*connectedthinking

How targeted collaboration between retailers and manufacturers promotes the success of new product launches*

NACDS
NATIONAL ASSOCIATION OF CHAIN DRUG STORES
Advisory Board

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The National Association of Chain Drug Stores represents the nation's leading retail chain pharmacies and suppliers, helping them better meet the changing needs of their patients and customers. Chain pharmacies operate more than 37,000 pharmacies, employ 114,000 pharmacists, fill more than 2.3 billion prescriptions yearly, and have annual sales of nearly $700 billion. Other members include more than 1,000 suppliers of products and services to the chain drug industry. NACDS international membership has grown to include 83 members from 24 countries.

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Commission

This paper was commissioned by the Industry Issues and Projects Work Group of the NACDS Advisory Board. The Advisory Board's mission is to advise and provide recommendations to the NACDS Board of Directors and staff on timely industry issues affecting the broad NACDS membership base, thereby promoting changes and enhancements that increase NACDS's value and relevance to its members. A list of Industry Issues and Projects Work Group members is included in the appendix.

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Introduction

New product launches are a key driver of growth and market differentiation for both manufacturers and retailers, yet lingering misunderstandings regarding each partner's expectations, abilities, and timetables still threaten launch success—and with it top-line revenue generation and profitability.

As the number of new launches increases and the marketplace becomes even more competitive, retailers and manufacturers must engage to find common ground. Improving understanding between trading partners will create a sustainable and agile trading relationship that enables better utilization of both partners' resources and increases the likelihood of launch success.

The following key principles for retailers and manufacturers are detailed within this document to provide insight and perspective for improving the execution of every launch:

For retailers:

1. Partner with the manufacturer to fully understand the proposed launch type and its alignment with your organization's strategy.
2. Be candid about the level of commitment you're willing to provide the proposed launch. If your organization does not perceive the launch as a strategic initiative, ensure your partner's awareness of this so they can adjust resources accordingly. Wasted effort here uses funds that could be leveraged for other important initiatives.
3. If this is a key launch for your organization, be sure to involve stakeholders at the appropriate levels in your organization (operations, logistics, marketing, etc.) throughout the launch process to improve the likelihood of success.
4. Collaborate with the manufacturer to establish milestones and criteria for success, and track progress towards these milestones together.
5. Determine up-front contingency plans that will be initiated if milestones are not met. Collaborate with the manufacturer to mitigate risk.
6. Ensure that you have a full-year collaborative launch plan, and don't succumb to the "launch 'em and leave 'em" approach.
7. For major launches, devote time to a post-launch review and analysis to capture learnings for future initiatives.

For manufacturers:

1. Eliminate preconceived notions and develop an understanding of the retailer's criteria for launch success.
2. Understand how each retailer supports new product launches based on classification of the launch.
3. Collaborate with each retailer to determine key performance indicators (KPIs) and milestones for launch success, covering all stages from pre- to post-launch, with emphasis on store-level implementation and execution.
4. Establish which functional areas in your organization will be involved in the launch, based on the launch's classification level.
5. Ensure you can support the new product launch with customer research and shopper insights.
6. Agree to data-exchange timelines to improve data synchronization.

The retailer/manufacturer relationship: a work in progress

According to the CEO of a major US drugstore chain, the cost of cutting in new products is the single largest controllable expense for retailers, and the failure rate of new introductions is high. While the number of new product introductions over the years has increased substantially (6 percent between 2004 and 2005; see page 9), shelf availability did not grow at the same pace, making it harder for any new product to break through and be noticed by consumers.[1]

Over the past fifteen years, retailers and manufacturers have come together to improve the effectiveness and efficiency of new product launches, introducing cross-functional teams that work collaboratively to enable fluid communication and manage their mutual business through every phase of a launch. Yet in spite of such collaboration, the number of failed launches and unsuccessful new product introductions has remained fairly constant,[2] with only 20 percent of new brands launched during 2004 achieving "Pacesetter" level.[3]

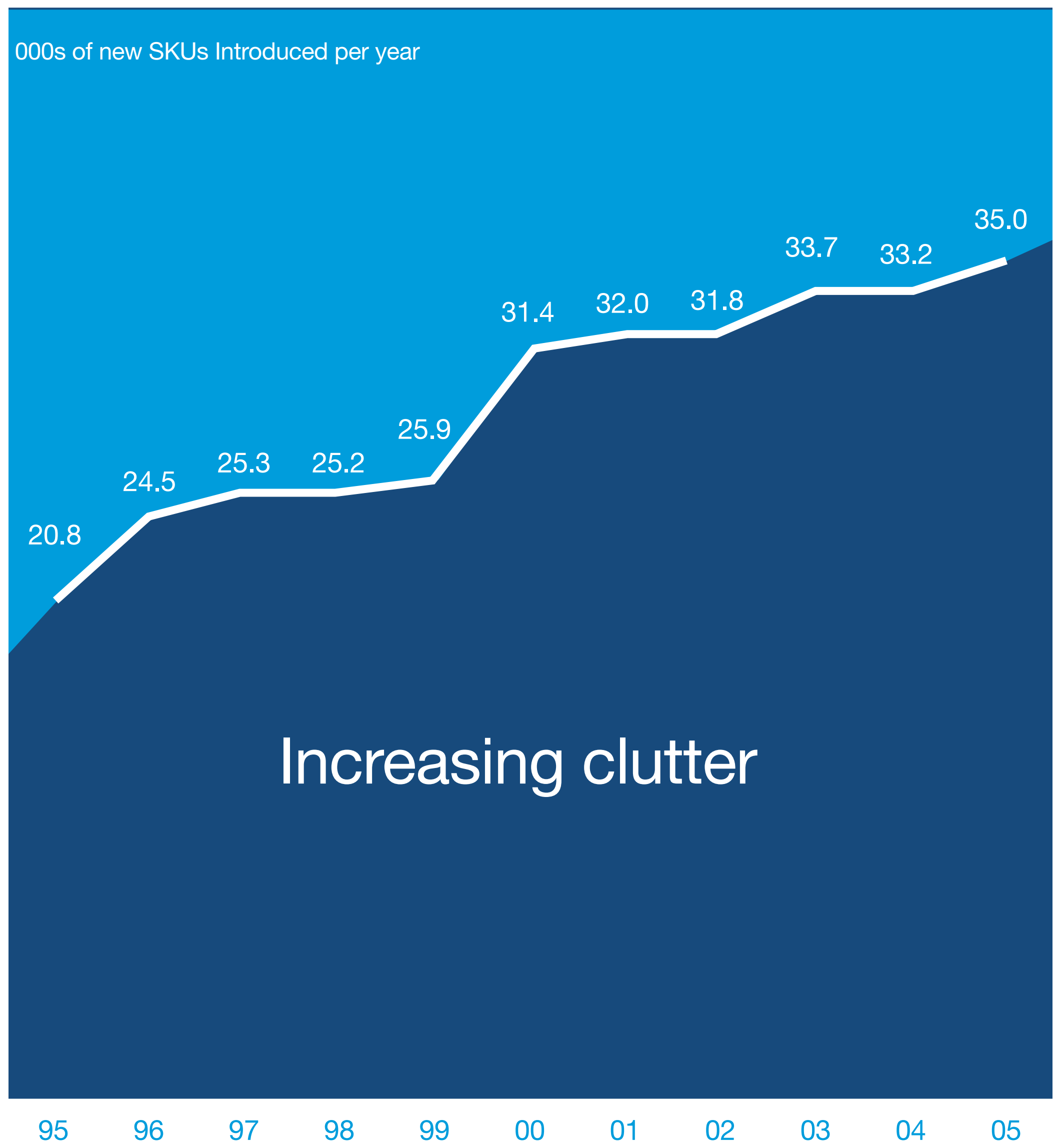
1 Information Resources Inc., "Insights on New Product Trends: Food and Non-Food Categories" (2006).

