12%</td>
</tr>
</tbody>
</table>

**Why do new product introductions fail in your company?**
there are opportunities to make PLM bear more ripe fruit sooner and during the course of a product's life. While better cross-functional collaboration and portfolio optimization can impact the bottom line, these capabilities get relatively little attention compared to R&D activities or stage-gate tasks that are part of the pre-launch stage.

**Integrating Capabilities Across the Lifecycle Helps Top and Bottom Lines**

What can companies do differently, particularly given the financial and operating constraints that many are contending with during the downturn? Despite the complexity of effective PLM, many companies have recognized that they can capture more value from their investments in PLM capabilities to increase the success of new products and wring the most from them during the course of their lifetime. Consequently, many companies are beginning to move away from the traditional PLM that focuses on pre-launch activities and adopt a broader view of PLM that encompasses all stages and processes from the initial insight to phasing out a product or product line.

As a by-product of this broader approach, leading companies are more tightly integrating and leveraging relevant capabilities to optimize each stage of the lifecycle from ideation through the implementation of PLM tools, commercial portfolio analysis and product retirement. Consciously addressing each capability, process and tool enhances product profitability as revenue increases from new product success rates and better product mix, and costs are controlled and margins increase as portfolio and process complexity are reduced.

What do leaders do differently to increase product performance at each stage? A few strategies stand out as having a unique bearing on product success.

**Manage Pre-Launch Aggressively to Get Better Products to Market Faster**

Industry leaders—those that have launched innovative, pacesetting products in the last few years—know that there are many facets to optimizing the product lifecycle. At the beginning of the lifecycle, decreasing the time to market is critical to establishing a competitive advantage and extracting better margins during the course of a product's lifetime. Leading companies like Colgate invest in capabilities that allow them to spot trends first and give them a superior understanding of market dynamics and evolving consumer and shopper needs. Colgate has a specific unit dedicated to integrating shopper...
insights into customer insights to aid new product innovation and believes it extracts more value than if the process was more informal.

Colgate and others realize that elongated, poorly managed ideation to commercialization significantly and adversely impacts the success of a product. Delay to market leads to higher development costs and higher product costs, perhaps eliminating the ability to meet a crucial price point for the consumer. Delay also means depressed margins and lost volume post-launch and follow-on volume because of a higher degree of competition.

“The speed of successful innovation increases by aligning your internal and external resources, so that you can be the first to bring the right solution with the right formula to market.” — Colgate

Thus, to ensure the most bang for their product development buck, leaders invest in developing processes and capabilities that accelerate the product development cycle. What specifically do they do?

• They field a greater quantity of ideas from a variety of sources. Leading companies cast their nets wider to increase their chances of ensnaring winning concepts. This means that they invest in technology to gather and analyze ideas, and use external forums, such as open innovation networks or product contests, to generate more ideas to evaluate. Some high-performing companies like Procter & Gamble have an explicit goal of having 50 percent of ideas come from the outside.

• They have a bias toward higher quality breakthrough ideas. Only 32 percent of the companies surveyed actively seek breakthrough products, while the vast majority focuses more resources on product extensions. Significantly, 41 percent of companies said they typically are “fast followers,” which means they go to market second or shortly after those companies that were first to market with a new product introduction.

Which of the following statements apply to your company's approach to innovation?

- Our innovation strategy varies by category 82%
- We are typically fast followers with most new products 41%
- We have an effective, holistic approach to new product development and introduction (from innovation through end-of-life) 36%
- Our organization has a well-defined innovation strategy 34%
- We effectively seek breakthrough innovation opportunities 32%
- We are typically first to market with most innovations/new products 23%
- We have an effective process for capturing ideas from outside our company 14%
- None of the above statements apply 2%
Support and Sustain the Products to Optimize Portfolios

Leading companies work hard at getting the most from their brands and products, trying to ensure that each one is delivering something unique and needed to consumers. Incorporating consumer insight and shopper insight to track changes in buyer preferences and behavior and making adjustments in various channels and markets is one way of confirming that products are still performing as expected. Leading companies also distinguish themselves by:

- Managing complexity and rationalizing SKUs in the portfolio. More products to produce, distribute and market adds layers of cost and complexity to CPG organizations. Leaders continuously scrutinize market data to sense buying changes that would allow them to streamline portfolios to eliminate duplicative products or offerings with overlapping attributes. ConAgra Foods is paying particular attention to optimizing the product portfolios by concentrating on a handful of categories. Its goal is to build on its historical strength to lead in its selected categories.

