

# VISIONS

*Product Development & Management Association: Thought Leaders of Product Development & Management*

*From Germany—*

## BMW Expands the Brand to Lifestyle Products



### ALSO INSIDE:

- Outsourcing R&D
- Trade Show Savvy
- Analog Devices & Process Knowledge
- PDMA Foundation CPAS Study

• PDMA 2003  
Annual Review

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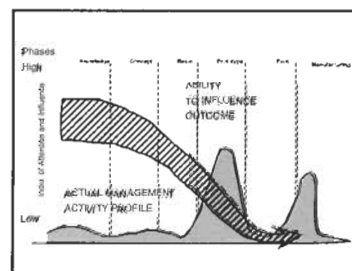
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### PRODUCT DEVELOPMENT & MANAGEMENT ASSOCIATION (PDMA)

*Thought Leaders of Product Development & Management*

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# VISIONS INFORMATION

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Visions magazine keeps members on top of trends and developments in the NPD world and the latest thinking of product development leaders. It is published quarterly by the Product Development and Management Association (PDMA). Subscriptions included in PDMA membership package; or available at \$85 per year in the U.S. or \$125 abroad. Contact Bob Fogle for order form.

Visions welcomes articles on product development and management. Articles for the next issue of Visions (October 2004) are due Aug. 9, 2004. Please submit queries to the editor, April Klimley, by email or phone.

## From the Editor of Visions

by April W. Klimley, Editor-in-Chief, Visions (aklimley@pdma.org)

As the economy continues to heat up, so does the new product development field. That is evident throughout industry in the U.S. and abroad. But the landscape somehow seems different than it used to be, in the late 1990s. That is the sense among consultants and practitioners today.

Those conclusions are not off base. In fact, they are confirmed by the results of the PDMA Foundation's new Comparative Performance Assessment Study (CPAS). Some of the findings are described in the *Visions CPAS Highlights* article on pages 26 to 29. This article reaches some surprising conclusions: For instance, although the success rate for new products within corporations has held steady over a 14-year period, the percentage of sales and profits that come from new products has been slipping.

At the same time, business units that demonstrate "the best" practices in NPD find that a much higher percentage of their profits—49.1 percent on average—comes from new products, compared to 21.4 percent for "the rest."

That is not all that the results of this study reveal. They also suggest that changes are occurring in the way NPD is practiced. Don't miss out on this article—plus the full report when it is released this fall.

Now on to other material in this issue. In our cover story, BMW shares its vision for extending both its own brand and that of MINI into lifestyle products. We also find out how Analog Devices uses Process Knowledge to gain a competitive edge.

In addition, in our third Goldense report we takes a close look at outsourcing NPD—a growing trend.



April W. Klimley  
Editor-in-Chief

Finally, we have two new sections in this issue. One is a new column by former PDMA President Mark Deck on "Lessons Learned." In his first column, Deck combines his own knowledge of Voice of the Customer with that of three practitioners to come up with 10 valuable lessons.

Additionally, this issue of *Visions* brings you a first-ever "PDMA Annual Review: 2003" describing key events and achievements of 2003 and PDMA's plans for 2004. We placed this Review in the center of the magazine so you could tear it out and keep it for future reference. You might want to share it with colleagues to encourage them to join PDMA—the leading community of thought leaders in product development.

Please let us know how you like our two new additions. I always welcome emailed comments or phone calls to see how we're doing—and look for new ideas to make *Visions* better than ever.

April W. Klimley  
New York, N.Y.  
June 14, 2004

Visions Editorial Calendar 2004-2005			
Issue	Special focus or articles	Deadlines	
		Editorial	Advertising
October 2004	<ul style="list-style-type: none"> <li>Report from Boston: Front End Conference, May 2004</li> <li>Six Sigma and NPD</li> </ul>	Aug. 9, '04	Aug. 20, '04
January 2005	<ul style="list-style-type: none"> <li>NPD Metrics</li> <li>Report from Chicago: PDMA 2005</li> </ul>	Nov. 19, '04	Nov. 29, '04
April 2005	<ul style="list-style-type: none"> <li>PDMA 2004 Annual Review</li> </ul>	Feb. 18, '05	Feb. 28, '05
July 2005	<ul style="list-style-type: none"> <li>General</li> </ul>	May 12, '05	May 20, '05

\*For Visions guidelines and advertising information, check the PDMA website, pdma.org.