2 C. Merle Crawford, "Marketing Research and the New Product Failure Rate," *Journal of Marketing,* Vol. 41, No. 2 (April 1977), and "ACNielsen Consumer and Market Trends Report" (September 2001), www.bases.com/news/New%20Product%20Introductions.pdf.

3 Year-one sales greater than $7.5 million in the food, drug, and mass merchant channels (excluding Wal-Mart), as defined by Information Resources Inc. (IRI).

Introductory marketing has to work hard to break through the new item clutter.

New product launches by year, 1995–2005



Source: Marketing Intelligence Service's ProductScan database, calendar year 2005 (estimated based on data through 10/05)

Seeking common ground on retailer/manufacturer collaboration

Though many companies have adopted the use of focused cross-functional teams, this has not been enough to guarantee successful launches. Companies are now asking what else can be done to increase the chance of success. To address this fundamental question, a select group of National Association of Chain Drug Stores (NACDS) member companies, both retailers and manufacturers, met for a roundtable discussion[4] moderated by PricewaterhouseCoopers at the NACDS Marketplace conference on June 25, 2006. The objective of the roundtable was to determine key business practices and significant factors for a successful launch (focusing on operational elements rather than on the traditional measures of meeting or exceeding the sales forecast) and to lay out a set of recommendations the industry could use as a framework for future launches. These recommendations were further vetted with the members of the Industry Issues and Projects Work Group to develop the content of this guide.

4 The focus group was part of NACDS's "Efficiency and Effectiveness Everyday" (3E) study, begun in 2005.

Key success factors and steps in a new product launch

The focus group produced two important results: a set of non-financial factors for a successful new product launch and the identification of a launch-phase structure designed to produce both immediate and future launch success. We've synthesized these into a four-step approach (see page 14), beginning with achieving an understanding of key success factors and moving on to collaboration on the launch itself.

Within each of the four steps of the launch, the following key success factors provide trading partners with specific, high-impact areas in which to focus their efforts and resources to achieve the most successful launch possible.

1. **Launch classification:** Not all new product launches are the same or require the same amount of resources and support. Trading partners should classify the priority of a launch to set clear expectations regarding the level of support to which each partner will commit.
2. **Definition of success:** Trading partners should define jointly what each means by "success," creating a set of common metrics and targets by which to manage expectations throughout the launch and then judge the results.
3. **Dual accountability for results:** Trading partner relationships often fall out of balance, yet each partner should still be held accountable for committed actions and results.
4. **Ability to execute:** Throughout the launch, joint monitoring of each partner's execution according to plan provides flexibility to respond and still achieve success.
5. **Contingency planning:** Up-front planning for predictable contingencies—such as launch delays, out-of-stock or excess-inventory situations, and lack of carrier availability—improves the execution of a launch. Also, increased mutual transparency enables both partners to react more quickly and effectively to unexpected situations and process breakdowns.
6. **Launch credibility:** Credibility—the trust earned through the ability to meet or exceed expectations—is a fundamental factor between trading partners involved in a new product launch. Past launch performance heavily influences future decisions and behaviors, as well as the potential performance of subsequent launches.

These factors act as lenses or filters through which to continuously view each phase of the launch, providing focus for better understanding launch dynamics. They're discussed in more detail in the next section. From there, the guide moves on to the activities and interactions that occur during the launch lifecycle, including any post-launch review. Each phase includes a number of key activities, agreements, and milestones for each of the stakeholders, forming a roadmap that helps trading partners conduct an organized launch-planning process and anticipates events and results.

Approach

It is often said that the United States and Great Britain are two countries separated by a common language—and the same could be said for retailers and manufacturers. Each comes to the table with what it considers a commonsense understanding of the other's needs and concerns, but all concerns are not necessarily shared between trading partners.

With the increasing frequency of new product launches, successful launches will continue to be an essential part of manufacturers' and retailers' business practices, and a continuing challenge. In an increasingly competitive marketplace, retailers and manufacturers must re-examine the ways in which they engage—letting go of misperceptions, finding common ground, and establishing the kind of sustainable, agile, and coordinated trading relationship that is critical to launch success.

