Passi  n for Product

Structured Product Development:
A Creative Road to Product-Success

Bangkok, April 9 2014

Guiding Principle

"It is not the strongest of species that survives, nor the most intelligent that survives. It's the one that is most adaptable to change".

Charles Darwin

Passion for Product: WHY?

Product:

- Not just a means to an end
- Huge strategic & impactful relevance
- It is your lifeline
- Defines the success of your business
- No product no business

And yet, product is the most neglected subject in board-room discussions

Key Strategic Considerations

What do you want & Why do you want it?

- Tap into lucrative market
- Get rid of waste
- Exploit distribution-strengths
- Make use of massive grants

The choice of the above defines the objectives for your Structured Product Development (SPD)

To Make or Not to Make:
That is The Question!

Limitless vs. Limited Development

Do you develop based on market opportunities and let others make?

+ Creates much wider scope
+ Can be outsourced
+ New technologies can be introduced
+ Potentially long lead on competition

– Long, complex & costly development process
– Above average risk (market, not quality)

To Make or Not to Make:
That is The Question!

Limitless vs. Limited Development

Do you use available technologies to make yourself?

+ Short learning curve
+ Acceptable risk profile
+ Market acceptance of technology
+ Shorter development time

– No strategic lead on competition
– Directly comparable with existing offer

Key Strategic Considerations

Play the Leader role by:

- being the first to take initiatives
- allowing for above-average risk
- exploring unknown territory
- consistently looking for improvement
- setting-the-scene in the market

Beware: do not confuse Leadership with SIZE

Key Strategic Considerations

You are a follower

Your development objectives are:

- Copy while improving
- Achieve price reductions
- Limit the risk
- Modest R&D budget

Beware: as a follower you are never alone!

Non-structured SPD = Eureka!

- Having a brilliant thought by accident
- The real purpose was to take a bath!

Structured Product Development WHY?

- Investing in equipment and technology is what you do; **it's your future**
- All investments are:
  - well-planned
  - minutely defined
  - passionately justified

Product-development is your future as well!

How NEW in NEW?

Development is generally NEW for:

1. Industry?
2. Market?
3. You?

The answers define:

- ▲length of development-process
- ▲potential life-cycle of what you develop

Structured Product Development: How do you Start?

Define:

- what you need with some precision
- no-go standards with fair precision
- objectives with some precision
- time-lines with fair precision

And above all: make somebody responsible

The ideal SPD team:

- Team leader has the ears of the board
- Balanced blend of entrepreneurial and managerial minds
- Small core-team, invite others on ad-hoc basis
- Seek outside help if necessary

What to avoid:

- The“Political” team-member with no contribution
- The eternal Pessimist
- Overspending time on team management

Which Product Strategy?

Made to last = a long life-cycle

- Often (substantial) capex requirement
- Long development-times & serious development-budgets
- Longer pay-back periods

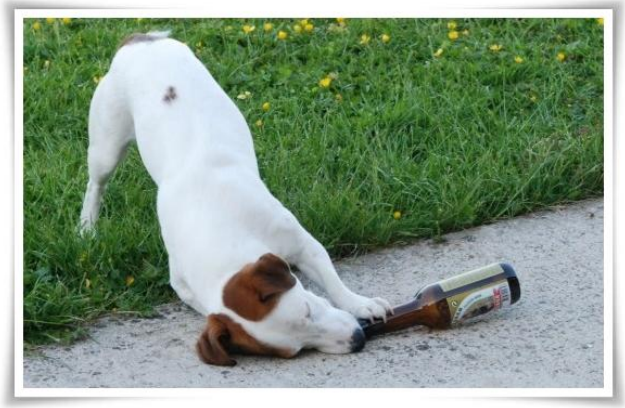
Key Condition:

Must have a long lead on competition

Which Product Strategy?

A fashion = a short life-cycle

- Short-lived business opportunity
- Properties less important than *gimmick*
- Short development time & small development investment
- No or hardly any capex required
- Attractive margins



Critical question:

When do you stop?

Which Product Strategy?

Planned Obsolescence = you know when to stop

- Have next generation ready
- Focus on meaningful & tangible improvements
- Do not change product-concept/image
- Use existing & known technology

Expected result:

Keep competition in follower' s position

Which Launch Strategy?

