Applying Analytics in New Product Development: the Retailer’s Journey

Part 1: Unleash the power of analytics through strategic cycle time reduction.

by Sergio Martinez and Eric Krchnak
Abstract

In today’s digital world, retailers have access to more data than ever before. Access to this data has many potential benefits, but has also presented a new set of challenges for product development decision makers. It is easy to be overwhelmed by the sheer amount of data and struggle to understand how it can become actionable.

Even for retailers with refined data intake and clear alignment with strategic objectives, there is yet another hurdle: despite access to the right data, it does not reach decision makers in time, and they often don’t trust it. This means it can’t be used to drive better decision making.

Assuming decision makers have access to the right data, in order for it to become actionable, it must be both timely and high quality.

This two part ebook series takes an in-depth look at both timeliness and quality, providing pragmatic advice and starting points for retailers looking to apply analytics in product development.

Part I – Timeliness of Data – Retailers that strive to reduce product development cycle time can leverage data to make better decisions

Part II – Quality of Data – Retailers that employ data governance and information management to ensure clean, quality data will drive better decision making
Part I: Unleash the Power of Analytics through Strategic Cycle Time Reduction

Retailers that strive to reduce product development cycle time can leverage data to make better decisions.

Product development data is actionable only when it’s timely, accessible and trustworthy. In order for data to be timely, cycle times must be short enough to leverage last season’s data before the product development decisions are made for the following season.

To truly unleash the power of big data and use it for strategic advantage, retailers must first improve processes and shorten product development cycle time, thereby allowing the right data to inform decisions at the right time.
The Symptoms

How do you know if a lengthy product development process is holding you back from the power of data? Ready for a diagnosis?

☐ My decisions are unevenly balanced towards intuition. I’m guessing more than I should be.

☐ Two weeks later I’m saying “I wish I would have known that!” and have to rush to catch up.

☐ I’m using data to tell me how I did, not what I should do next.

☐ I am making decisions based on available data, and having to re-do the analysis when I finally get access to the missing relevant information.

☐ By the time I receive the data I need, I’ve already cut my purchase orders, which means I’m losing money.

If you checked more than one of these boxes, you are likely suffering from data and process misalignment due to a lengthy development cycle.
The Problem

If you’re suffering from data misalignment, you’ve probably seen the effects - from bad design decisions to wasted resources, missed trends and flat out product failures. Even when you know what data you want, you can’t get it when you need it.

So what’s the underlying problem?

Due to long cycle times, even retailers with assortment analytics in place are not receiving enough data until after creative decisions are made for the next season.

With an average cycle time of 50 weeks, brands are not able to aggregate selling data until one to two months after the onset of the next season’s development. Point of sale (POS) and other data is being analyzed faster than ever, but until cycle times are reduced, timing will continue to prevent you from unlocking the full potential of data.
The Solution

Shorten your cycle time by focusing on improving the processes that influence it. **Make sure the data input occurs before your creative design process for next season begins.**

While having the "right amount" of data to effectively and strategically make your creative decisions is dependent on the type of decision culture your organization has in place, one thing is always true: earlier access is always better.

**Base Case: Data & Process Misalignment Due to Seasonal Overlap**

- Spring ‘13
- Spring ‘14

**Future State: Compressed Cycle Time Enables Data-Driven Decision Making**

- Spring ‘13
- Spring ‘14
Getting Started

Five tips for compressing your development cycle time:

1. Decentralize decision making
2. Cultivate collaboration with strategic partners
3. Decouple ongoing processes from regular development cycles
4. Remove duplication of work
5. Define clear roles
Tip 1: Decentralize Decision Making

Review the level of control you have in your corporate office versus your sourcing office relative to material development, product sample approvals, and color approvals.

If the majority of your approvals are happening in your corporate office, this often translates to lengthy time delays and long communication chains.

Decentralize decision making by allowing approvals to happen closer to the source of production – wherever that may be.
Tip 2: Cultivate Collaboration with Strategic Partners

To allow for increased agility and continued compression of your development cycle, focus on optimizing your vendor collaboration. Begin classifying your vendor base into strategic, preferred and opportunistic buckets.

You should view strategic vendors as partners and actively collaborate with them at a leadership level. They understand your strategic goals and creative direction well enough to anticipate what you need. They understand your product and brand and how broader market trends apply to you.

By better cultivating strategic vendor relationships and incentivizing collaborative growth, you can avoid costly process delays and move to production even faster.
Tip 3: Decouple Ongoing Processes from Regular Development Cycles

To avoid absolute linearity in your development cycle, define which steps can be executed as a set of parallel-path processes.

