

# New Product Development: Secrets to Revenue and Innovation

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Why do some companies see tremendous success when they are developing and launching new consumer packaged goods (CPG) products and others don't?

What's the secret? Manage ideas lightly and manage process precisely.

Companies with less senior management involvement in the new product development process generate 80% more new product revenue than those with heavy senior management involvement. And companies with rigid stage gates average 130% more new product revenue.

## **There's More to Innovation than Ideas**

Thousands of companies are searching for answers on how to successfully develop and launch new products. Having an innovation emperor like Steve Jobs at Apple and removing the constraints and getting more ideas is always a great start, but there is more to innovation than ideas. Excellence in selection, development, execution and learning make a huge difference on performance and results.

## **For example:**

Using an outside ideation firms (vs. not) tends to result in a 15-20% improvement. Selecting the right idea and commercializing it correctly can deliver a 130% increase. Learning from mistakes can create an uplift of 50% to 90%.

To understand how successful companies win at new product development, Nielsen conducted a study among 30 CPG companies and identified about two dozen best practices that drive better-than-average incremental revenue from new products.

## **Manage Ideas Lightly**

Simply being physically near corporate headquarters can actually stifle new idea generation. In fact, having no "Blue Sky" innovation team at all is better than having a team on-site at corporate headquarters. The best place for your breakthrough innovators? Far, far away. According to Nielsen's research, companies with an off-site Blue Sky innovation team report 5.7% of revenues coming from new products, compared to 2.7% when the team is on-site.

One key insight from the study is that heavy involvement in new product development from the senior staff can destroy value. Senior management is often too quick to get involved in the creative process, especially when things are not going well. Their mere presence can stifle free-thinking and boundary-less ideas, which can doom the new product development process to failure.

### **Manage the Process Precisely**

One of the important keys to success is to precisely manage the new product development process, not the ideas themselves. CPG companies with rigid stage gates – decision points in the process where a new product idea must pass certain criteria to proceed forward – average 130% more new product revenue than companies with loose processes.

### **The most successful new products tend to have:**

Two to three stage gates that are strictly followed across the organization. The first stage gate is typically designed to identify ideas that will then be developed into a concept and prototype, while the last stage gate is usually designed to determine whether a product should be committed to production and market.

- A focus on growing brands, not ones acquired or designated by senior management.
- An innovation planning cycle that spans several years.
- A formal scorecard to evaluate financial results.
- A standardized and required post-mortem on all new product development efforts.
- A knowledge management system to retain key lessons and insights from previous product launches.

The truth is, companies with successful innovation track records go to great lengths to create an ideal creative environment and the right behaviors, supporting policies and procedures. When they execute well, the best ideas rise to the surface and into consumers' homes.