Speeding Time to Market, Increasing Time in Market & Maintaining Market Velocity

Best Practices in Driving Top-Line Growth Through Innovation & Collaboration
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1 Introduction: The Need for Speed

“Speeding time to market” is a typical mantra for many industries, including Consumer Products/Foods, High-Tech, Automotive, and Pharmaceutical/Life Science manufacturers. These manufacturers have a strong focus on streamlining efficiencies to drive improved margins on their products—especially in a constrained economy—and are identifying ways to expedite bringing new products to market. However, this mantra needs some additional consideration. In addition to speeding time to market, significant top-line growth and incremental product margin can be driven through a focus on increasing time in market, by maximizing the return on sales and marketing investments, speeding the processes that support product “uptake” (i.e. driving demand) and by collaborating and leveraging partnerships to speed demand fulfillment.

This paper highlights key imperatives for manufacturers today and offers insight into enabling tactics, processes and technologies that can substantially drive revenue lift and sustained market velocity. The reader will be focused on three primary profit drivers and their critical imperatives to substantially impact top-line growth:

Speeding Time to Market,
Increasing Time in Market and
Maintaining Market Velocity

Each of these profit drivers has the ability to significantly improve company earnings. Addressed collectively and when enabled through process and technology innovation, they have the holistic effect of significantly speeding time to profits and driving substantial earning improvements. For example, one organization was able to realize a seven-fold reduction in cycle time for producing specific products by leveraging process and technology improvements to expedite product specifications, packaging configurations and distribution.

Our solution also drove over $6MM in immediate cost reductions, yielding an ROI on the program greater than 5:1 within the first 18 months of deployment. The remainder of this paper briefly describes each of these profit drivers, offers tangible evidence of their success, and provides a step-by-step approach to enable an organization to optimize top-line growth (revenue velocity) as well as bottom-line improvement (earnings velocity).
2 Fundamentals of Product Launch & Product Life Cycle Management

To best frame this discussion, this research begins with the consideration of a typical Product Life Cycle curve (Exhibit 1). The vertical axis represents product revenues over the life of a product (or a family of related products), and the horizontal axis depicts time over the life of the product. We denote critical moments on the curve, such as launch, patent expiry, and product “sun setting.”

The first profit driver (Speeding Time to Market) assumes that an organization can find ways to optimize process efficiencies or leverage innovation to speed product development, and therefore bring a product to market in less time. This would shift the curve to the left, and drive incremental benefits such as first market/mover advantage, capture of initial market penetration, establish brand credibility, and possibly provide a “favored nation” status depending upon the product or service being offered.

Pharmaceutical clients, where “compliance and persistence” has a very different meaning, sustaining market velocity is critical to minimize the impact of patent expiry. In considering all three profit drivers simultaneously, the Product Life Cycle becomes substantially enhanced, driving more profits to the organization sooner, and maintaining product usage and persistence for a much longer period of time.

Exhibit 1: Customer-Centric Product Value Chain
The dashed line above denotes a theoretical improvement to the revenue stream (and to overall profitability) as a result of each crucial driver. If these three drivers can be even slightly influenced, the overall impact can significantly increase product revenues and margins over the life of the product.

We highly recommend that organizations challenge themselves on their effectiveness in managing their product portfolios. One way to “sanity check” effectiveness is to overlay an organization’s customer-centric product value chain onto the product life cycle curve.

Just a few critical questions that may arise include:

- How is our organization managing the customer relationship throughout the product life cycle?
- Are we effective in managing each customer “touch point”?
- Are we able to predict the causal factors that force a customer from one “buying” state to the next?
- Do we have effective plans, processes, innovations in place to predict and/or influence a customer’s behavior at any given state, in any given channel?
- Do our current processes and technology infrastructures support responsiveness to dynamic changes in customer behaviors? Dynamic changes in competitive pricing? Support proactive interventions?

Let’s look at three examples where some best-of-breed organizations are leveraging process and technology innovation to drive significant improvements in profitability and sustained market velocity:
3 Speeding Time to Market

**Overriding Issue:** “How can our organization substantially speed time to market, and what tactics and technologies should be considered to maximize use of our resources, assets and investments?”

Several of our clients have addressed this issue by leveraging new strategies, processes and innovations in R&D, product development, and distribution—all leading to substantial reductions in product cycle time and in speeding time to profits.

A Fortune 50 Pharmaceutical & Consumer Products manufacturer asked Capgemini to assess then design new processes to drive efficiencies from R&D through Product Marketing and Distribution. The new processes leveraged web-based technologies to securely allow 25 different organizations to simultaneously collaborate, design and deploy new products ten times faster than their current process. They also leveraged this same process globally to capture intellectual property for reuse, and to initiate global process excellence across the product development and supply chain.
4 Increasing Time in Market

**Overriding Issue:** “Once in market, how can I speed product uptake and drive “lift”, in order to maximize the return on our marketing efforts, and are there innovations that can expedite our product/market penetration?”