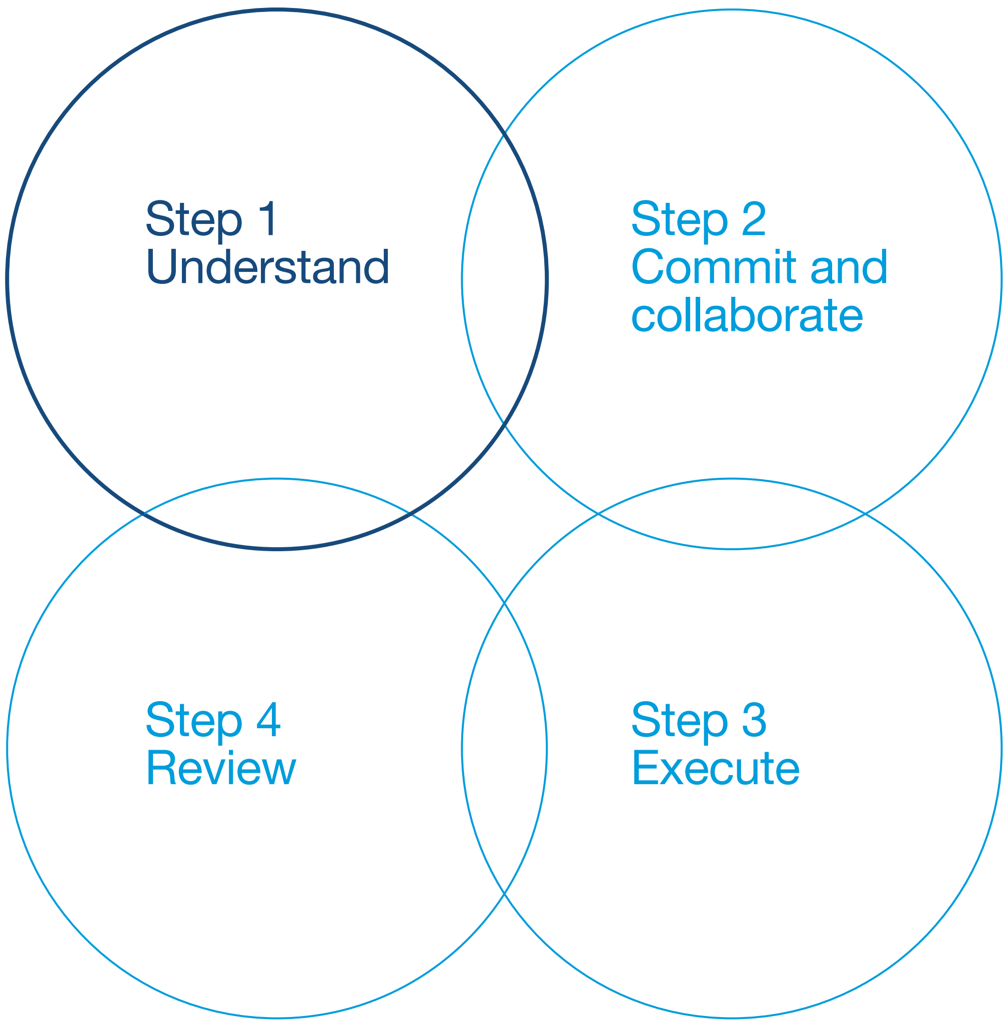
While there is no secret formula for a successful new product launch, diligent focus on key success factors and launch phases identified here can result in greater retailer/manufacturer understanding, better utilization of trading partner resources, and increased likelihood of launch success.

The focus group of manufacturers and retailers brought together for the June 2006 NACDS Marketplace identified a set of key success factors and a structure of launch phases that can provide a “common commonsense” approach to retailer/manufacturer collaboration and serve as a framework for future launches. These recommended industry practices can be distilled into four steps:

1. **Understand:** Success in a new product launch depends on a full understanding of launch mechanisms, from defining the scope of the launch to establishing partner abilities and accountability, building credibility, and defining what success means for both partners.
2. **Commit and collaborate:** Understanding is confirmed when both trading partners come together to plan the launch, establish expectations, agree on launch goals, and begin to work cooperatively to bring the new product to market.
3. **Execute:** In the execution phase, commitments become firm and plans reach mutually agreed milestones, eventually triggering the physical distribution of the new product into the supply chain.
4. **Review:** Sales performance is not the only measure of a successful launch. In this stage, trading partners review the completed launch to understand the performance and results of the execution process and the real-world results of commitments made early in the game.

Phases of a new product launch

Step 1
Understand



What are key factors of a successful launch? What abilities, expectations, and levels of trust must partners bring to the table?

To achieve a successful new product launch, manufacturers and retailers must have a full and mutual understanding of launch mechanisms for each particular product. Key success factors defined by the NACDS roundtable provide trading partners with specific areas in which to focus their efforts, ensuring that they are investing their time and resources in the dimensions that will have the greatest impact on launch outcomes.

Key success factors

Launch classification

Not all launches are the same, nor is their importance to their partner retailers and manufacturers necessarily equivalent. Lack of understanding and agreement regarding the type and importance of a launch can result in misalignment of expectations, creating issues that often cascade through the launch as a whole and neutralize the other key success factors.

The NACDS roundtable identified four launch classifications that take into account the characteristics and attributes of the product, the marketing program, the targeted consumer, and the individual and collective objectives of the trading partners:

- **Corporate/market-maker:** The item launched will create a market of its own and perhaps a new product category. The launch will be executed across all of the retailer's stores.
- **Core product to a category:** The item launched is a core product of an already well-established category. The scope of the launch may vary according to the type of product and the interest of each retailer.
- **Trendsetter:** The item launched will produce a quick hit in the marketplace because it appeals to a new fashion or consumption trend, which may change over time. This type of launch requires rapid product development and retail deployment of the product.
- **Line extension:** The item launched is a variation on an existing brand or line of products that the manufacturer produces and the retailer already carries. It may be added to the plan-o-gram during a category reset.

Definition of success

Without a clear definition of success, there is no collaborative measure of what the results of a launch mean. Trading partners should agree as to what a successful launch looks like and define the appropriate metrics and targets to measure results.

