

# “Establishing New Product Development for Increased Business Competitiveness”

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### **Abstract:**

*This paper describes a two year Knowledge Transfer Partnership (KTP) between the University of Teesside and Tyne and Wear based Point of Purchase manufacturer Simpson Group.*

*The project introduced, developed and embedded a new creative working culture centred on New Product Development (NPD) as a core business activity.*

*A staged process was undertaken which audited existing capability and working practice, analysed the market and competitive environments and progressively introduced NPD. This successfully developed a cultural change within the organisation and resulted in increased sales and improvements in customer service. The management of internal communications, perceptions and expectations was found to be vital to the successful implementation of the project. The project was successfully completed in November 2008 surpassing its financial targets.*

**The situation:** Simpson Group is a North East based company operating within the print and temporary Point of Purchase (POP) market. The company has been trading since 1972 but in the 12 months prior to the start of the project had begun to undertake an ambitious growth plan, moving to a new, £4m purpose built factory. Simpson Group specialises in print and POP for retail customers and has over the years developed an impressive client list which includes E.A. Games, Sony, Matalan and Sainsbury's to name a few. The Point of Purchase Industry is characterised by being highly sales driven and Simpson Group's business model reflected this situation. Typically, the sales team under the direction of the Sales Director would liaise either directly with clients or through intermediary print buying agencies.

Briefs would be developed which centred on:

- print requirements
- the basic need/outline for the campaign
- the stated client budgets.

Prior to the KTP the briefs were often guided by clients' own direction and ideas, based on their planned in-store marketing initiatives. Hence the nature of the business was largely reactive in that, to a large extent, it required a stimulus from the client in order to prompt the creative output and win business. Providing this creative output Simpson Group had an established in-house CAD facility with specialist expertise and a high degree of technical competence in card POP engineering and prototyping. The company also had a subsidiary graphic design agency called "Somethink Else". Somethink Else had expertise in corporate artwork, in-store promotions, graphic design and branding.