## Visions CPAS Highlights

# PDMA Foundation CPAS Study reveals new trends— While the “Best-Rest” gap in NPD widens

by Marjorie Adams, CPAS Project Director, (Madams1@pdma.org) and Doug Boike, Treasurer, PDMA Foundation (DBoike@pdma.org)



Doug Boike  
PDMA Foundation



Marjorie Adams  
CPAS Project Director

The PDMA Foundation's Comparative Performance Assessment Study (CPAS) on trends in New Product Development, reveals some surprising new trends, plus a wealth in insights into what separates “the best” performers from “the rest.” This article—Visions CPAS Highlights—written by CPAS Project Director Marjorie Adams and PDMA Foundation Treasurer Doug Boike provides initial highlights of the study results.

The New Product Development field is changing in some surprising ways. That can be seen in these highlights compiled from the results of the Comparative Performance Assessment Study (CPAS) just completed by the PDMA Foundation, the research arm of PDMA. The study was conducted in 2003 and early 2004 aided by grants from major organizations. (See box on this page).

The PDMA Foundation study gathered and integrated information from 416 practitioners in a broad cross section of companies in North America. As the third major study conducted by PDMA or its affiliates, this study has created one of the largest databases in product development available anywhere.<sup>1,2</sup> Selected findings from the study are contained in this article, *Visions CPAS Highlights*, the first publication of results from the study.

#### The “best/rest” gap

Some of these findings come as no surprise. For instance, the study revealed that “the best” performers in new product development gener-

ate 47.6 percent of sales and 49.1 in profits from new products—more than twice as much as “the rest.”

They also need only four ideas—compared to 9.2 ideas for the “the rest” to generate one winner. (Exhibit 1 on page 27.) Further examination of their processes shows that “the best” weed out ideas early in the process and then have very high success rates in the later stages of product development.

In the study, “the best” performers were defined as those business units that were the best or top third in their industry, and that rated their processes and performance above the mean.

Examination of their trends over time show that “the best” continue to be aggressive in their behavior and these actions have widened the gap between “the best” and “the rest.”

For instance, the percentage of new-to-the world projects for “the best” has remained at 11 percent, as shown in Exhibit 2A on page 27. Meanwhile, new-to-the world projects for “the rest” of the business units have declined from 10 percent in 1995 to 7.3 percent in 2004—a

#### Study Overview

### PDMA Foundation's Comparative Performance Assessment Study (CPAS)

In 2003 and early 2004 the PDMA Foundation conducted the Comparative Performance Assessment Study (CPAS), a study of New Product Development (NPD) practices. The study was aided by grant funding from many leading organizations (see below) and gathered information from 416 practitioners at companies in North America.

The aim of the study was to examine present practices in the field of NPD. It has resulted in one of the most definitive databases of information on product development practices available.

The CPAS Study is the third comprehensive study of NPD practices done by PDMA or one of its entities since 1990. The others were conducted in 1990 and 1995.<sup>1,2</sup> *Visions CPAS Highlights* is the first official publication of the findings from the study. Preliminary results were presented at the PDMA/IR conference in New Orleans in March, 2004. (See page 30 and 31 for details on the New Orleans Conference).

The complete report will be available in the fall of 2004. For reprints of this article or to preorder a copy of the complete report contact Steve Uban, V.P. Publications (SUbani@pdma.org)

#### CPAS Study Sponsors:

##### Lead Sponsor:

The Performance Measurement Group, LLC

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COBE Cardiovascular	Sargento Foods
Harris	The Timken Co
Herman Miller	Unilever
Johnson & Johnson	Valvoline

#### Report Respondents—Industries

Survey respondents were drawn from the following segments of industry, among others:

- Fast-moving consumer goods
- Capital goods
- Consumer services
- Industrial services
- Healthcare
- Materials—Chemicals
- Materials—Construction, containers and packaging, metals and mining, paper and forest products
- Technology hardware and equipment
- Software and services

SOURCE: PDMA Foundation CPAS Study

drop of 27 percent from the 10 percent figure.

Also, in the current study, 49.5 percent of "the best" versus 44 percent in 1995 chose a first-to-market strategy, while first-to-market strategies for "the rest" of the business units have declined by 12 percent. (See Exhibit 2B on page 27.)