For example, material development is an area in which retail organizations often waste a considerable amount of development cycle time by planning sequenced rather than concurrent activities.

By making material development a concurrent process that happens collaboratively across the organization, you can shorten your cycle times and make material development a more strategic process.

Organizations that pull material development out of their regular cycle, and instead consolidate the process across brands and product categories, see an average cost reduction in materials of 2-5%.
Every step in your development cycle translates to additional time. Deconstructing your process down to the activity level and determining where the inefficiencies, pinch points and duplications of work occur will expose opportunities for significant improvement gains. Focus on areas like sample management, departmental handoffs and role clarity.

**Need to find your pinch points? Ask yourself:**

- How many sample iterations do we go through in an average development cycle?
- How many steps does it take to compile a complete tech pack?
- How many people are doing the exact same thing, in two different places?

Identify ways to clean up your process and improve efficiency to stay competitive with industry leaders.
Tip 5: Define Clear Roles

To drive retail employee engagement, you need clear role descriptions, transparent expectations and a deep understanding of each team member’s value-added contribution to the overall process.

Rather than taking regions or product categories into account, product development roles and responsibilities should focus on the expertise and skillset necessary to collaboratively meet business objectives. Along with intrinsic motivators, this will enable more desirable career pathways, development opportunities and high rates of employee retention.

Defining clear roles will help reduce cycle time by minimizing or eliminating the duplication of effort and non-value add activities. Role clarity is extremely important in highly collaborative processes such as new product development.

Perhaps most importantly, clear roles enable faster and clearer decision making against constrained resources and timetables.
Put the Right People in Place to Make Process Changes a Reality and Build for the Long-Term

Process optimization should be a collaborative effort to achieve specific business objectives. The following are important considerations when building a high performing core team to lead the effort:

1. Leverage internal employees who are well respected and experienced in the industry. If necessary, seek external resources to fill in-house gaps.

2. Utilize a cross functional approach. Siloed walls must be torn down.

3. Implement a phased approach to process change. Disruption to ongoing business must be kept under control.

4. Weave change management leadership and training into every phase. Resistance to change is natural and should be expected.

5. Plan for and celebrate wins whenever possible. Members of the change team should be publicly recognized for success.

Strive for a culture of continuous improvement by evaluating how the inputs to your development cycle affect overall efficiency on a regular basis. Periodically reevaluate your processes, as well as the data you use, to ensure the ongoing validity of your processes. Nothing is static in today’s environment!
Benefits of Timely, Accessible Data

Once you’ve compressed your development cycle, what exactly can the data do for you? Leveraging the right data at the right time for strategic decision making allows retailers to:

- Improve the current launch by controlling discount and promotional strategies
- Uncover insights to better inform the next product cycle
- Better understand and target customer segments
- Improve inventory management

For example, take an analysis of your current revenue distribution. You can see what you want to cut and what volume you need to increase on the revenue driving products. Before you reduced your cycle time, this may have been an interesting, relatively backward looking piece of information that gave you some input for next season. By changing when that data is available, and creating a learning culture where you use data to inform – not react – you can strategically plan your product mix, development, and assortment.
Leverage Data for Better Decision Making

**Strategic Imperatives**
- Increased Sales
- Service Levels
- Improved Full Price Sell-Through Rate
- Optimized Assortment Depth and Breadth
- Increased Rate of Inventory Turns

**Data Driven Decisions**
- Improved Store Clustering and Localization
- Better Assortment Planning
- Accurate Quantity Projections
- Increased Focus on Winning Products

**Potential Benefits**
- Better Customer Targeting
- Increased Sales
- Improved Margins
- Better Inventory Management
Like Location in Real Estate - Timing is Everything in Retail

Aligning cycle time processes and information drives enhanced insight and decision making. This is a great first step, but in order to institutionalize information-based decision making, the organization must trust the data is consistent and accurate. Only then can retailers best drive the optimal depth and breadth of innovative products, ultimately resulting in both profitable growth and competitive advantage.

Do you trust your information? Stay tuned for Part II of this series where we discuss improving the quality of data through governance and information management.
Are You Ready to Begin the Journey?

For more information on how to get started contact:

NORTH AMERICA:
Steve Riordan at steve.riordan@kalypso.com or Charisse Jacques at charisse.jacques@kalypso.com

EUROPE:
Mike PreFontaine at mike.prefontaine@kalypso.com or Mick Broekhof at mick.broekhof@kalypso.com

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