Figure 1: Established Sales Orientated Business Model

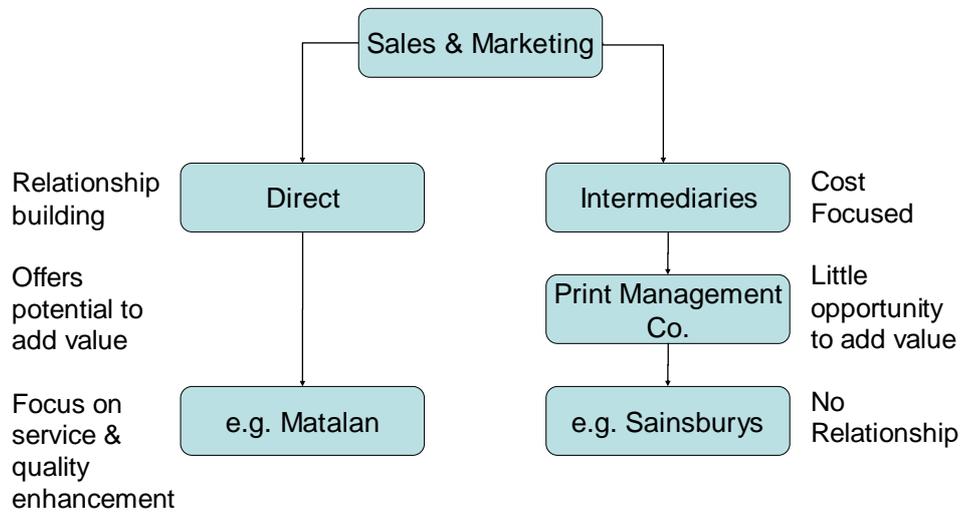


Figure 2: New NPD Orientated Business Model

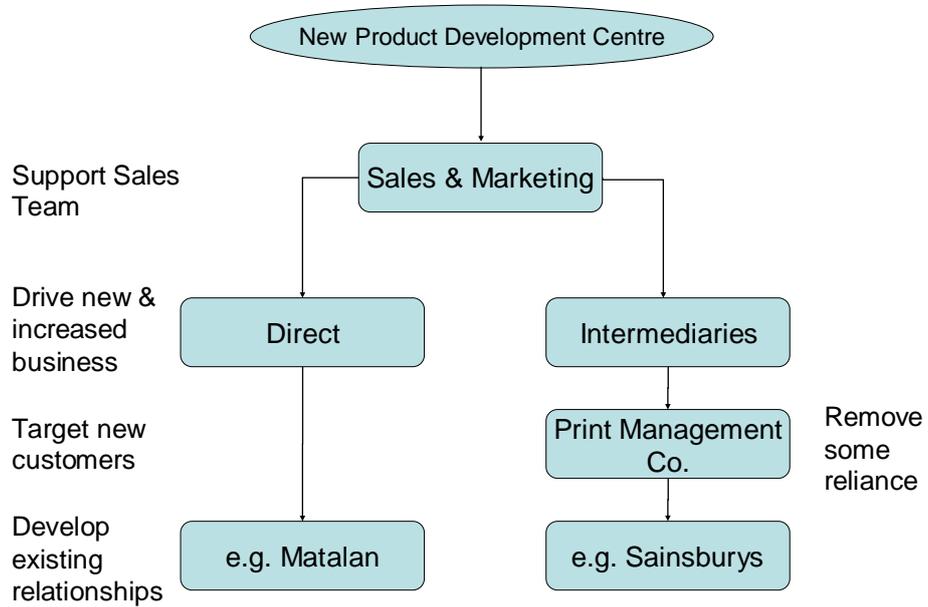
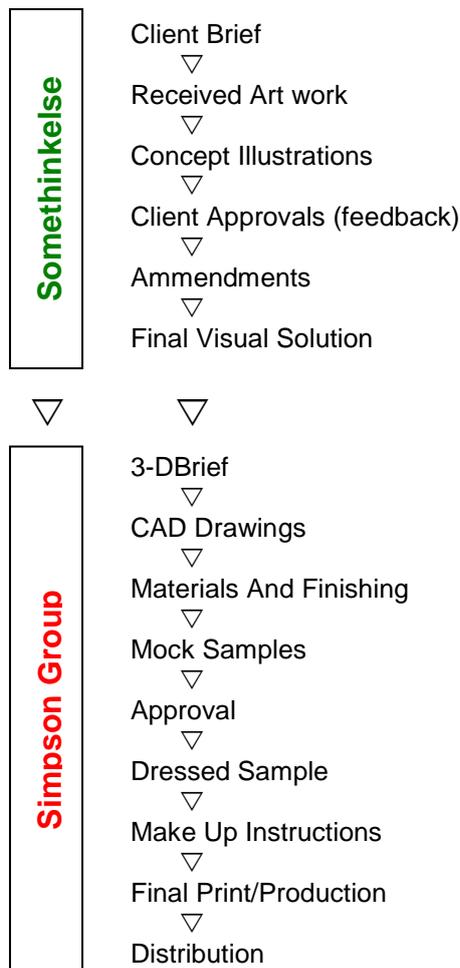


Figure 3. - A typical workflow pattern from brief to production.



This operating model was very typical within the highly competitive and cost-driven POP industry. Within this market there is little to differentiate one POP manufacturer from another. Quality is 'a given'. Competitive pricing is paramount. It is, perhaps, not surprising that within this context margins on print supply have been increasingly squeezed.

**The opportunity:** As part of their growth strategy, Simpson Group approached the University of Teesside. Their plan was to move away from their reactive sales-based model with low margins and little value-added appeal for client retention. Their vision was to offer a high 'value added' service to their clients.

Key to this new service would be:

- **anticipation of client needs** by demonstrating

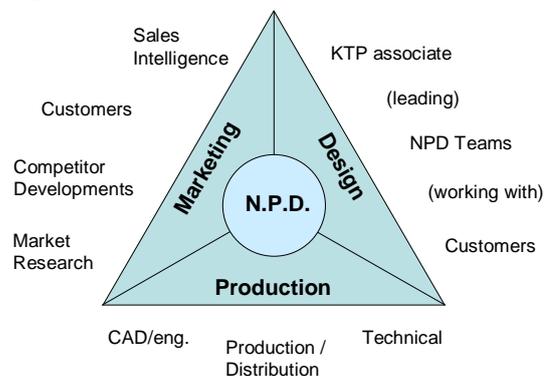
- **in-depth understanding** of clients' markets and offering opportunities for
- **real innovation** leading to
- **enhancements** in clients image, sales, cost effectiveness, etc...

Thus by adopting a proactive New Product Development (NPD) and market focused business model the company believed that not only would client retention be enhanced but also new clients would be attracted by this new unique selling proposition.