This issue is absolutely critical for gaining a competitive advantage today, and overcoming this issue is critical in predicting and influencing customer behaviors. Profits from this “lever” help drive substantial earnings improvement in challenged economies.

A Fortune 200 Telecommunications firm struggles to understand the dynamics of their customer base in faltering economic times. Customer churn continues to be a significant driver of poor earnings performance. Capgemini was asked to develop strategies to examine and statistically model customer behavior and to assess the variables that drive customers from one “state” to another, and ultimately to churn. The hypotheses demonstrated that if customer behavior is understood, then effective controls could be developed to predict, influence, and drive lift in specific customer and product segments. The resulting solution reduced churn in some segments by a factor of 5:1, and increased revenues by an average of 7% in a very mature customer base. The conversion rate on targeted customers exceeded 30% in some major segments.
5 Maintaining Market Velocity

**Overriding Issue:** “How can I ensure product persistence and loyalty, even after our products are off-patent or threatened by competitive entrants? What are ‘best in class’ organizations doing to maintain market velocity?”

Maintaining market velocity is critical for pharmaceutical manufacturers, especially with products that are going off-patent or are transitioning from Rx (prescription) to OTC (Over The Counter). It is also a critical profit driver to optimize pricing of high and medium velocity SKU’s at major retailers—regardless of product maturity. Therefore, market velocity drives revenue velocity which drives earnings velocity.

Improving revenue velocity is accomplished by optimizing the “buy” opportunity at every possible state (and through every possible channel) a potential buyer passes through. Improving earnings velocity requires optimizing both margin and revenue independently. Best of breed retailers are doing this dynamically through price optimization. Maintaining market velocity also requires continuous improvement across the supply chain, in order to be responsive to the dynamics of customers, suppliers and the competition.

A Fortune 500 Pharmaceutical/Consumer Products firm struggles to understand the dynamics of their customer segments. For some products, the consumption paths are very clear and campaign/interventions are very straightforward—for others, the product mix is very complex and requires specific analytics to support predictive and prescriptive analytics.
6 A Thread of Commonality: Levers of Change

It may appear that trying to address these critical three profit drivers simultaneously is a daunting task. Our experience demonstrates that this is not the case. In fact, we believe there are a number of potential “levers of change” that can be utilized to drive simultaneous improvements in all three profit drivers described above. The list below is not by any means all inclusive, but demonstrates that specific levers transcend all profit zones and can be part of a cohesive strategy for tangible improvements in earnings. Potential levers:

- Strategic use of process and technology innovations to improve collaboration with strategic partners, regulatory/ governmental agencies;
- Extensive pre-planning and “uptake” modeling through predictive demand management and statistical analytics;
- Global standardization in process and technologies to greatly improve asset effectiveness and resource management;
- Process and/or technology outsourcing to capable providers, reducing capital investments and speeding time to efficiencies;
- Leverage economies of skill through the establishment of centers of excellence in core competencies and leveraging shared services concepts (also applies to outsourced non-core skills);
- Reduce lead times by improved supplier performance management and through strategic sourcing.
7 Re-Inventing Your Product Life Cycle

The Goal: a significantly enhanced and even re-invented product life cycle that demonstrates speed to market, as well as time in market. Having far greater control over these three profit drivers (Speeding Time to Market, Increasing Time in Market, and Maintaining Market Velocity) can infuse hundreds of millions of dollars to the top line of a single large-franchise product. Organizations today are realizing that to drive and sustain top-line growth in restrained economies, specific tactics that improve collaboration with business partners and top customers are essential.

The Pharmaceutical industry provides an excellent example of speeding time to market and increasing time in market, but clearly other industries face similar issues. Automotive manufacturers such as General Motors are examining ways to speed time to market through math-based engineering and product development (e.g. developing and simulating automotive subsystems and even entire vehicles through math-based analytical modeling and design). One automotive manufacturer has already claimed to have created an entire vehicle with math-based modeling and simulation. The stakes are incredibly large in this industry, with fierce competition across the board in speeding time to market, and through streamlined efficiencies in the supply chain. In order to achieve such dramatic efficiencies in design and production, extensive collaboration with strategic suppliers is a must. Extensive investments have been made in OEM to Dealer portals to facilitate inventory management, order management, promotions management, facilitation of rebates, etc.

The High-Tech industry has always focused on speeding time to market through intensive simulation and CAD/CAM development, virtual design, massive automation, and maximizing supply chain efficiencies. Many suppliers to High-Tech have extensive Business Portals in place with the specific focus on streamlining supply chain interaction from product development through customer fulfillment. We are seeing such trends push into many other industries as well, with a strong focus on product development and “back office” process efficiencies.
8 Next Steps: Assessing Your Opportunities

Capgemini can help your organization gain speed to market, increase time in market and maintain market velocity. As a next step, we offer a rapid diagnostic program to quickly assess current capabilities in product life cycle management and customer-centric product management, to identify opportunities that drive rapid tangible results. Such diagnostics often lead to the identification of multiple self-funding programs, driving substantial shareholder value.
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