The essential dimensions of success are execution, timing, volume, and market share. Did the launch produce the expected volume for as long as originally intended? Did the launched product achieve its objectives according to its launch lifecycle? Did the retailer capture the expected level of sales relative to its competitors?

A successful launch is one that has engaged the right consumers with the right product according to three parameters:

- At or above the level expected (volume)
- At or above the margin expected (for both partners)
- For as long as or longer than expected (launch lifecycle)

Product characteristics also play an important part in defining perceived success around a new launch. IRI's "Insights on New Product Trends" study for 2006[5] includes additional dimensions that impact the ultimate level of investment and should be considered as indicators of a product's success during launch classification discussions:

- **Level of innovation:** Is the new product a significant patent, a total imitation, or something in between?
  - — Only a small fraction of the new UPCs introduced in 2005 represented new brand innovations. Instead, most were flavor/form extensions or in-and-out (novelty or seasonal) items that manufacturers hoped would encourage incremental purchases in the short term.
- **Repeatability:** Is the product a one-off or a platform for future growth?
- **Incrementality:** Is the product delivering the intended outcomes to the franchise (the trading relationship of retailer, manufacturer, and brand)? To the whole category?
  - — At least 25 percent of all line extensions contribute zero incremental sales to the franchise.
  - — Factors that impact incrementality:
    - Differentiation versus substitutability
    - Package size (volume per purchase)
    - Incremental marketing dollars
    - Incremental distribution
- **Sustainability:** Is the product delivering its targeted sales over two or more years (long enough to reach payout)?
  - — Of the top ten new food brands in IRI's 2002 Pacesetters report, just four grew in year two and the other six fell more than 15 percent.
  - — Factors that impact sustainability:
    - Competitive new item introductions
    - Marketing support
    - Expanding distribution coverage
    - Consumer trends
    - Uniqueness and superiority
    - Supply limitations

5 Information Resources Inc., "Insights on New Product Trends: Food and Non-Food Categories" (2006).

Dual accountability for results

A successful and efficient launch requires not only that both partners should execute as planned, but that each has a measure of influence over the other's execution throughout the different stages of the launch. In order to assure this, trading partners should devise mechanisms and performance measures that allow for mutual accountability and influence.

Trading partners should remember that working collaboratively and with mutual accountability renders the best results for both parties. The mechanisms they implement to ensure mutual accountability will be key to achieving success in the planned launch and to building credibility for future launches.

Ability to execute

The ability to execute is the primary determinant in the success of any launch and should be figured into the agreements made during the initial planning activities of each of the partners' launch teams. Each partner should gauge both its own ability to execute and the ability of its partner. Since successful execution inevitably depends on people, the more efficiently trading partners learn to execute, the less overworked their personnel will be and the more launches per period they will be able to execute.

A central dimension of launch execution is speed to shelf. Expectations in this regard are agreed to during the launch's commitment and collaboration phase, and each partner's ability to meet these expectations—as well as the overall success of the launch—will directly impact partners' confidence levels when contemplating future launches.

Each partner's historical performance in executing to plan drives how much time should be devoted to contingency planning. A realistic assessment of the partners' mutual ability to execute will result in their setting the right level of up-front contingency planning.

Contingency planning

During the NACDS roundtable, contingency planning for product shortages was discussed as an important step in mitigating potentially major issues. Roundtable participants acknowledged, however, that many manufacturers and retailers tend to approach contingency planning reactively rather than proactively. A proactive approach that incorporates up-front scenario planning is beneficial for:

- Out-of-stocks (OOSs) from unexpected consumer demand or supply issues
- Excess inventory (product not performing as expected)
- Shared exit strategy
- Product recalls
- Current sell-through (too much inventory at the wrong stores, not enough inventory at the right stores)
- Transportation and carrier availability

- Mitigation of risk in all possible identifiable situations
- Delay in launch timing, which may cause the manufacturer to miss the category review and reset window

To drive contingency plans, partners should identify up-front potential challenges the launch may face given the key success factors identified and the nature of the product—regulatory approvals, offshore sourcing, seasonality, etc. While manufacturers and retailers sometimes consider contingency planning as a waste of time or a reflection of concern regarding a partner's ability to deliver, they should instead consider it as an investment in success.

To provide a reality check and enable potential production ramp-ups, the roundtable also recommended recurring checks of point-of-sale data during the initial three to six weeks after the launch.