**The problem:** From the earliest discussions it was clear that developing cultural change within a company of some 35 years standing would be one of the principle challenges. Subsequently, a plan was developed to progressively develop and embed New Product Development protocols and procedures. This was to be done by utilising, developing and refocusing the considerable expertise that already lay within the company but was not without its problems.

The KTP associate was to be embedded within the company to act as the creative lead, to manage the process and to instil design thinking as a normal working practice.

Figure 4: The process



**The process:** The project required a staged approach which developed capacity over time and within existing resource.

### Stage 1: The Internal Audit

This audit principally set out to:

- Familiarise the KTP associate with Simpson Group, its organisation and key personnel. This involved cross

organisational group discussions, creative (lateral thinking) workshops and interviews.

- Cast an external and critical 'consultants' eye on the company in order to set objectives and priorities for Stage 2.

It served both to pool information which would later be used to aid management decision making and also inform the purpose the importance of the KTP across the organisation.

The audit examined:

- The company vision and strategy
- The organisation, its structure and business plan
- Internal SWOT analysis
- Key personnel, their roles, and the relevant skills and experience that they could bring to New Product Development
- Potential improvements and efficiency gains

## **Stage 2: Defining Roles and Protocols**

Having identified key personnel at the audit stage, individuals were approached to form the nucleus of what would be the newly formed NPD department.

The idea was that the KTP associate would manage and facilitate NPD by acting as the central figure around whom individuals would be asked to make specific contributions according to their skills and knowledge or the specific needs of a given project. The concept was not to form a single, permanent or dedicated team. Instead, loose flexible teams would be brought together according to specific knowledge and skill sets for the purpose of undertaking specific projects. It was felt that this approach would offer a high degree of flexibility and make best use of the skills and knowledge that already existed within the company without overburdening employees with additional work.

'Top down' communication within the organisation was critical at this stage in order that people understood what was happening and their role within it. It was also extremely important that people did not see their involvement in NPD to be an additional or onerous burden to their day job, but rather that they had been invited to take part as valued employees, that their workloads would be compensated and that this could be career enhancing. The importance of getting 'buy in' can not be over stated.

## **Stage 3: The External Audit**

A Market Analysis was undertaken. It focused on forecasting the future direction(s) that the POP industry might take. Forecasts were based on internally sourced market intelligence, published data and a primary research study.

A Competitor Analysis was also undertaken. A metrics based evaluation was used to objectively compare Simpson Group against a range of key competitors. Ratings were set against criteria such as print/POP competencies, turnover, Geographic's and business activities (current and likely future).

The purpose of the external audit was to establish a threshold level of market knowledge which would then be maintained and built upon. This would form a basis for continuous research and new product development. The audit recognised that much market intelligence already came into the company (including industry chatter through sales staff) but that there needed to be an effective communication structure in order that such information was not lost and that it could be disseminated effectively in order that it might be acted upon.

## **Stage 4 Initiating NPD**

Enhanced and consistently branded sales support materials were introduced – These included enhanced and detailed briefing sheets, improved and consistently branded support materials including new 3-d visualisation presentation materials. The need for these had previously been highlighted at the internal audit stage.

NPD working practices and protocols, norms and reporting procedures were established and agreed. This was done through dialogue with those employees to be involved. This was crucial in developing employee support and 'buy in'. Brainstorming activities were undertaken based on external audit research and opportunity spotting exercises. From this starting point a wide range of projects were initiated. These were initially assessed and priorities for development established.

A single relatively straight forward NPD project was selected and timetabled. A developed brief was written which established critical success criteria. Roles, responsibilities and deadlines were defined.

Aside from the obvious intention to develop a commercially successful product, the purpose of the project was to initiate design process and thinking within the company. In doing so, it

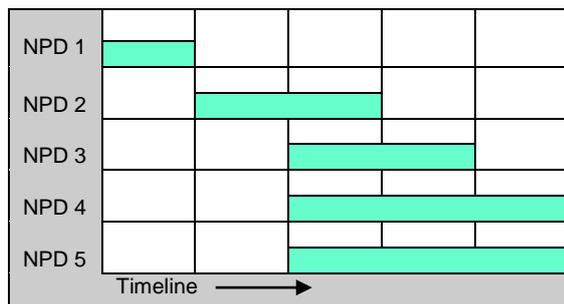
would establish the new discipline and systematic approaches to both creative NPD and design evaluation would be learned. A “Stage-Gate”® process (Cooper, R. 1993) was adapted to the needs of the company in consultation with directors. The adoption of Stage-Gating enabled Simpson Group to objectively identify opportunities, efficiently exploit, provide further investment, suspend or kill a project at predetermined screening points when the project was assessed against a set of key criteria.