- Reducing costs and cost-to-serve. In addition to optimizing the portfolio mix and minimizing costs, leaders analyze retail and channel data to make sure they deliver the right products to the right stores in the right quantity, thus avoiding the costs of returns or inventory. Industry specialists at Accenture state that deep analysis of true costs-to-serve—not just the manufacturer’s costs but all retail costs incurred for getting the product to the shelf—never fails to yield surprising and valuable results that may affect the portfolio or assortment.

Apply Rigorous End-of-Life Analytics to Time Product Phase Out Correctly

Product managers are people too, and it is in their nature to not want to kill a product or product line. Known commodities require less effort and mindshare than new products. Yet, avoiding the inevitable for products that have seen their best days is not a winning strategy, as it cuts into profit margins (newer products generally have higher margins) as well as brand equity. Less than half of the companies surveyed said they had an effective end-of-life analysis to shed underperforming products. Our survey found that there is a general over-reliance on mature products by most CPG firms. Leaders are now recognizing the need to have structured and optimal phase-out processes and metrics to identify when a product has slipped past its prime.

<table>
<thead>
<tr>
<th>Area of Impact</th>
<th>Specific Improvements</th>
<th>Magnitude</th>
</tr>
</thead>
<tbody>
<tr>
<td>Time-to-Market</td>
<td>Faster product launches/time-to-shelf faster</td>
<td>10 – 50%</td>
</tr>
<tr>
<td></td>
<td>Improved productivity/reduced non-value added time</td>
<td>15 – 30%</td>
</tr>
<tr>
<td>Cash Flow</td>
<td>Reduced duplicate products and inventory write-offs</td>
<td>10 – 40%</td>
</tr>
<tr>
<td>Revenue</td>
<td>Increase new product success rate</td>
<td>2 – 5%</td>
</tr>
<tr>
<td></td>
<td>Increase in new product output</td>
<td>5 – 20%</td>
</tr>
<tr>
<td></td>
<td>Increase revenue from better product mix</td>
<td>1 – 5%</td>
</tr>
<tr>
<td>Cost</td>
<td>Reduction in direct material costs</td>
<td>3 – 5%</td>
</tr>
<tr>
<td></td>
<td>Reduce operational and development expense</td>
<td>5 – 10%</td>
</tr>
<tr>
<td></td>
<td>Reduce scrap and rework</td>
<td>10 – 30%</td>
</tr>
<tr>
<td>Cycle Time</td>
<td>Reduction in change control cycle times</td>
<td>50 – 75%</td>
</tr>
</tbody>
</table>

Significant Financial Impact of Effective PLM
In short, there is significant process and economic value in taking a broader, holistic view to product lifecycle management. Truly understanding and managing each stage and their related processes and building the capabilities needed pays enormous dividends in terms of capturing more market share with shorter time to market, generating ongoing cash flow or improving margins.

The financial impact that improving discrete aspects of the product lifecycle processes can have is enormous, from the very insights that influence product development to end of life. Accordingly, companies that focus PLM efforts primarily on stage-gate and pre-launch processes and activities are shortchanging themselves, as the opportunities to generate more revenue and minimize or control costs exist throughout a product’s life.

Section Synopsis:

Beyond the traditional approach to PLM that focuses on pre-launch activities, more advanced PLM practitioners have adopted the mantra of “faster, broader” to get more return from PLM investments. Leading companies are investing in tools and processes, such as open innovation and more use of cross-functional insight and collaboration, to access better product ideas, and bring them to market faster. IT tools that are used for launch analytics can be repurposed to improve the whole lifecycle and underlying capabilities. For example, PLM for leading companies, like ConAgra Foods and Colgate, extends well into the post-launch stages of a product’s life, with capabilities, such as portfolio optimization and end-of-life analytics and strategies, receiving more attention than in the past. Taking a broader perspective on PLM allows companies to make needed changes in product mix sooner, and also reduces the complexity and cost that a larger portfolio imposes on a company’s resources and processes.

