

## **Innovation Survival Tools: Five Things to Know About a Down Economy**

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When times get tough companies of all sizes and market positions seek ways to reduce expenses and conserve resources. These cycles give rise to increased pressures on new product development (NPD) managers and executives. While companies often respond with drastic measures, including freezing all new product development, NPD professionals are expected to concurrently generate top-line revenue while reducing costs.

Newlogic has helped guide clients through financial downturns, and subsequent recoveries. As a result, Newlogic has devised the following five Innovation Survival Tools to effectively manage innovation during an economic down cycle.

### **1) Understand evolving customer values:**

As the United States' household savings rate skyrockets, billions of dollars are stripped out of consumer's purchasing power. In a growing culture of frugality, customers' values and purchase decisions are changing rapidly. Now, more than ever, it is critical to know specific customer needs in order to keep pace with customers' rapidly changing lives and purchase decision process.

### **2) Make the process and outcome tangible:**

New product innovation and development is an inherently stealthy process. It is too easy for NPD managers to look for ways to reduce costs by de-scoping stage-gate deliverables. Newlogic maintains, that when projects are competing for scarce resources and institutional mind-share, demonstrating progress towards expected outcomes to stake holders can help maintain (or, hopefully, increase) the organizational support required to bring new ideas from concept to launch.

### **3) Manage portfolios for the short and long term:**

Fundamentally, Newlogic wants to help clients choose projects that meet both short and long-term business strategy. Inevitably, the current economy will improve and there will be renewed pressure for a wider, faster, better new product funnel.

NPD managers who can effectively identify and prioritize projects are able to achieve short-term gains while laying the groundwork for long-term category leadership. Many approaches to portfolio management exist, including first year revenues and net present value calculations. Newlogic's approach is to quantitatively compare five business metrics: 1) business strategy fit, 2) upside potential, 3) time to market, 4) risk factors, and 5) cost/portfolio balance.

#### **4) Regard manufacturing as your best friend:**

Having manufacturing's meaningful participation at the earliest stages of new product development is essential during economic down cycles. Facility capabilities, envelope restrictions, and cost must be established at the inception of a program. Prioritizing manufacturing requirements in a new product design brief will enable more focused concept development and facilitate informed decision-making. With fewer new product programs progressing through the pipeline, there is increasing importance on every project exiting manufacturing on time and on budget.

#### **5) New is new:**

Innovation, by definition, does not mean higher cost, longer time to market, or increased risk. Innovation programs can, and in these times should, be focused on reducing cost and speeding time-to-market.

Be mindful that small innovations can translate to big wins. An example of this is a Newlogic client who witnessed a 40% increase in sales following re-introduction of a 35 year old product in an innovative new package format. Another Newlogic innovation enabled our client to achieve a 300% increase in margin, by selling (for the same price), 3-packs of a higher perceived value product than the 12-pack category-standard.

In conclusion, innovation can be a powerful tool during a down economy. New product creation is critical for new product development managers looking to deliver new products and packaging that reflect the current economic reality, in order to respond evolving consumer need.

**About Newlogic:**

Newlogic combines consumer, marketing and technology insights to create, design and engineer new products and packaging. We uncover new concepts, to grow top-line revenues and opportunities to reduce costs. Based near Boston, Newlogic is comprised exclusively of experienced and award-winning professionals. Our company works with clients to address: strategy, consumer insights, intellectual property, design, engineering and manufacturing. We primarily focus on the structural packaging, consumer products, and medical device industries.

Boston, Ma.

Ph: 502-2nLogic

[www.newlogicusa.com](http://www.newlogicusa.com)