The success of the process was internally assessed in a post project de-brief in order to improve the efficiency of future projects. The final design solution was presented to a selected client. Feedback proved extremely positive and resulted in a product to market.

### Stage 5: Combining NPD

With the first ‘trial’ project completed, further projects began to be initiated with over-lapping timetables as illustrated in figure 5.

Figure 5: Gantt Chart showing project overlaps



The projects also became increasingly complex and ambitious with longer timeframes for completion.

By overlapping the NPD projects, as illustrated, time management and multitasking were developed which, in turn, accelerated the pace of design development. Confidence within the active team members started to grow.

Internal communication within the company was used to highlight commercial successes. This was intended to develop a ‘buzz’ around New Product Development and was successful in encouraging others to want to be involved. A branded centre for NPD within the business was also created for both internal and external marketing purposes.

These initiatives had the effect of embedding NPD and developing a forward momentum for NPD within the organisation.

The two year KTP ended at the completion of this stage. However...

### Stage 6: Rolling NPD

An ongoing timetable now exists for continuous research and NPD. Variable duration projects run simultaneously alongside the day to day activities of the company. The company is still in the process of consolidating NPD as normal working practice.

**Lessons learned:** Communication (both internal and external) was found to be crucial to the successful implementation of the plan but both needed to exercise a level of control.

**External Communications** - The sales team immediately recognised the benefits that NPD could bring to them in helping them clinch a sale. The result of this was that some ‘enthusiastic’ offers, promises and early disclosures of design ideas were made compromising the company’s ability to protect at least one new design and threatening to disappoint clients. Also, it was extremely important that the sales team only communicated the benefits of NPD with selected clients. There was a significant threat that the company could have become a victim of its own success if every client (irrespective of the value of their business) came to expect the new service, particularly in the early stages of the project. Again, this would have only served to alienate clients and could have derailed the project at an early stage. It was therefore crucial to manage perceptions and expectations across the company through internal communications.

**Internal Communications** - As with the introduction of any new, untried and untested development, the introduction of NPD had an initially slow ‘buy in’ from some employees, perhaps reluctant to invest time in something which they feared might fail. However, Simpson Group’s directors were very supportive and vocal in communicating the importance of the new initiative. This undoubtedly helped to galvanise people behind the project but support was still not immediate. Increasingly, as successes were achieved, employees began to take a greater interest in NPD.

Internal communication needed, from the start, to inform, to rally and to educate. Regular meetings, briefings and internal newsletter

announcements were utilised to achieve this. The creation of an NPD Centre within the business also served to give NPD a geographical base within the company and acted as a strong statement as to the importance that Simpson Group placed on the initiative.

Managing Expectations - It was also necessary to manage expectations at director level. Stages 1 and 2 of the process were extremely important to the overall success of the project but these stages did not generate income. There was a degree of frustration that new products were not immediately being produced. It was necessary therefore to keep the directors fully informed as to the progress that was being made. This was achieved with regular update meetings.

From the KTP associate's perspective, there was also a frustration when day to day reactive design projects had to take precedence over the more strategic objectives of the KTP project. It was important to manage the expectations of the associate - the KTP project was a strategic long term growth strategy but that in achieving this the company could not abandon its existing work. NPD was intended to enhance the business model which already existed.

**Measuring Success:** A significant number of improvements have been observed.

- Simpson Group has succeeded in strengthening its client relationships and improving its service offering.
- New clients have been attracted to the company as a result of Simpson Group's marketing of the NPD function.
- There is strong evidence of increased client spending as a direct result of the added value derived from NPD.
- New Products have been developed and successfully marketed resulting in financial targets being exceeded within the first 18 months of the project.
- The NPD centre is now established and New Product Development is an established part of the business.
- NPD protocols and processes have been embedded as normal business practice.
- New Intellectual Property has been created and IPR protection is under investigation

**The Future:** The associate was offered a permanent position and a second employee has recently been recruited. Simpson Group and the University are continuing to work together to expand the remit of the NPD facility and to develop a number of new business opportunities.