Skim the market

When:

- no competition breathing down your neck
- starting with moderate set-up
- market acceptance is believed to take time
- high margin-opportunities per unit are available

Often relates to NEW for the Industry

Which Launch Strategy?

Full Throttle = Fast Penetration

When:

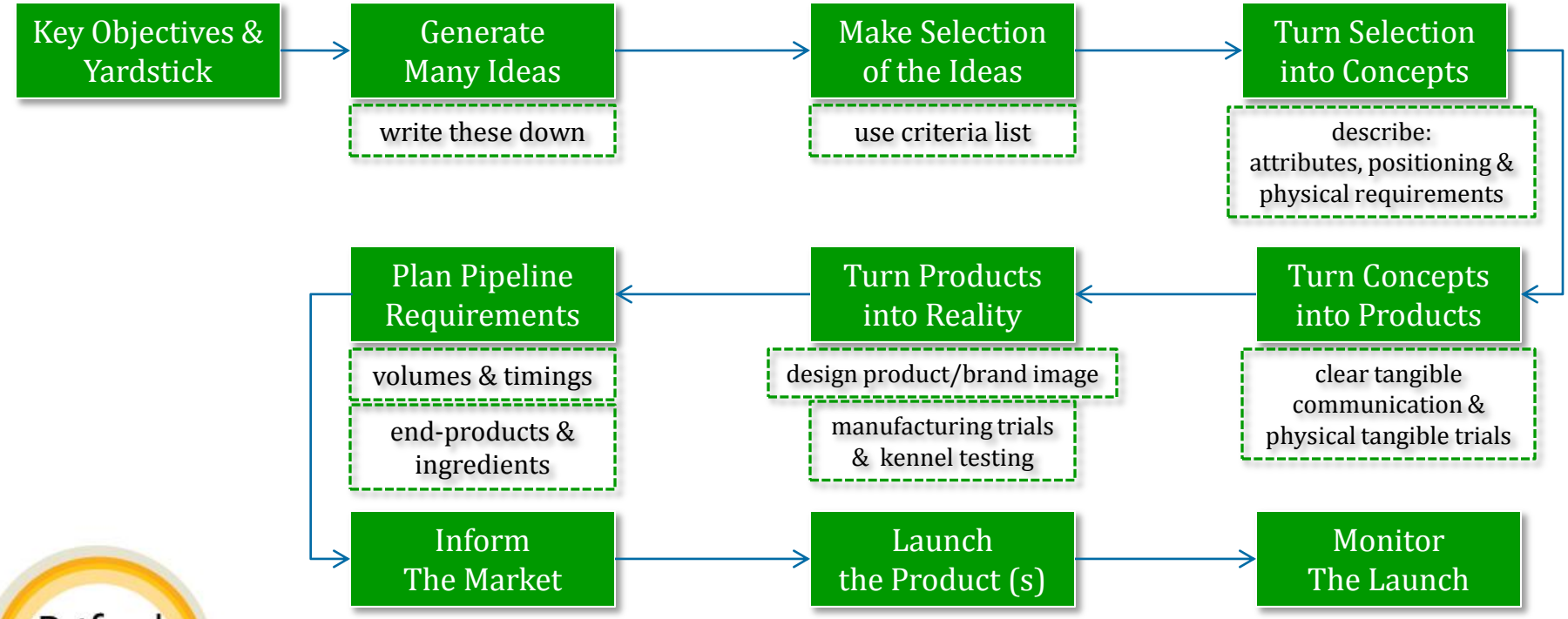
- competition is breathing down your neck
- capex requirements are not extravagant
- market acceptance is no issue

Objective:

