

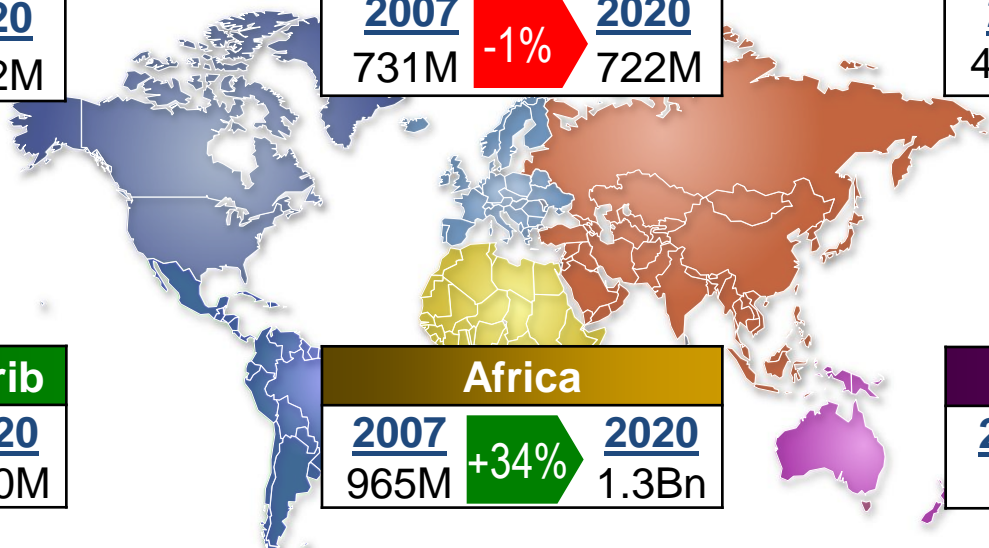
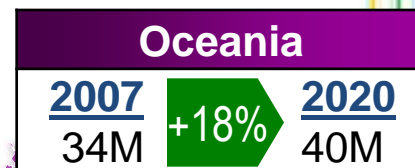
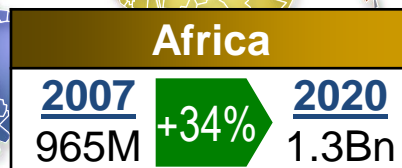
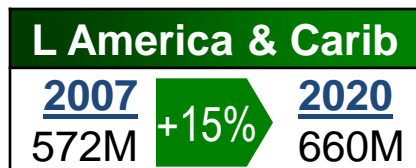
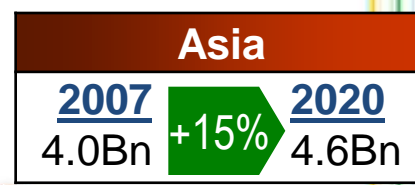
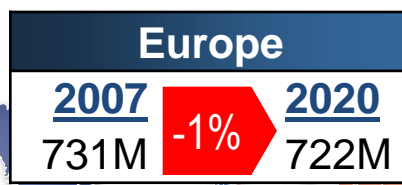
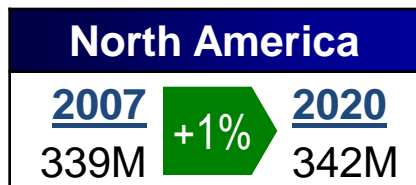
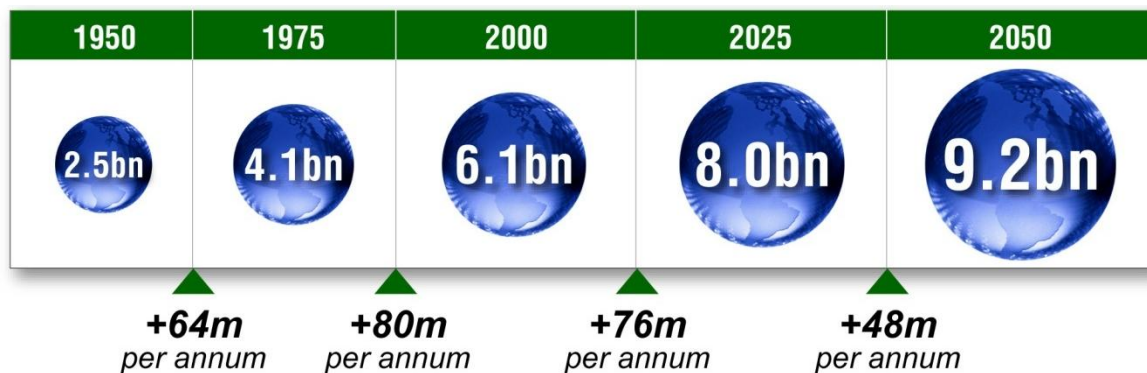
# Desarrolle productos exitosos

Abraham Geifman  
Especialista de Industria  
Software Group



Over the next 10 years the world's population is forecast to grow by almost 20%, primarily in emerging market regions

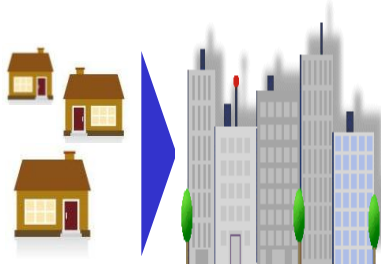
**World Population**



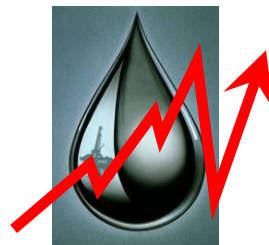
Source: IBM Institute for Business Value analysis, "The World at Six Billion" United Nations, 2004; The World UN Population Assessment 2006; "Unsustainable World," 04/15/08, BBC