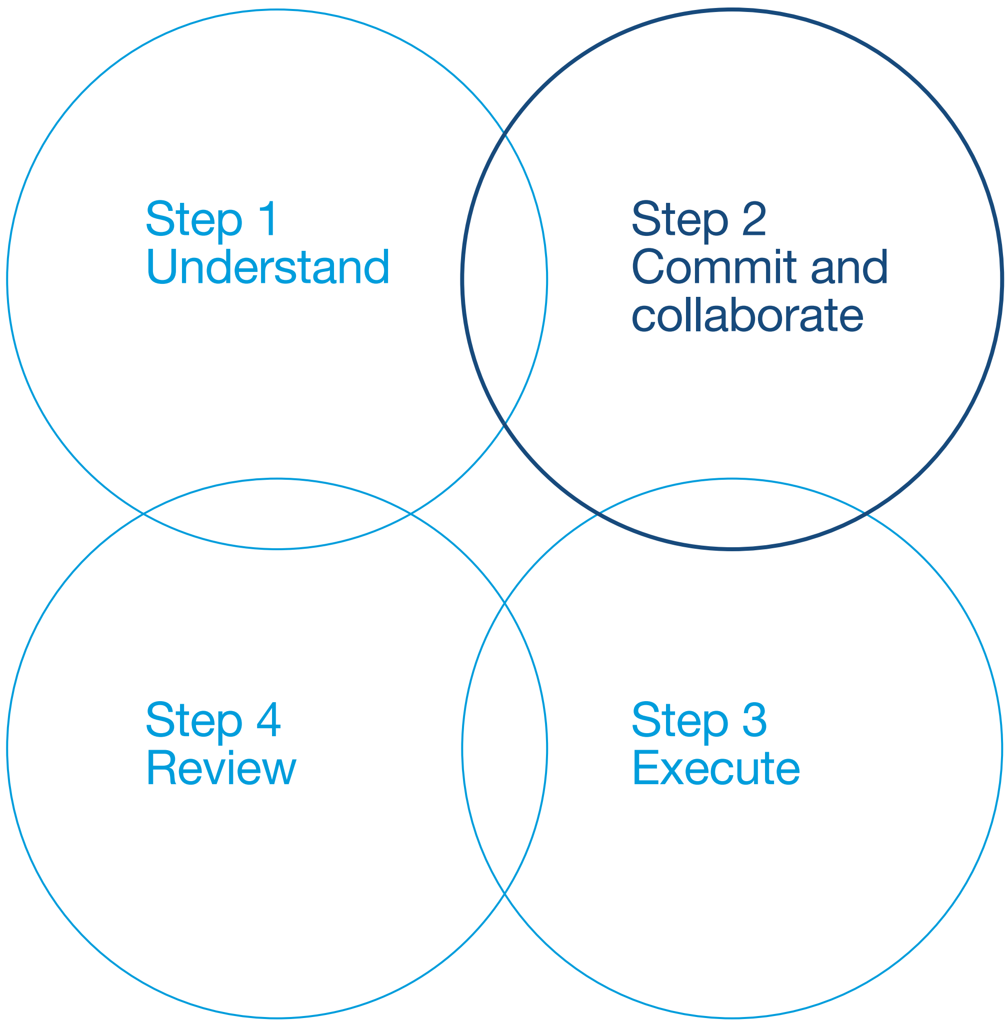
Launch credibility

The level of trust and respect that trading partners have for each other is one of the primary measures of the health of their relationship: The more partners trust one another, the more they're willing to share during a launch, impacting its efficiency and effectiveness. Launch credibility develops over time, through repeated, interactive business engagements in which each party delivers as promised and expected. It fosters the sharing of data, information, and future plans, and also influences the type of interactions and relationships that executives from both parties will have with each other. Maintaining launch credibility over time is an important dimension that makes everyone more comfortable.

Trading partners can help build this trust by establishing formal communication protocols—detailed plans to which each partner will be held accountable—and by defining structured ways in which to engage over time. For example, officially adopting the review phase of the new product launch cycle (see page 32) provides a vehicle for constructive feedback to each party and a common understanding of the success achieved. The repetition of these routines and the use of protocols will enable partners to increase mutual trust.

Each party should assess its relationships with its trading partners before engaging in negotiations or planning discussions. A correct and realistic understanding of the depth and openness of the relationship, based on perceptions gleaned from reviews of past launches, provides a strong initial position from which to begin planning a new product launch, including planning for contingencies.

Step 2
Commit and collaborate



How can manufacturers and retailers come together to plan a successful launch? What are parameters of a successful collaboration?

The first collaborative phase of a new product launch sees both trading partners coming together to solidify their mutual understanding of key success factors, establish resource commitment expectations, and come to agreement on launch goals. The effectiveness of this phase and how it is executed is influenced heavily by each trading partner's launch credibility.

The activities and milestones in this section were identified as key elements of the commitment and collaboration phase of a successful launch.

First launch meeting

In the first launch meeting, the basic parameters of the launch should be communicated and agreed upon:

- Launch classification (see page 18)
- Initial timeline
- Launch date
- Geographic scope
- Volume objectives
- Expectations regarding promotional support levels
- Key stakeholders (appointees or cross-functional teams)
- Category growth expectations
- Additional issues outside direct control (regulatory approval, sourcing, etc.)

Manufacturers can convey the significance of the launch to their retail partners by having their senior executives attend or even chair the meeting. At the same time, manufacturers must understand areas of significance to retailers. One critical element, for instance, is the retailer's category review and reset calendar. In many situations, if a product is presented outside this review window, a retailer may be unwilling to add or "cut-in" a new item.

The manufacturer should also understand the retailer's business model. For example, some retailers have a stock keeping unit (SKU) rationalization policy. This "something in, something out" system implies that a manufacturer should consider creating unique packaging that would allow the new product to outsell a product that is already on the shelf. Retailers should understand that if they are looking for unique packaging or displays, they need to provide manufacturers with adequate lead time to execute.

The same goes for issues of security in product packaging. Roundtable participants noted that many launches are delayed by last-minute retailer feedback on security packaging issues that have been known for months but not communicated. Retailers should focus on such issues beginning with their first exposure to the product and its packaging, whether this occurs at or before the first launch meeting. On the manufacturing side, brand managers developing the package design should review the Industry Loss Reduction Team's "Anti-Theft Decision Tree for Product Protection"[6] and build appropriate protections into packing design to allow for maximum visibility on the store's shelf.

6 Available at www.nacds.org/user-assets/PDFs/2006/RevisedNPDAntiTheftDecisionTreeFinal.PDF.

Retailer	Manufacturer
Merchandising	Sales
Marketing	Finance
Space planning	Project planning (if applicable)
Inventory management	Supply chain
Supply chain	Marketing
Store operations	Category management
Loss prevention	Trade marketing
Replenishment	Customer marketing
Pharmacy (if applicable)	Retail operations
Advertising	
IT (if applicable)	

Geographic scope and consumer targeting

A launch with a broad scope is not always the right answer. Many products with a tightly targeted core consumer base may actually perform better with a more limited initial distribution. Today, launch planners can take advantage of new customer-profiling methods being developed by retailers, overlaying the new product's target customer profile against the customer profile of a specific store or cluster of stores. A product targeted to the diabetic patient, for example, can be offered first in stores that have a certain minimum number of repeat customers who are known to be diabetic. In this way, the chances of optimally deploying the product increase substantially, and with them the likelihood of having a successful launch.

Identification of key stakeholders

When a launch is of significant importance to both trading partners, the usual account relationship should be expanded through the appointment of cross-functional teams. These teams should have mirroring structures that include personnel from both corporate headquarters and the field, each of whom will bring different perspectives to the decisions to be made. Team members should be experienced in project-management activities. Depending on the needs of the launch, functional areas that might be represented include those listed at left.