Acquire solid product-position quickly

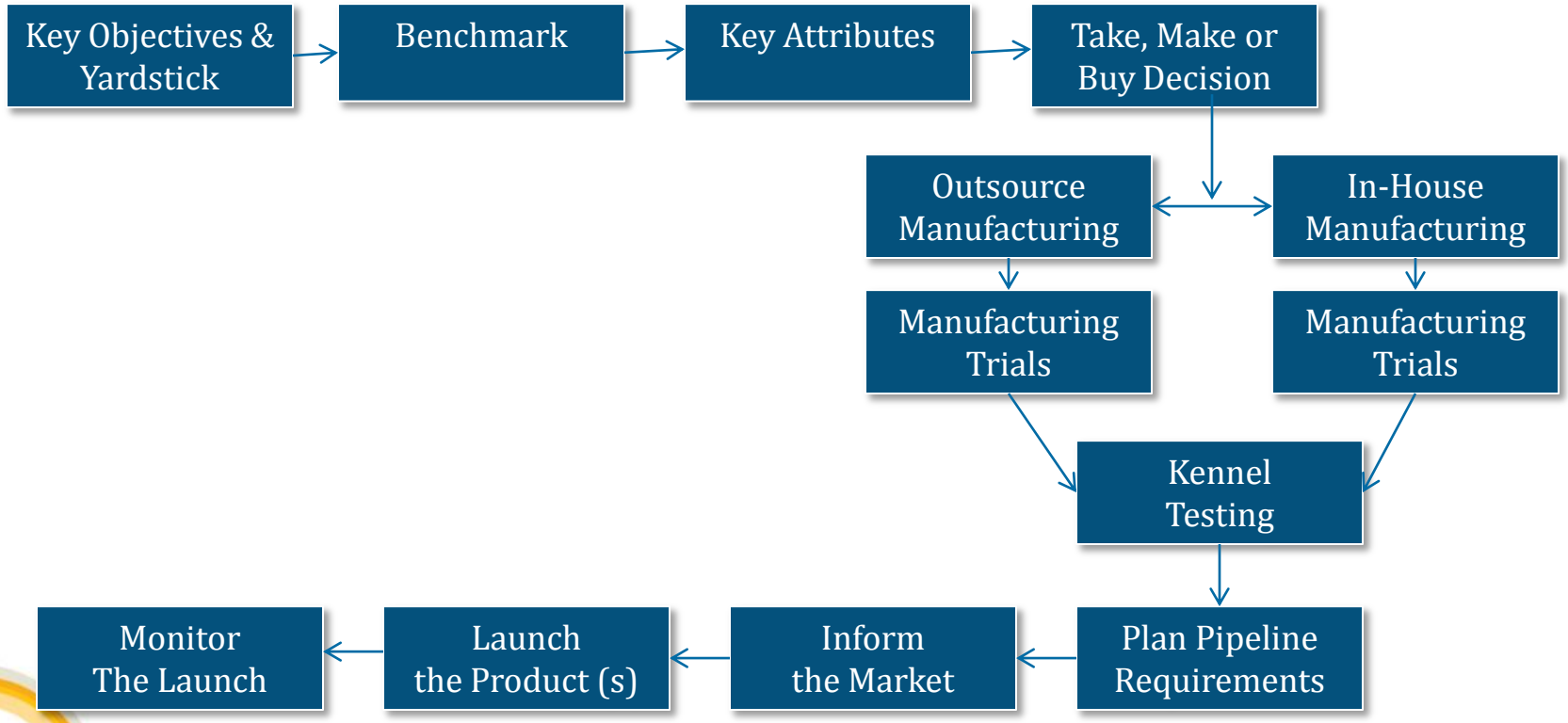
The Physical Product
Which Steps to Take?