....at the same time prepare for the expected future industry changes

## Change Drivers



Urbanization



Volatile Energy



Climate Change



New Consumers



Water = New Oil

## Dimensions of Change

Market

The market *will* continue to change from the familiar to the largely unfamiliar

Channel

Clients *will* continue to be challenged by changes within choice of distribution channel

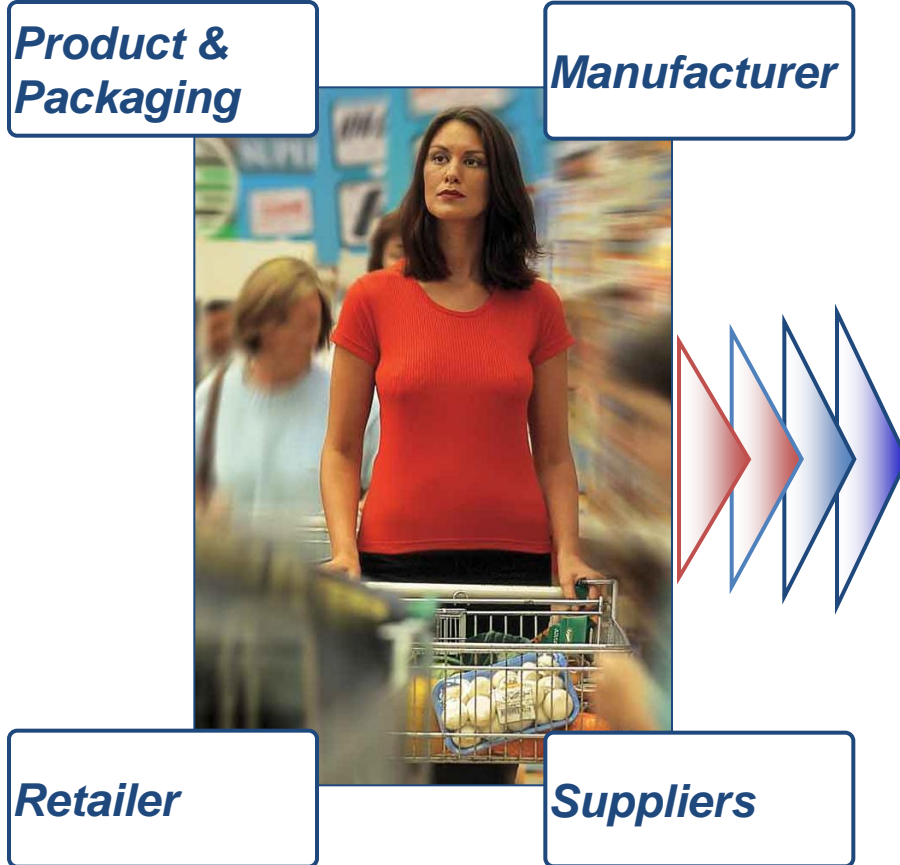
Model

Where value is created and destroyed within business models *will* continue to change

Capabilities

As a result, client business process capabilities *will* continue to be challenged