Focus PLM Investments on Capabilities That Result in True Competitive Advantage

PLM has enormous potential, but it can also eat up tremendous resources if investments are not focused on building the right capabilities, processes or tools. In the current economy, every dollar spent must add value, and it is important to make investments that result in the greatest potential rewards. Leading CPG companies, including the IRI New Product Pacesetters™, which are brands that beat the new product odds to drive growth through innovation in 2008, and GMA members, are already using the strategies below to make their PLM efforts more efficient and effective. If they are doing it, others will follow, which means that companies that lag in PLM will be at a distinct disadvantage. Where to focus in the next few years? Our analysis of the five dimensions yielded this to-do list.
1. **Consumer, Customer and Shopper Insights—Reap the benefit of differentiated, core PLM capabilities by applying market and shopper insights in all stages of the product lifecycle.**

The potential for valuable insights is growing because companies are spending a lot of money gathering data. However, the insights are most effective when disseminated to all functions that can use it, from R&D to supply chain. Data insight teams or brand groups are often seen as the overseers and interpreters of data, and that compartmentalization leaves much of the organization unable to apply their expertise, provide useful perspectives and optimize their functions.

Colgate prides itself on “hyper-communicating” insights among functions and between global and division groups to ensure alignment on product information and strategies. For example, insights are crucial to both R&D and innovation teams, so these insights should flow in both directions between global to division groups. Companies that are guilty of keeping information in silos might benefit from Colgate’s “over-meeting, hyper-communicating” environment.

2. **Innovation—Go outside the four walls of the organization to generate and execute on product ideas that fulfill or create market demand.**

Developing a holistic strategy for innovation is challenging for many companies, even though research has confirmed the importance of successful new products to the bottom line. In our survey, 90 percent of the respondents stated that 30 percent or less of new ideas currently come from outside their company. That is changing as companies like ConAgra Foods take steps to glean more product ideas from their own people as well as external sources. This not only generates more ideas, it allows them to harvest better ideas and bring more breakthrough ideas to market. The success of Clorox’s GreenWorks® is testament to the market impact ideas from an “open innovation” approach can have.

Only 14 percent of respondents indicated that they have an effective process for capturing ideas out side of the company, which puts them at a distinct competitive disadvantage. This “not invented here” bias against new product ideas that come from outside the company reinforces the tendency to launch extensions of known product lines, rather than invest in breakthrough products. Increasing the quantity and quality of ideas is imperative to improving the bottom line. Colgate also ensures a continuous stream of ideas by viewing innovation across three time horizons—a 10-year period that is run by global marketing and R&D, a five-year period that is more of a joint effort led by product development marketing and a shorter-term period of one-to-three years that is run by division product marketing teams. Thus, Colgate ensures the continual contribution of many perspectives.

3. **Collaboration and Governance—Become more agile and proactive than competitors by reinventing the stage-gate approach and making PLM processes more collaborative to be more efficient and more flexible.**

The stage gate process serves an important purpose, but is not applied thoughtfully enough in many companies, adhering too closely to formulaic rote tasks done in lock step, even when the product under evaluation does not require this approach. Strict adherence to the process itself is time consuming, and appears to not weed out potential product failures, because the right inputs are not used. In our survey, less than half of the respondents (42 percent) think they have good decision criteria for making go/no-go
decisions, reflecting that the stage-gate process used is generally incomplete, in addition to being ineffective. Companies have the opportunity to reinvent the stage gate, as Clorox did, or adopt alternative processes to ensure that more critical analysis and insights are brought to bear more rigorously and efficiently.

One way of fostering greater information sharing and optimizing human capital is to break down the structures that work against sharing. In our survey, only 26 percent of respondents felt that new product development processes were well-understood by employees across different business functions. Collaboration and interdisciplinary thinking are also important to synthesizing insight and reducing time to market, so this represents a clear improvement opportunity. When a broad, cross-functional team is charged with product performance across the lifecycle, they can hold each other accountable for both the efficiency and effectiveness of decisions and actions.

4. Portfolio Optimization—Tightly manage the product portfolios in market, pare the losers fast, and minimize costs by re-using design and insights from adjacent portfolio, product, specification and packaging.

“It (in the stage gate process) we had a lot of disparate processes, and six or seven years ago we actually brought all (the processes) together so we could get one view of them end-to-end, and make sure that they were interacting well together. I would say it was (an exercise in redefining) business process thinking.” — Clorox

It may seem too obvious to state, but the vast majority of a product’s life is time spent between its launch and retirement. Why then do so many companies skimp on analysis that would optimize their portfolios post launch? Inertia is one reason, as is the quest for the next new thing. Given all the hard work that goes into bringing a product to market, more time needs to be spent understanding its performance and nurturing it once it gets to market. Some products, like mischievous puppies, don’t do what they are expected to do, but, unlike disobedient puppies, it isn’t always obvious when that is happening.