The long process = NEW for the Industry



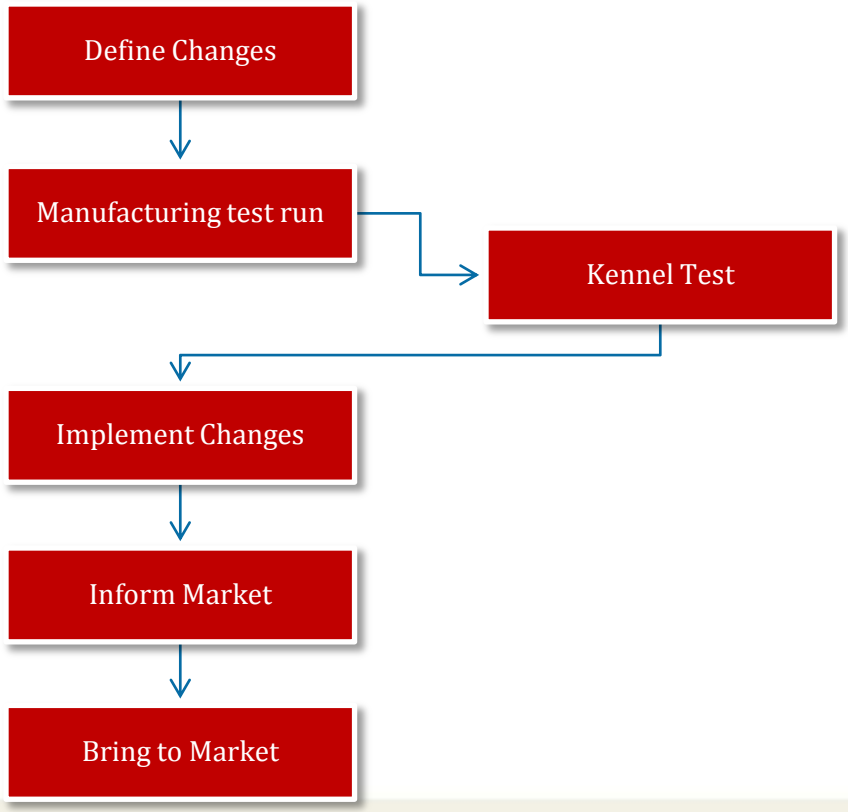
The Physical Product
Which Steps to Take?

The intermediate process = NEW for the Industry



The Physical Product
Which Steps to Take?

The short process = NEW for your You



The Modular Approach

- Bite-size & relevant modules
- Define per module:
  a. Purpose
  b. Expected results
  c. No-go standards
  d. Time-frame

An Example of a Module
Scenario New for Market

Module 1: Idea Generation

- Purpose: generate & select ideas that are in line with product strategy brief
- Expected result: 4-6 'workable' ideas to be turned into concepts
- No-go standards: if <4-6 ideas, reconsider project
- Time frame: due date

Who: group of max. 6 internal & external 'experts'

An Example: Mix ‘n Match

Concept: “Owner in Control”

- What is it:
  - A basic food nutritionally adequate for basic needs
  - Concentrates to adapt to a specific situation
- Advantages
  - Less SKU’s
  - Less price sensitivity
  - Less competition

The Product: What to Test?

Scenario 1: New for the Industry

- Consumer
  - Concept(s)
  - Semi final product
  - Product in use
  - Trial purchase and repeat
- Manufacturing
  - Ingredients in process (e.g. thermal influences)
  - Flow of the recipe
  - Shelf life
- Animal
  - Acceptability
  - Production of waste = excrements and its quality
  - Physiological reactions (verification of claims)

The Product: What to Test?

Scenario 2: New for your Market

- Consumer
  - Semi final product
  - Product in use
  - Trial purchase and repeat
- Manufacturing
  - Ingredients in process (e.g. thermal influences)
  - Flow of the recipe
  - Shelf life
- Animal
  - Acceptability
  - Production of waste = excrements and its quality
  - Physiological reactions (verification of claims)

The Product: What to Test?

Scenario 3: New for the Company

- Consumer
  - Semi final product
  - Trial purchase and repeat
- Manufacturing
  - Ingredients in process (e.g. thermal influences)
  - Flow of the recipe
  - Shelf life
- Animal
  - Acceptability
  - Production of waste = excrements and its quality
  - Physiological reactions (verification of claims)

Testing: a Note of Caution

Mainly for consumer research

- In most cases use outcome as illumination; NOT as a foundation for your business decisions
- Only test what can be tested
- Only test what is necessary to test

Beware: do not test your product into the common denominator

Ingredients:
Why take these for granted?

- Foundation: waste materials
- Later called: by-products
- Now: used in human food chain
- Result: shortage becomes tangible
- Sustainability influence: different instead of more