## The 'Omni Consumer' ... a.k.a. the 'Information Omnivore'



*Omniscient, Informed, aware and*

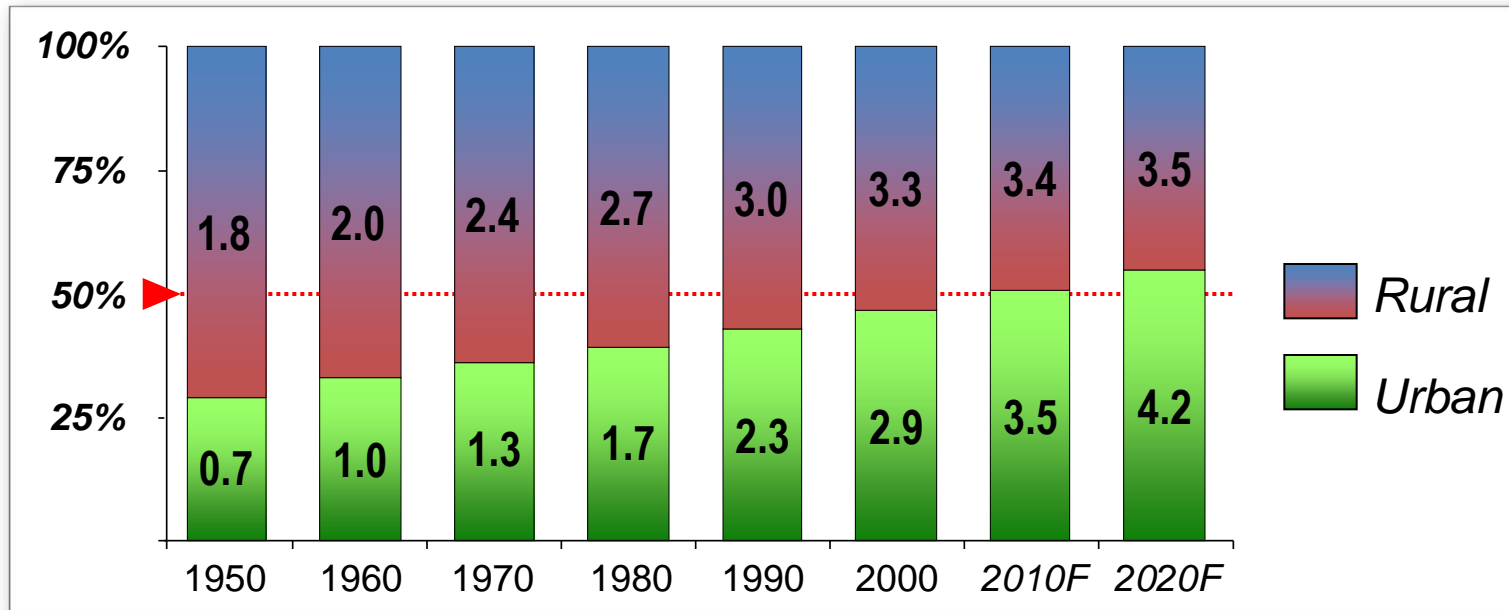
**IBM** consumer survey

- 57% more knowledgeable about contents
- 39% more knowledgeable about source
- 70% want more information about both source and contents of food
- 39% of U.S. and UK consumers don't trust CP companies to have their best in mind during a recall

*or descriptions*

A mass urban migration will accompany this growth, already more than 50% of the world's population lives in an urban area

### Urbanization Trends



- In 2008, for the 1<sup>st</sup> time in human history, the world's *urban* population > *rural* population
- Population growth and urbanization creating 'city states' rivaling some countries in size
- By 2020 16 cities will have populations greater than 20 million - many in emerging markets
- Mumbai, Delhi, Dhaka, Kolkata and Karachi will be among the top 10 cities in 2025

However a combination of factors and trends reduce the viability of concentrating on the familiar facets of the diamond

### *Previously identified mega-trends*

- i** **Consumer value drivers fragment**
- ii** **Gatekeepers become more guarded**
- iii** **Information exposes all**
- iv** **Mega-retailers break the boundaries**
- v** **Industry reshapes into flexible value networks**

### *Evolving & Emerging Elements*

“Omni Consumers” demanding more information, functionality and value from products

“Omni Consumers” distrustful of brands and companies, and increasingly less brand loyal

Continued high levels of consumer and trade investment embedded in system

Retailers demanding ever higher levels of service, collaboration and product customization

Aggressive pricing and sophisticated marketing of private label offerings capturing share and loyalty

However you define *your* target market it *will* change from the familiar and predictable... to the *unfamiliar* and *unpredictable*

### *Market Trend*

Consumer demographics and behaviors will fundamentally change across all markets

Brand disillusionment will replace loyalty as distrustful consumers set a higher relationship threshold

Media fragmentation and proliferation creates challenges and opportunities engaging "*Omni Consumers*"

Brand perceptions will become virtuous, global and connected across segments

### *Emerging Reality*

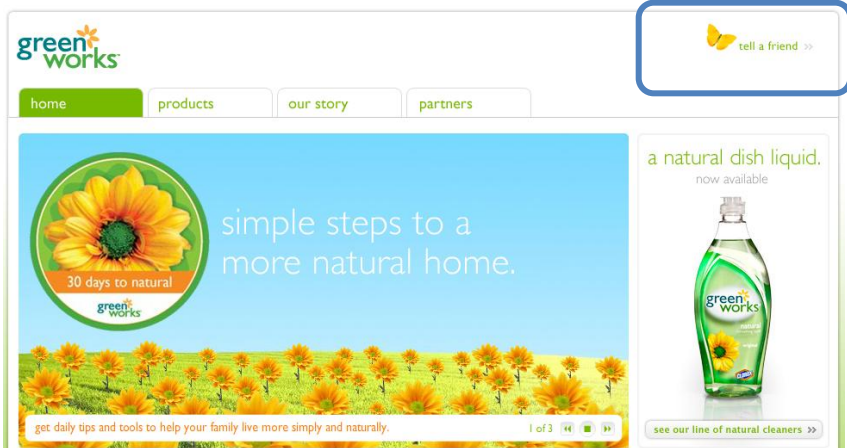
Each consumer will be a market of one  
Consumer "mobility" will accelerate

Consumers will exert more control  
Greater demands for sustainability and transparency

New opportunities for ongoing consumer dialogs  
Consumers leverage relationship management tools

Interactions with the poor influence the wealthy  
Upscale brand building creates aspirations for poor

In general CP companies lag leveraging social networks to connect with and segment consumers, create *buzz* and generate insights

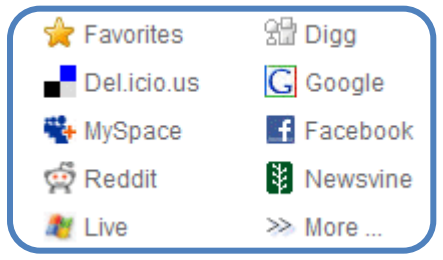


While many CP companies enable sharing product recommendations with friends...  
 ... in many cases these tools are email driven, ignoring the potential of today's online networks and applications...  
 ... and reflecting a lack of understanding about how today's consumer interacts

Indeed while a growing number of CP companies are "experimenting" with social networks to generate buzz...