Fortunately, products can be repositioned, or, in the worst case scenario, eliminated from the line up. Today, industrial strength analytics can gauge the pull of each discrete product attribute, and its contribution can help streamline portfolios, optimize mix and maximize revenues. The overreliance on mature products found by the survey shows that many companies are not using these new tools, and are consequently not aggressive enough in identifying and culling non-performers.

5. IT Systems and Data—Apply IT tools and capabilities to increase efficiency of all core PLM processes, from launch to portfolio management to retirement.

The predominant use of IT by survey respondents is for activities, such as data-warehousing and analytics. Indeed, tens of millions are spent on gathering commercial intelligence and product performance data. While understanding sales data is obviously crucial, it also appears that companies are underutilizing IT applications that could help make all stages of the product lifecycle more efficient. This is particularly true for strategic decisions made in the ideation/product innovation and end-of-life stages. More sophisticated product modeling and analytic applications can help companies better judge whether a new product’s attributes will actually result in incremental growth, while more
effective in-market and end-of-life decisions can protect the brand and portfolio from the effects of allowing past-their-prime products to languish on shelves.

Systems can also be employed to better manage data quality and maturity. Fragmented data sources are costly to companies and inconsistencies result in poor product decisions. Companies will need to work with data and systems providers to ensure that the format of the data received is conducive to sharing. Even in our digital world, too much data resides in manual reports that are cumbersome to use and share, preventing quick, efficient analysis by personnel across a company. Migrating data to a standard platform and application accessible to all who need it will expedite decisions and, at least in theory, improve the effective use of data and the processes the data is designed to inform.

Section Synopsis:

Companies that have focused on PLM in the past years have demonstrated that a handful of refinements to capabilities underpinning PLM can spell the difference between product leadership and being mired in the middle of the pack. Specifically, better and more thorough use of consumer and shopper insights, continuous open collaboration and innovation, rigorous analysis of portfolio performance, and adoption of IT applications that improve performance in all stages of a product’s life can result in better products and higher profits. Investments in these capabilities need to be balanced and measured to achieve leading-edge PLM that encompasses all lifecycle stages.

Managing the lifecycles of products—the lifeblood of CPG companies—is indeed complex, spanning a range of business functions and relying on a wide range of capabilities to get right. Given its complexity, it is understandable that most companies focus the vast amount of PLM efforts on the pre-launch period. But, giving short shrift to the other stages is dangerous and unproductive. At best, the return on product lifecycle investments is sub-optimal. At worst, it may cede potentially lucrative territory to competitors which are taking a more holistic view of PLM and refining capabilities and processes across the lifecycle. Our survey indicates that developing an overarching effective product lifecycle strategy supported by key capabilities and efficient cradle-to-grave processes will allow companies to extract more from their current resources and position them for more effective investments in the future.

“Our corporate portfolio rolls up from each of the businesses...and we can do all the analytics on it that are necessary. It’s been a change management or cultural change to get people to actually think about portfolios versus projects and individual projects. Most developers, or most managers, want to talk and think about specific projects.” — Clorox
About GMA
The Grocery Manufacturers Association (GMA) represents the world's leading food, beverage and consumer products companies. The Association promotes sound public policy, champions initiatives that increase productivity and growth and helps to protect the safety and security of the food supply through scientific excellence. The GMA board of directors is comprised of chief executive officers from the Association's member companies. The $2.1 trillion food, beverage and consumer packaged goods industry employs 14 million workers, and contributes over $1 trillion in added value to the nation's economy. For more information, visit the GMA web site at www.gmaonline.org, or call 202-639-5900.

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Accenture is a global management consulting, technology services and outsourcing company. Combining unparalleled experience, comprehensive capabilities across all industries and business functions, and extensive research on the world's most successful companies, Accenture collaborates with clients to help them become high-performance businesses and governments. With approximately 177,000 people serving clients in over 120 countries, the company generated net revenues of US$23.39 billion for the fiscal year ended Aug. 31, 2008. Its home page is www.accenture.com. For more information, please contact Michael Gorshe at michael.a.gorshe@accenture.com or 312-693-5818, or Mark Fera at mark.fera@accenture.com or 312-543-7504.

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