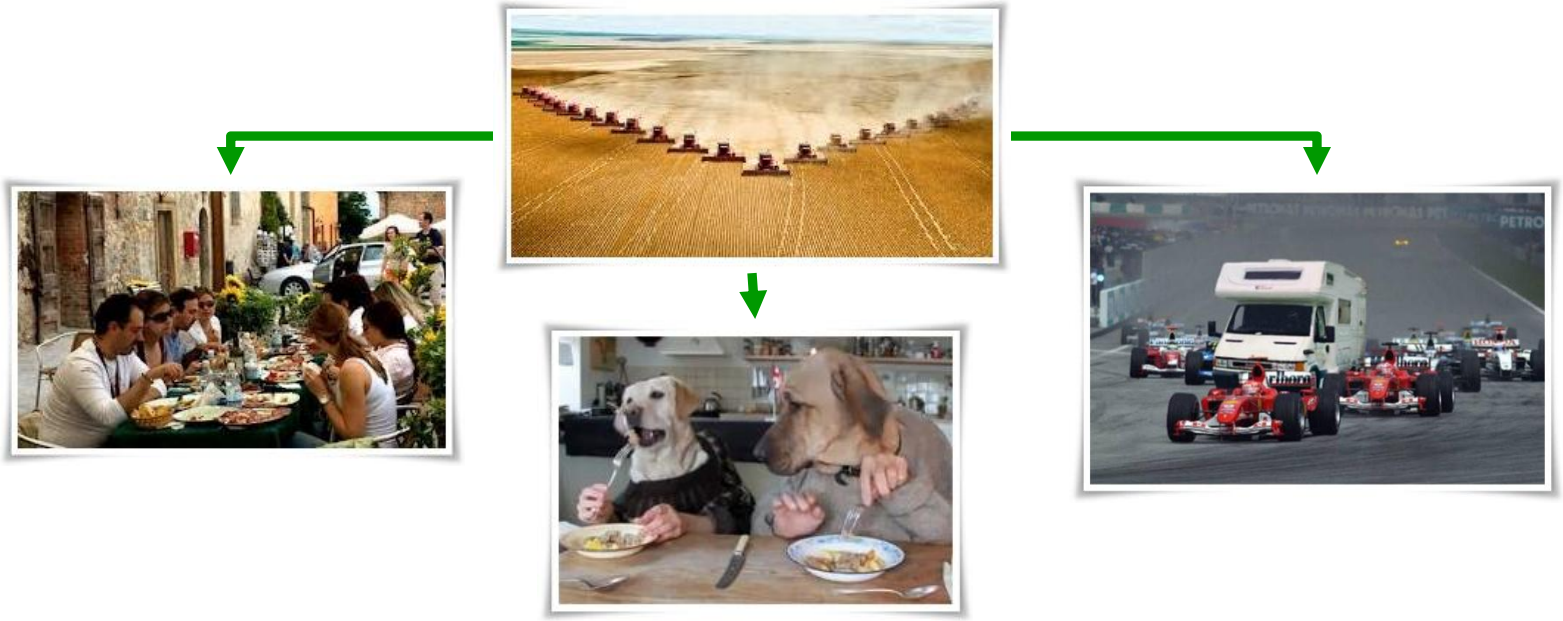
Dangerous: assuming availability of ingredients without structural changes

Ingredients:
Who are we fighting with?

- Today's ingredients-pond considerable
- Fishing in this pond:
  - Human Food
  - Animal feed
  - Pet food
- Tomorrow's pond even more considerable
- However...

Ingredients:
Who are we fighting with?

More parties are fishing in this pond:



Guess who has the deepest pockets?

Expect: structural price increases!