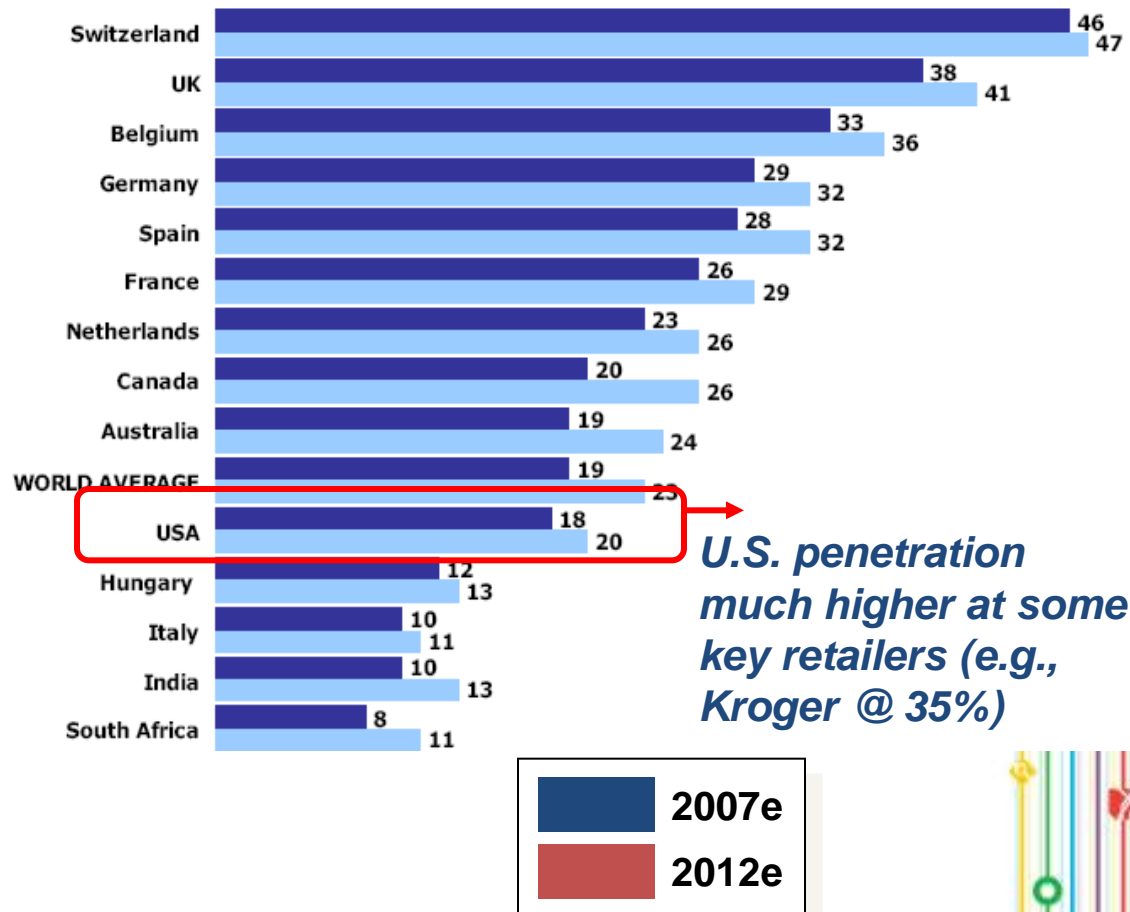
... most efforts are in early stages and have delivered limited benefits



... retailers are becoming increasingly formidable competitors as they focus on growing their private label portfolio

- *Key retailers will continue to consolidate and expand in emerging markets*
- *Modern retail will continue to make in-roads at the expense of traditional trade*
- *Retailers will focus on increasing their understanding of shopper and consumer behaviors and shaping offers and communication to win their trust*
- *Private label will continue as a key growth strategy for boosting revenues, gaining control over cost-of-goods and pressuring manufacturers*

**Private Label Share of Market, by Value in %**



CP companies will also need to build and develop new channels to reach consumers directly

*Hindustan Unilever (HUL) has invested in new ways of engaging with consumers*

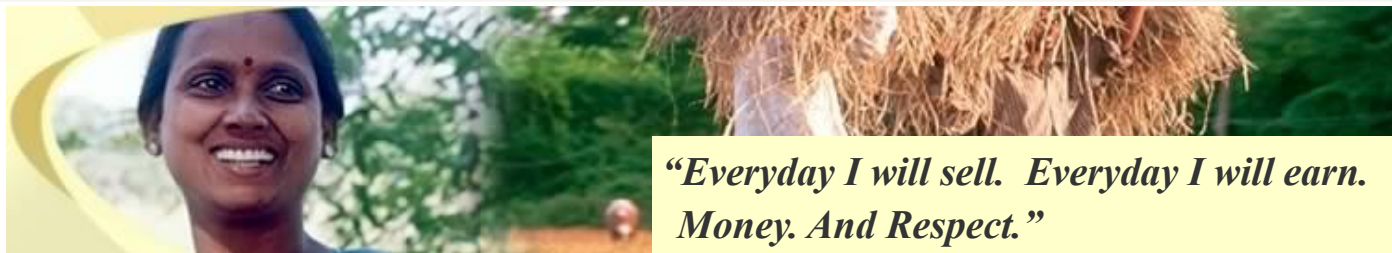
**Rural India: Project Shakti**

- Created a direct-to-consumer retail operation via a network of entrepreneurs selling its products door-to-door
- Produces a range of affordable products to meet the needs and pockets of low-income consumers
- Touches 75 million people in 60,000 villages across 12 states
- Allows underprivileged rural women to start generating annual sustainable income of US\$150



**Urban India: Hindustan Unilever Network**

- Hindustan Lever direct selling initiative
- Already reaches more than 1,400 towns via over 300,000 consultants



*“Everyday I will sell. Everyday I will earn.  
Money. And Respect.”*

Alternatives channels allow CP companies to connect directly with consumers and realize financial and insight-related benefits

**P&G** P&G continues to experiment with a variety of direct to consumer models.

theEssentials sells a wide range of P&G products P&G is also experimenting with:

theEssentials.com

- Braun
- Crest
- Downy
- Duracell
- Febreze
- Fibersure
- Fixodent
- Gillette
- Luv's
- Metamucil
- Mr. Clean
- Old Spice
- Oral-B
- Pampers
- Prilosec OTC
- PUR

The screenshot shows a grid of product categories on theEssentials.com. The top row features Oral-B Triumph Professional Care 9000 with a 'Smart Guide' and 'Experience the Future of Oral Care' text. Below it are images of a Braun coffee maker, a Braun hand blender, Oral-B power brush heads, and a Braun electric shaver. To the right, there are sections for PUR Water Filtration (Healthy Water, Healthy You) and Crest Whitestrips (Reveal your visibly whiter smile).