During this first meeting, partners should determine which functional groups will participate in their planning teams, based on launch classification, size of the companies involved, and each partner's launch credibility. Some functional groups will participate only in certain stages of the launch, while subject matter experts (SMEs) from different areas may be brought in as needed. A point person should be appointed on both the manufacturing and retail side, with each ultimately accountable for launch success. The degree of mutual accountability that exists between partners will have a great impact on the successful execution of the launch.

A sample "New product launch planning meeting and task schedule" can be found in the appendix (see page 43).

Second launch meeting

The second launch meeting can include the key launch-coordination appointees or the cross-functional teams agreed upon by both trading partners at the first launch meeting.

Topics for this meeting should include:

- Agreement on basic planning (timeline, milestones, and critical paths) for the various business functions that will participate in the launch: marketing, merchandising, supply chain, store operations, space planning, loss prevention, etc.
- Contingency planning
- Exit strategy development:
  - — For the product that is being replaced
  - — For the new product should it not meet the mutually agreed-upon performance requirements

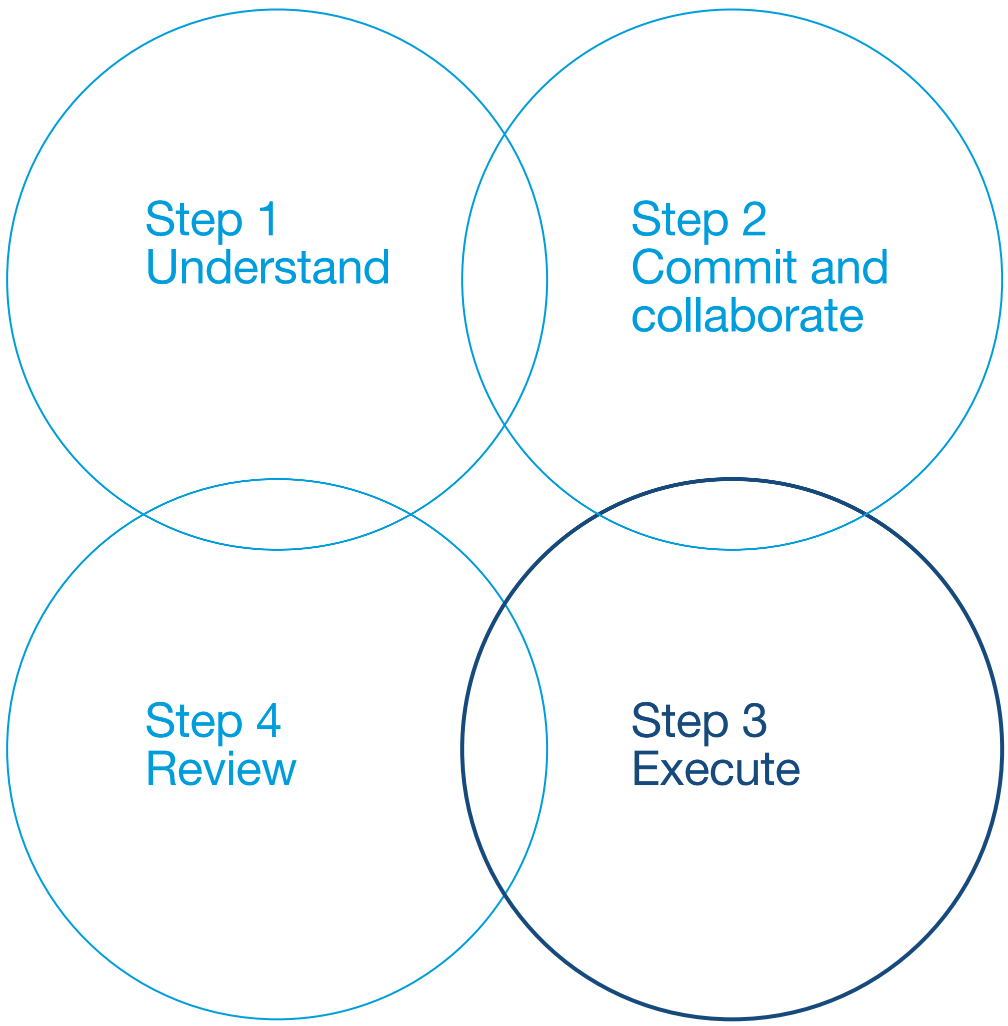
Progress-review meetings

After the second meeting, key appointees or cross-functional teams should continue to engage on a timely basis. Periodic check-in meetings are recommended to review progress and identify and address potential tactical issues. These meetings should be held at least monthly. Senior executives should meet periodically to review launch progress and identify roadblocks and major hurdles.

Changes in team composition are almost inevitable, whether due to personnel changes or to the requirements of the different launch stages. The NACDS roundtable identified midstream changes to team composition due to personnel rotation (promotions, reassignments) or turnover as a significant potential threat to launch effectiveness. If a replacement member must be brought in, it is critical that this be done in a timely manner and with respect to the current state of the launch. Transition impacts can be decreased further if team members work as closely as possible, with clear communications and information-sharing. Ideally, for instance, the outgoing team member should schedule transition sessions with other team members to bring the replacement up to speed.

The different stages of the launch also can bring natural changes to the composition of the team. In the beginning, functions that are more involved with planning and defining the main parameters of the launch (such as marketing or sales) will be more involved, while more execution-oriented functions (e.g., retail operations, space planning) will begin to have more relevant and defining roles as the launch process unfolds. Subject matter experts from different areas should also be called upon as needed during the launch process. For example, SMEs who can bring strategic consumer and shopper insights are invaluable when determining the scope of the launch.

Step 3
Execute



What are key milestones manufacturers and retailers should recognize to facilitate a smooth launch? What issues and hurdles should be addressed and overcome?

In the launch execution phase, the new product is staged and physically distributed into the supply chain based on the conditions and scope defined by trading partners during the commitment and collaboration phase. The execution phase is initiated when commitments become firm and plans reach agreed execution milestones that enable key resources to act. Since different launches have different requirements, the starting point of this phase will vary greatly according to the launch classification.