**Tools and techniques**

This research shows that "the best" performers continue to outperform "the rest" in NPD profitability. The study highlights the dramatic correlation between certain practices of "the best" performers, such as the use of advanced market research, design/engineering, technology, and team support tools. Exhibit 3 on this page shows the four categories of tools included in the survey. "The best" use more

processes included in the survey, and they use all of the processes significantly more

Overall, the study shows that "the best" performers have integrated leading tools, techniques, and organizational processes into their product development efforts and have a much greater output of new products. Clearly, a formal cross-functional development process is no longer sufficient.

**Overall performance declined**

Surprisingly, sales from new product profits has dropped by 14 percent over the 14-year period—1990 to 2004—perhaps due to intensified competition and a challenging economic climate. (See Exhibit 4 on page 28.) The percentage of sales from new products in all categories fell from 32.6 percent in 1990 to 28 percent in 2004. The

“The best’ performers ... generate 49.1 percent in profits from new products—more than twice as much as ‘the rest’”

of all 45 of the tools in these four categories, and use 34 of the tools significantly more.

**Organizational processes**

Equally dramatic are the findings for "the best" performers in organizational processes. Previous surveys have shown little difference in the use of organizational structures for "the best" performers and "the rest." This study dug deeper to find out who was using what organizational processes.

The main hypothesis was that given the widespread use of and knowledge of the importance of cross-functional processes, the most successful business units were using these processes more effectively. Today, business units must manage multiple projects so teams benefit from the learnings of other teams and from the support they get from other departments and/or functions. As with the tools, the study found that "the best" use more of all the organizational

percentage of profits from new products has gone from 33.2 percent in 1990 to 28.3 percent in 2004.

**Shift in portfolio mix and strategy**

This trend may be the result of management changes—and conservatism during a poor economic period. It is evident in two other key findings in the study: A strategy shift, as well as a shift in the types of projects in the NPD portfolio.

In terms of strategy, for instance, North American business units seem to be shifting to "fast follower" strategies. "Fast follower" strategy business units increased to 36 percent in 2003 from only 27 percent in 1995, as shown in Exhibit 5 on page 28. At the same time the number of business units adopting "first to market" strategies remained relatively constant.

A shift in the mix of types of projects in NPD portfolios also took place during this time period. As Exhibit 6 on page 28 shows, the

**"The Best" Versus "the Rest"**

"The Best" performers in NPD achieve superior results. "The best" achieve twice-as-high sales from new products (Exhibit 1). They use more of the 45 tools and techniques used by all (Exhibit 3). Exhibits 2A and 2B show the gap widen between "the best" and "the rest" in terms of portfolio strategy and project type.

*Exhibit 1: Sales, Profits, and Ideas  
"The Best" versus "The Rest"—1995-2004*

	The "Best"	The "Rest"
% Sales from NPs	47.6%	21.4%
% Profits from NPs	49.1%	21.2%
# Ideas for one success	4.0	9.2

*Exhibit 2A: New-to-the-World Type Projects  
"The Best" versus "The Rest"—1995 to 2004*

New-to-the-World Projects	1995	2004	Trend
"The Best"	11.0%	11.0%	No change
"The Rest"	10.0%	7.3%	27% decline

*Exhibit 2B: First-to-Market Strategy  
"The Best" versus "The Rest"—1995 to 2004*

First-to-Market Strategy	1995	2004	Trend
"The Best"	44.0%	49.5%	13% increase
"The Rest"	30.0%	26.3%	12% decline

*Exhibit 3: 15 Tools and Techniques*

	Market Research Tools	Engineering, R&D and Design Tools	Technology Tools	Team Support Tools
Number of Tools	15	6	11	13

SOURCE: PDMA Foundation CPAS Study

**Report Respondents—  
Characteristics**

A good mix of companies were included in the survey.

		Number	%
Product Type	Goods	231	56
	Mix	133	32
	Primarily Services	46	11
Technology Base	Primarily High-Tech	146	36
	Mix	107	26
	Primarily Low-Tech	157	38
Market	Primarily Consumer	100	25
	Mix	61	15
	B-to-B	246	60
Sales	<\$100MM	164	41
	>\$100MM	236	59

SOURCE: PDMA Foundation CPAS Study