- Discount prices on P&G products are not the driver
- Pūr water filter on P&G site for \$41.99 was \$34.99 on Amazon



Three Tide branded dry cleaning stores in Kansas



Mr. Clean branded car washes - bought 14 unit franchise in Atlanta

brandSAVER

brandSaver Live! "popup" stores where visitors can get a Pantene hair wash, an Olay and CoverGirl makeover and browse kitchen and laundry sample areas

*P&G has announced it will continue to experiment with various direct to consumer channels seeking consumer and retailing insights*

# CP companies continue to refine their offerings in this area balancing benefits gained with increased tension with retailers



My M&M's website offers consumers the ability to design custom versions of the iconic M&M's product



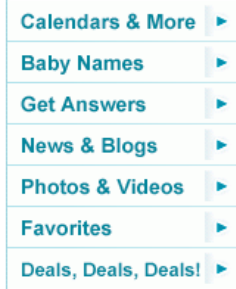
Personalization concept recently expanded to MyDove.com



- Product sells at a major premium generating incremental revenue
- Orders delivers insights into consumer product and package preferences, and use occasions.



The babycenter website offers information and communities of interest addressing pregnancy, fertility and nutrition issues



- Website receives ~2 million hits a month
- Sold products for ~10 years, when in January 2009 J&J shut the online store to focus on “content and media”
- Online sales now channeled through diapers.com



# Lack of Traceability

Industry Problem? Consumer Problem? Government Problem?

## IBM Consumer survey

- 42% of consumers buy different brands today vs. 2 years ago... because of safety concerns
- 47% more concerned today about food safety than 2 years ago



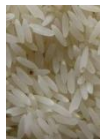
Snacks Salmonella Dog treats Melamine



Tomatoes Jalapeños Salmonella



Peanut Butter Salmonella



Rice GMO



Lettuce E. Coli



Chocolate Salmonella



Chicken Bird Flu



Chicken Listeria



Gr. Beef E. Coli



Toothpaste Diethylene Glycol



Cantaloupe Salmonella



Toys Lead



Pork Listeria



Cookie Dough E. Coli



Spinach E. Coli



Chocolate Nuts



Onions E. Coli



Peanut Butter Salmonella



Baby Food Botulism



Pet Food Melamine?



Canned Chili Botulism



Gr. Beef E. Coli



Beef E. Coli



Milk Melamine



Chicken Bird Flu



Gr. Beef Salmonella

2006

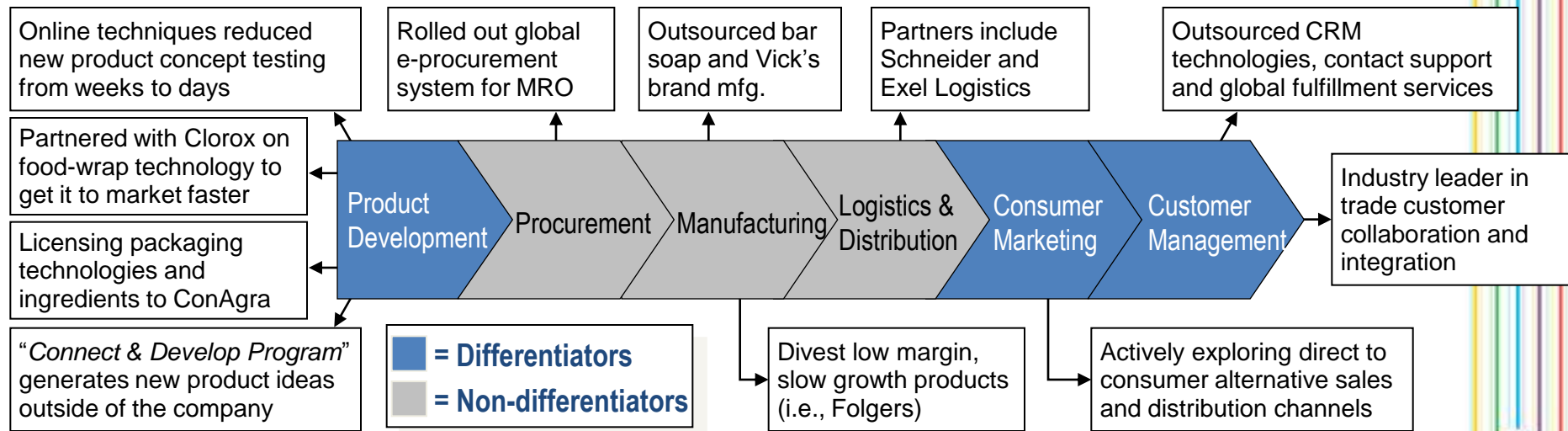
2007

2008

2009

# Specialization and innovative application of technology enable the execution of business models

**P&G** *Uses partnerships and other ventures to redefine the business model and leverage ideas globally, boosting profits by ~70%*



Around the globe individuals and consumers are communicating online - connecting and sharing opinions of products and brands



There are more structured sites where consumers can register complaints

**Apestan! .com**

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**Quejas Destacadas**  
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Zapopan, MEXICO, 20/04/2010  
[Cajeros de HSBC suc. Clavería cómplices de asaltantes \(Ciudad de México, Distrito Federal, MEXICO\)](#)  
Ciudad de México, MEXICO, 21/04/2010