The points at which commitments and plans become firm and cannot be changed further are known as “freezing points,” and it is critical that manufacturers and retailers establish clear communication regarding the timing of these milestones. Such mutual understanding increases coordination and does much to avert the “expedite” scenarios that frequently result from misunderstandings around timing and sequencing, improving the overall efficiency and effectiveness of the launch.

Approximately seven weeks before launch, all involved functional areas from the manufacturing side should hold a final status check and confirm that the product is in “go” status for launch. This will ensure internal alignment and expose any communication breakdowns that could seriously jeopardize the effectiveness of the launch. Once this “reality check” is complete, the manufacturer should be prepared to execute the launch and communicate this fact to the retailer based on its commitment to that retailer.

Retailer and manufacturer participants in the NACDS roundtable both identified the period six weeks out as the “key milestone” of the launch. This milestone typically marks the period in which most of the key commitments to advertising become firm (though depending on the type of launch this can happen up to a year before the launch), supply chain plans are frozen, and product starts to be distributed.

Maintain transparent communication to maximize executional effectiveness

Poor communication is the number-one potential barrier to a successful launch, given the nature of the product or the nature of the relationship between the trading partners. To be able to anticipate and manage problems in the launch, trading partners benefit from transparency in their communications, sharing information and acting as true collaborators. The degree of collaboration depends to some extent on existing credibility (see page 21): Without trust there are likely to be misunderstandings and potential "denials" in the launch. Retailers in the roundtable expressed a need for clear and early communication of potential manufacturing problems, allowing them to better plan for contingencies. Manufacturers acknowledged that in some cases they carefully assess how much information they share with their trading partners, preferring not to expose internal issues unless the proximity of the launch or the magnitude of the problem makes it absolutely necessary. Manufacturers expressed concern that retailers may be reticent to continue with launch execution if they learn of challenges the manufacturer is or might be facing. This potential denial stems from the asymmetry of information between partners: Retailers may think that the manufacturer's problems are bigger than they are, and manufacturers may delay communication of problems too long, preventing retailers from taking remediation actions or from becoming part of the solution.

Early planning should establish a set of key performance indicators or critical factors on which partners must initiate communication immediately, regardless of circumstance or perception. Any announcement should include preemptive communication regarding any mitigating or compensatory solutions that can be effected to keep the launch on track.

Many communication breakdowns and impediments to visibility occur when a manufacturer's or retailer's functional areas work in internal silos (for example, manufacturing versus marketing versus sales or merchandising versus distribution versus store operations) instead of collaborating toward a single enterprise objective. Such insulation eventually impacts the efficiency and effectiveness of the launch. Trading partners need to be aware of this and should put communication mechanisms in place to reduce functional area isolation and head off any resultant adverse effects.

Data synchronization and new product launches

It is vitally important that new product information be entered into a retailer's item file both accurately and in a timely manner so that all the various retail systems that require product information can be populated.

Data synchronization[7] is designed to populate an item file with the correct product information, allowing a retailer to drive multiple systems within its organization (ordering, receiving, shipping, payment, customer service, plan-o-gramming) with the correct product attributes. Unfortunately, because of the need for early information on these product attributes, the item information exchanged may be based on prototype packaging rather than on production-run measurements. Without updated actual product specifications, there is potential for negative impacts throughout the retailer's operations, from warehouse to retail shelf.

Often, there is no clear agreement between partners on the freezing points for product attributes such as final package design and dimensions, product configuration (items/pack), bonus design, price, etc. Retailers, who have to transmit item information into as many as three different item-information databases per store, plus headquarters and distribution center systems, want a much earlier definition than manufacturers, who prefer to maintain flexibility on the final attributes of the product. One suggested recommendation is to establish a clearly identified milestone that gives each trading partner enough time to allow for good planning while also maintaining flexibility to postpone some final decisions. In our sample launch timeline (see page 40), this point was set at four months before the launch, midway between the points desired by manufacturers and retailers.

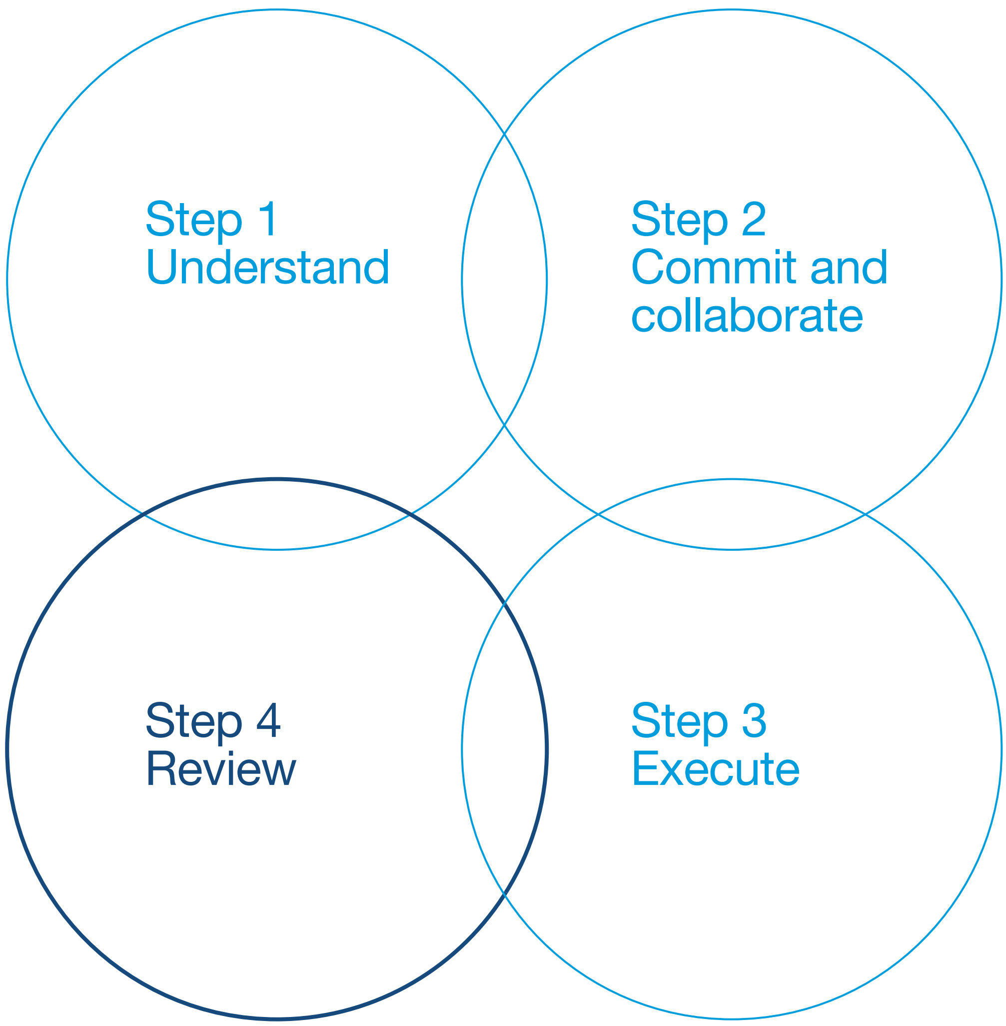
Delays in entering the items to retailers' item files will endanger timely product deployment. A potential solution is two data-load phases:

