

PRODUCT DEVELOPMENT

BEST PRACTICES REPORT

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BENCHMARKING PRODUCT SELECTION: WHAT IS THE EXPECTED YIELD OF PROJECTS AND PRODUCTS?

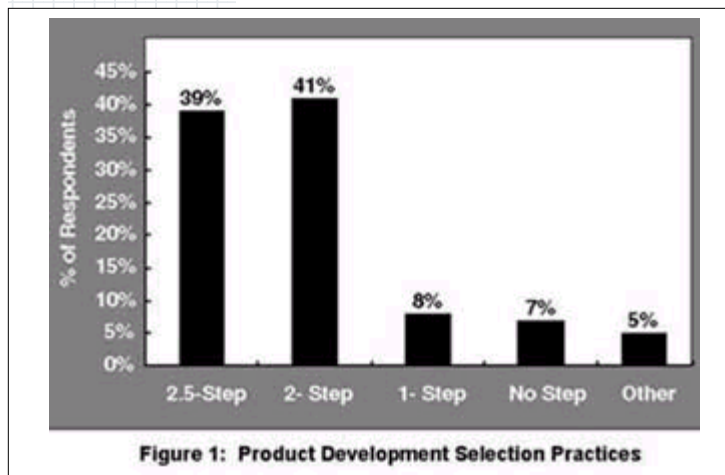
In last month's column, we presented five basic approaches used to manage product and project selection. To review, here are the five different types of selection processes GGI has observed in its research:

- 2.5 Step Selection Process [Concept Approval, Definition Approval, Project Approval]
- 2.0 Step Selection Process [Definition Approval, Project Approval]
- 1.0 Step Selection Process [Project Approval]
- No Step Selection Process [One or Two People Decide]
- Other Selection Processes [Customers Decide, Momentum Prevails, Unclear Practices]

The data presented below was collected as part of GGI's survey of industry practices in product selection conducted during the summer and fall of 2002. Approximately 90 companies participated in the research. Figure 1 shows the percentages of respondents in our survey using each of the five types of selection processes.

Product & Project Configuration Practices

In addition to gauging the degree of usage of these different product selection processes, GGI's researchers also observed that some clear trends have emerged as companies begin to understand the yield of approved projects in the R&D pipeline. GGI's research shows that a typical company has about 20 projects or 60 products in backlog at any point in time. Typically, each project is planned to result in 3 saleable products when the project is completed, a projects:products ratio of 1:3.



One planned project is targeted to result in three products. Interestingly (and this is a prime area for further research), companies actually complete only two-thirds of approved projects.

Somehow, between the time they begin work on an approved project and the time the project is completed and its products are launched to the marketplace, one-third of the projects and/or products disappear. Projects either fall by the wayside during development or the scope of the project is diminished during development by dropping products from the project. Survey participants completed an average of 47 projects each year that resulted in 87 products launched, a projects:products ratio of 1:2. One project results in two products.

Conclusion

In last month's column, we concluded that, "Best industry practices appear to be near maturation in terms of the types of processes and practices that are used to select products, and in the number of people that are needed to enable the best chance of success."

While this is true, as stated, for the macro process of product selection, the findings above indicate that there is still opportunity to improve product selection at the next level of detail. One third of all approved products do not make it to market. GGI believes that continued improvement in early product definition, coupled with improved resource and capacity management will improve the yield of the R&D pipeline. Inevitably some products will fall out of the pipeline, but it does not have to be as great as one-third. ^P_D

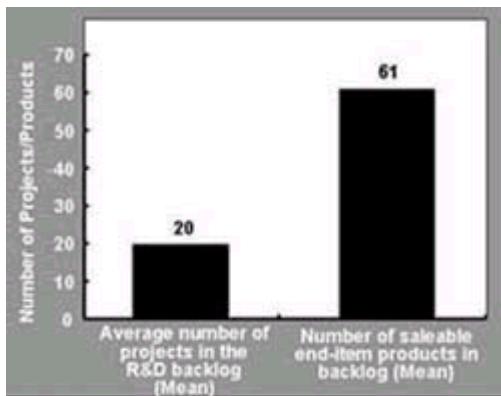


Figure 2: Products Per Project At Selection Approval

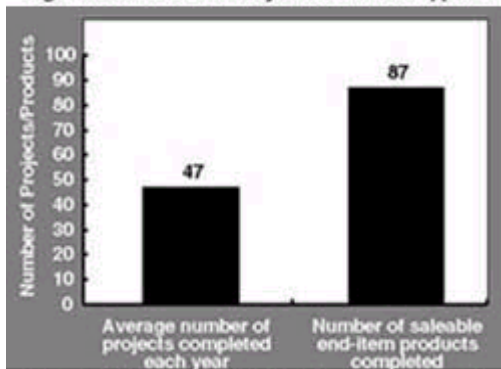


Figure 3: Products Per Project At Launch Approval

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