**Nuevas quejas apestosas**  
[Casas ARA Citara, son un fraude \(Huehuetoca, Estado de México, MEXICO\)](#)  
Huehuetoca, MEXICO, 28/04/2010  
[Siprel no puede acreditar el dinero que le depositan \(Villa del Carbón, Estado de México, MEXICO\)](#)  
Villa del Carbón, MEXICO, 28/04/2010  
[TELCEL Cobro de Línea \(Apodaca, Nuevo León, MEXICO\)](#)  
Apodaca, MEXICO, 28/04/2010  
[En la Salsa Valentina salió una cucaracha \(Guadalajara, Jalisco, MEXICO\)](#)  
Guadalajara, MEXICO, 28/04/2010  
[Universidad Latinoamericana Campus Florida, Universidad Patito \(Ciudad de México, Distrito Federal, MEXICO\)](#)  
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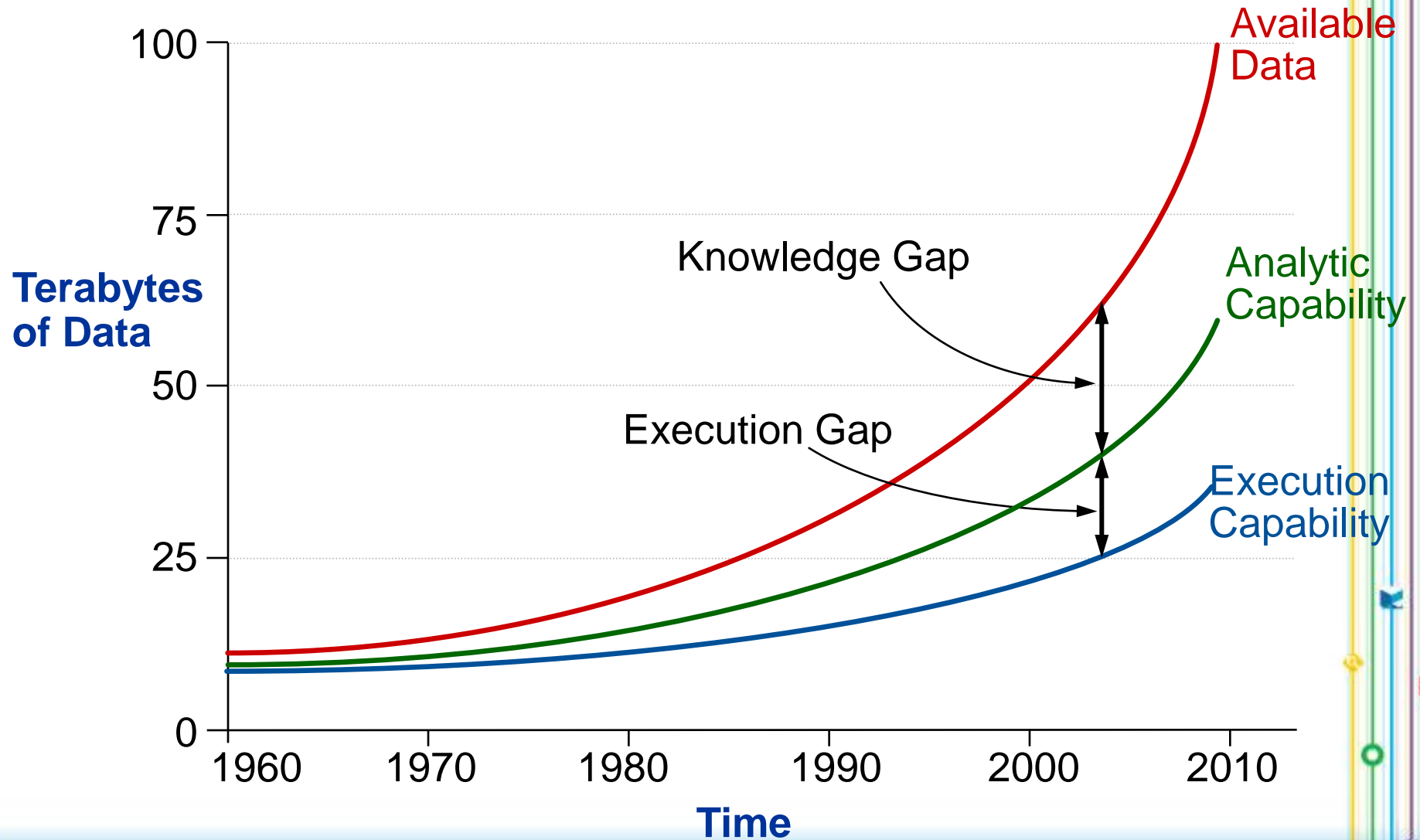
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**Los Casos + Populares**  
[Grupo Panda, plagio de canciones \(Ciudad de México, Distrito Federal, MEXICO\)](#)  
Ciudad de México, MEXICO, 15/11/2005