The Lab Burger

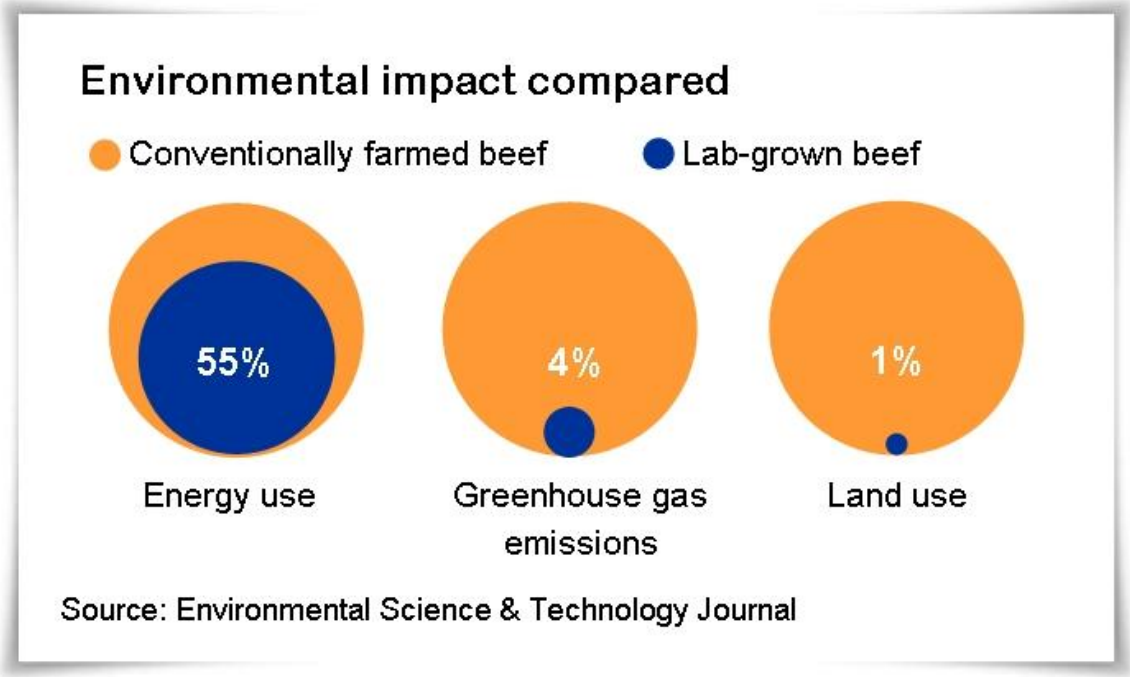
- No science fiction: scientific proof
- Growing meat from stem-cells
- Not only bovine: variety of species

- Consequences:
  - Less cereals for animal proteins
  - Less by-products available

Lab Burger Impact

A possible food revolution

- Data gathered and published after the lab-burger got its 1st public viewing and tasting in London in August 2013



Our Key Ingredient: Will We Have Enough?

An Alternative Technology?

3D Printing

Possible advantages

- Very small runs
- Quick proto-typing
- Production of complex shapes
- Cheap initial prints

Possible disadvantages:

- Expensive machines & maintenance
- Expensive to print large numbers
- Material restrictions

An Alternative Technology?

- Technology not ready yet for pet snacks/treats or food
- Technology is still very expensive

Recommendation: Have sharp eye on 3D developments. These will go fast!

Going Back to Square 1

For SPD it is essential to define:

- description of deliverables
- positioning of product(s)
- ball-park notion of pricing and gross-margin
- minimum sales-requirements
- bench-mark and why chosen?
- for which markets?
- when to launch?

Going Back to Square 1

Trends to take into account:

- Natural
- Functional
- Humanisation
- Premiumization
- SUSTAINABILITY

Going Back to Square 1

Which assumptions to say goodbye to:

- Water will continue to be available in required quantities and at required quality & price
- Ingredients will continue to be available in required quantities and at required quality & price
- Energy will not become a prohibitive cost-factor

Practical Advice

- SPD projects: bite-size modules
- Define for each module
  - Purpose
  - Quantified objectives
  - Go/no-go standards
  - Time-line
- Do not handle >3-5 projects at a time
- Spread the work and keep concerned informed

Above all: Finish what you start!

Key Factors for Success

- Build a development team
- Make somebody responsible
- Let team leader report to board
- Follow agreed time-lines
- Do not cut corners
- Do not dilute concept
- Commit to the process
- Make the process repetitive

Above all: Think like a consumer!!

Key Trends in Human Food
(from a Western perspective)

- Reduction of food loss or waste: recycle for pet food?
- Ingredient-scepsis: is this really good for me?
- Manufacturer-scepsis: need for more transparency
- Health is more "holistic": synbiosis between body-mind-food
- Hourglass model: basic and premium thrive, middle-of-the-road gets squeezed
- The small guy leads developments: a difference in risk-appetite

Do not forget: our "consumer" is a human food consumer!!

Customers Are In Charge

- They can **comparison**-shop from their **couches**
- Or **badmouth** brands via **social media**
- They will **NOT** tolerate **misleading** quality or **sloppy ethics**

Summing Up

Structured Product Development

- Gives focus & direction
- Asks for focused thinking
- Sets standards for decision making
- Provides a time-frame

Summing Up

Structured Product Development:

- Does not relate to company size
- Limits the risk of launch
- Is practical and sets yardsticks
- Makes people accountable
- Ideally a continuous process

Summing Up

But above all,

Structured Product Development is about:

Passi  n for Product