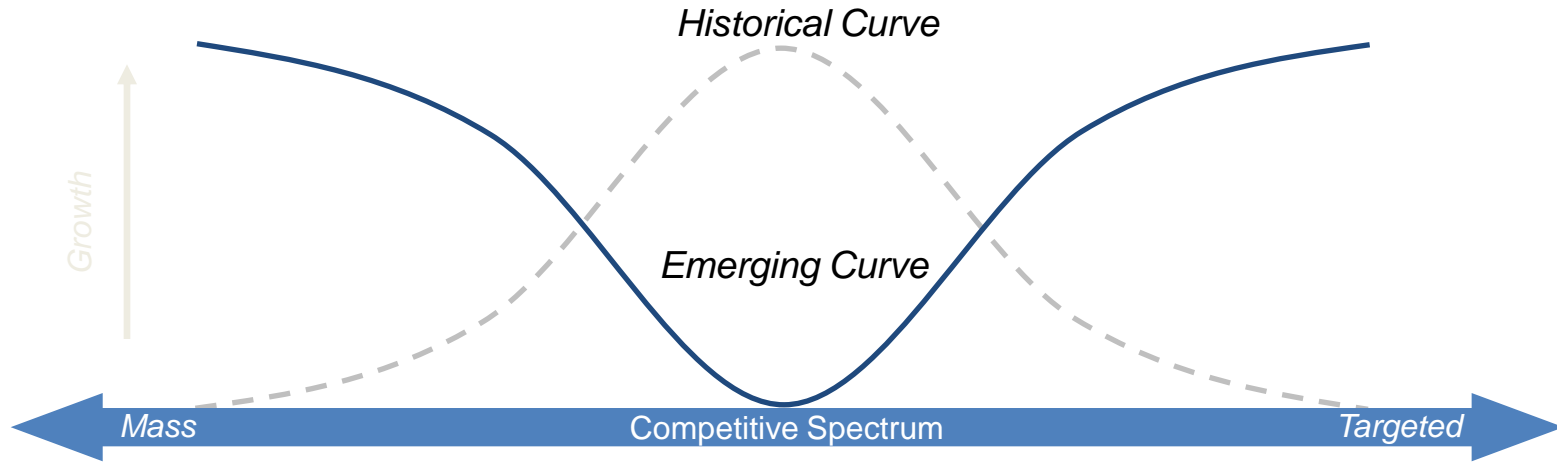
**Los Casos + Reenviados**  
[Best Buy Yuma apesta y rateros! \(Yuma, Arizona, ESTADOS UNIDOS DE AMERICA\)](#)  
Yuma, ESTADOS UNIDOS DE AMERICA, 04/08/2007

# The Data Timeline



# Polarization in the consumer marketplace...

The future consumer marketplace is increasingly characterized by bifurcation between mass and targeted propositions



Consumers are seeking to maximize their buying power for basic goods with low emotional investment.

Mega-players are rapidly capturing dominant market share by delivering “good enough” value at very low prices.

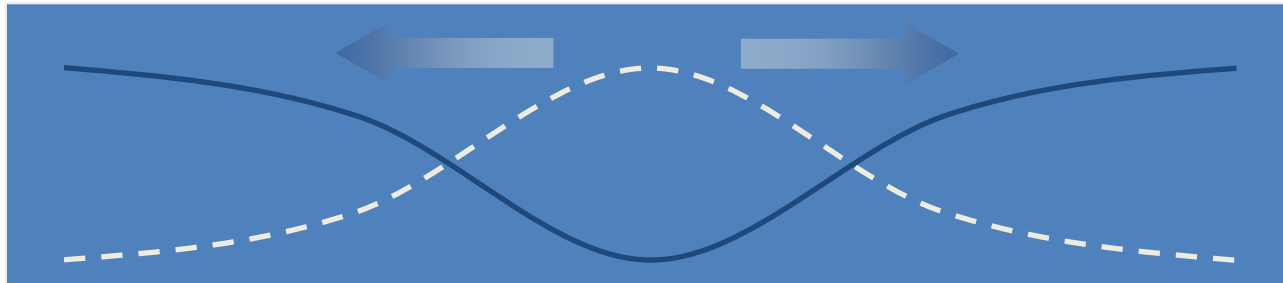
*Industry competitors must have highly focused, relevant value propositions to grow in a world of extremes.*

Consumers are seeking to maximize “personal value” when purchasing goods with high emotional importance.

Differentiated specialists are building profitable, high-growth niches by delivering unique, relevant value to targeted groups of consumers.

# ... leads to more focused product propositions...

As consumer behaviour polarizes, so does the environment within which the CP innovation process operates



## Low-margin, High-volume Brands

- Commodity product
- Consumer will buy alternative if product is not available
- Value focus
- Predominantly sold via major retail
- More stable demand



*Examples: laundry detergent, soap, toilet paper*

## High-margin, Premium Brands

- Strong consumer loyalty
- Consumer will shop elsewhere if product is not available
- Brand/innovation focus
- Sold through all channels
- Highly variable demand

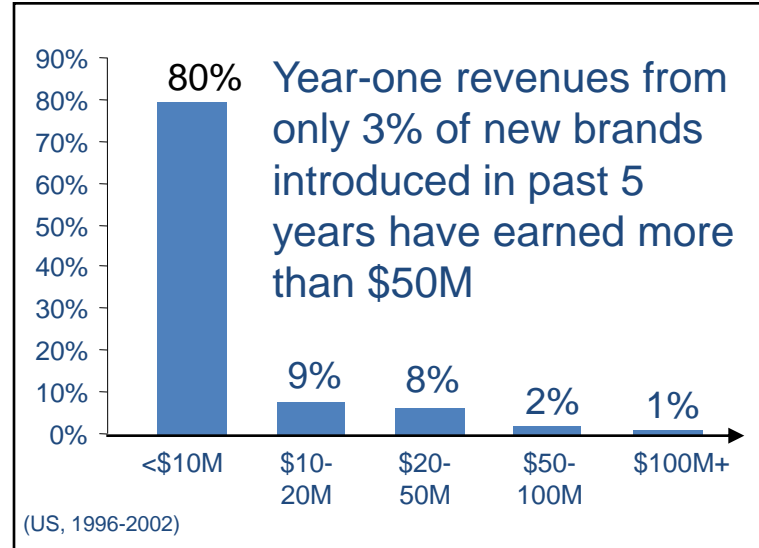
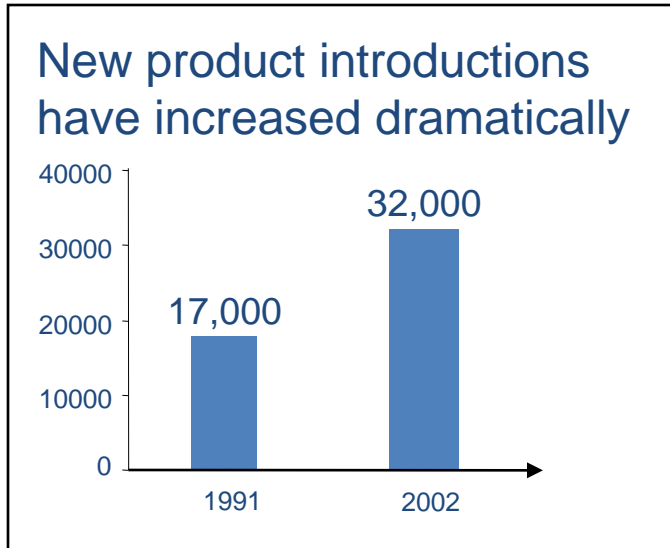


*Examples: alcoholic and carbonated beverages*

# Why companies must develop better insights

Innovation is a key priority for most companies

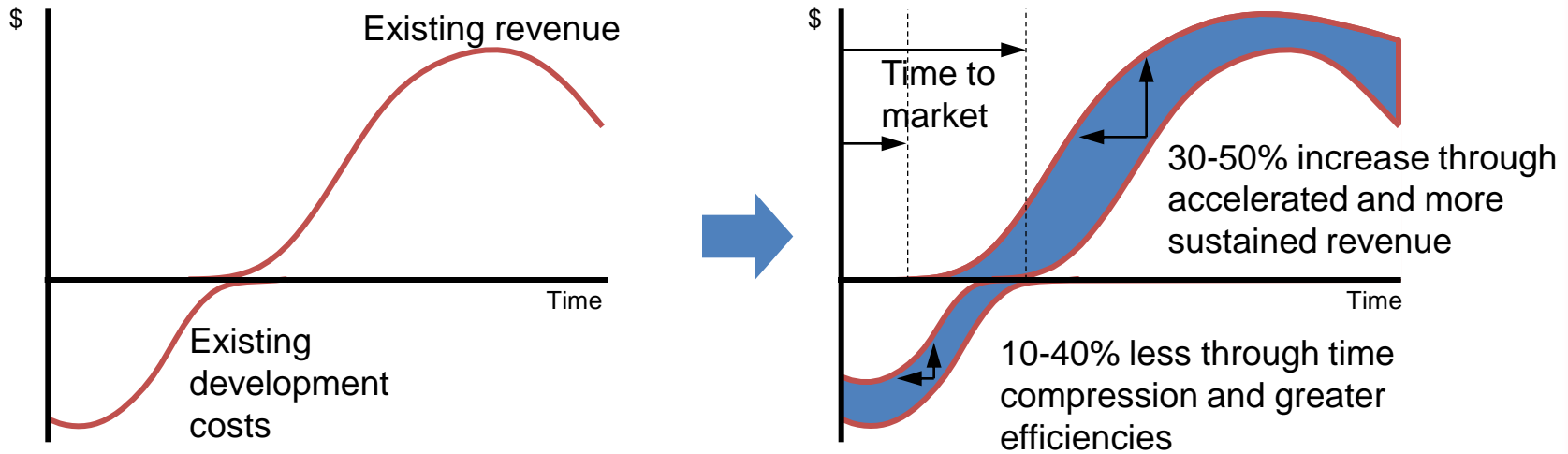
Yet most new product projects fail to generate significant revenues



**Implication**

The product innovation process has not delivered products and services that resonate with customers AND companies are spending money to fix it.

# Accelerating the innovation process drives revenues up and costs down



1) Reengineer with a focus on time to market

2) Integrate internally to minimize inefficiencies

3) Partner externally to improve execution and differentiation

4) Drive the NPDI process through IT enablement

# Lower lifetime costs are essential with increasing number of new products

<b>Number of product launches</b>	<b>1980</b>	<b>1998</b>
Cereals	34	192
Ice cream, frozen yogurt	57	556
Spices, extracts, seasonings	61	403
Deodorizers, air fresheners	53	372
Paper towels, napkins	11	126
Milk, yogurt drinks	26	255
Coffee	11	384
Beer, Ale	25	187

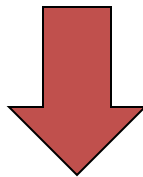
(Source: University of Nottingham; Cox WM, Alm R (1998), *The Right Stuff: America's move to mass customization*, Federal Reserve Bank of Dallas. Annual Report 1998, Dallas)

Mattel's new toys, introduced within the last year, produce 70% of its sales (Source: A.T.Kearney, *Mastering Innovation Management*, 2002)

Products newly introduced by Johnson & Johnson account for 25% of total company sales during past 5 years (Source: Bradley 1995)

# Principales problemas de un área de Desarrollo

- Alineación con la operación de la empresa.
- Construir un pipeline inteligente de proyectos.
- Decidir sobre los prototipos disponibles.
- Administrar el proceso



- Incrementar el porcentaje de éxito.



Thank  
You