- Phase one: Load basic item data that fulfills the retailer's planning needs.
- Phase two: Load full detail, with a later load date that allows the manufacturer flexibility to postpone certain final decisions while also ensuring that product measurements shared with the retailer are based on actual production specifications rather than prototype measurements.

Trading partners should assess whether their system capabilities allow for this type of data configuration, which can reduce the amount of faulty data in the item file and thus prevent a broad range of potential logistical and execution issues on both the retail and manufacturing sides.

7 See www.gs1.org for more information on data synchronization.

Step 4
Review



Did the launch meet mutually agreed-upon definitions of success? How can we do better?

Once a launch is complete, trading partners typically conduct a review of sales performance but often ignore other important matters, such as the efficiency of the launch's execution (internally and/or externally) and the associated costs of decisions made during launch planning. Retailer and manufacturer participants in the NACDS roundtable noted that the review phase is frequently omitted due to a lack of time and resources (often resulting from turnover/transition), particularly in the case of low-priority launches—a reality that may fit both partners' best interests. The roundtable consensus, however, was that all launches should have some level of review, at a minimum between the sales and purchasing departments. For important launches, a cross-functional review of the process used, including unanticipated efforts and costs, can be of great benefit to both trading partners, helping improve transparency and identify effective practices that can be incorporated into future launches. While retailers and manufacturers frequently cite the need to remain focused on day-to-day operations as a reason for omitting this review, the consensus is that time invested in review pays for itself with future efficiency and effectiveness. Trading partners can use the review to "wrap up" the launch with a mutual understanding of launch success. Lessons learned by the launch team can thus be more easily leveraged in the future, without relying on individual team members to recall past experiences or, worse, simply reinventing the wheel during the next launch.

In planning a review, the following questions were identified:

- When to review?
- What to review?
- Who should be involved in the review?

The two-step review process discussed below allows for both rapid, robust feedback and the perspective that comes from time on the market.

Preliminary review

A preliminary review is recommended 90 days after the launch, a window that provides for the accumulation of enough sales and operational information to assess success or failure and capture instructional findings for the future. This review should revisit the definition of success agreed upon by both partners during the early planning stages of the launch (see page 18). It should analyze:

- Key performance indicators: Did the launch meet the goals identified by each launch partner? (See page 42 for list of proposed metrics.)
- Future sustainability of the product: In many successful launches, the availability of product becomes the next issue.
- Launch execution: Did everything go as planned? Were there unanticipated costs that affected launch profitability? Did each trading partner meet their promised KPIs? For example, did the manufacturer actually spend the promised amount on a national advertising campaign? Did the retailer have the display program executed as planned?

This review should involve all members of the cross-functional teams in order to gather observations from relevant areas for the fullest possible review.

Secondary review

A second review should occur approximately six months after the launch. This review is critical for developing launch credibility based on actual results rather than on perceptions created by different events during the launch. The review should:

- Compare category, brand, and SKU projections against actual results.
- Assess whether the product is as profitable as expected.
- Agree to a total launch effectiveness score based on a scale of 1 to 10, with a 10 being the best launch, having successfully hit all its metrics.
- Document and address any specific adverse incidents that occurred during the launch and discuss how similar problems could be remedied in future launches.

To enable the fullest possible review, taking in launch observations from all relevant functional areas, this review should involve all members of the cross-functional teams.

Taking action

The four identified steps in a new product launch provide a reliable roadmap of factors, events, inputs, and outputs that will aid retailers and manufacturers in creating an organized launch-planning process, executing to plan, reviewing results, and using the lessons learned to better execute future launches. Since these aids were identified by retailers and manufacturers through collaborative discussions and interactions, they provide important insights.

The NACDS suggests that each retailer and manufacturer employ these recommendations, as they deem relevant, in at least one new product launch over the coming year, and then provide feedback as to whether their experience supports, refutes, or enhances these findings.

Appendix

List of action items

The following is a summary of the action items for retailers and manufacturers mentioned in the different sections of this document.

Retailer

Commitment & collaboration phase

- Identify type of launch
- Assess current state of relationship with manufacturer
- Define composition of cross-functional team (if needed)
- Hold first launch meeting
  - Define “launch success”
  - Lay out up-front potential challenges
  - Establish communication protocols and detailed plans
- Hold second launch meeting
  - Agree upon a clear milestone for freezing of product attributes
  - Plan for contingencies
- Hold periodic reviews

Execution phase

- Upload product attributes into the retailer’s system
- Freeze final advertising commitments
- Freeze supply chain plan
- Receive product and deploy it to retail centers
- Set store for product launch

Review phase

- Hold preliminary launch review (+ 90 days)
- Hold secondary launch review (+ 6 months)

Manufacturer

Commitment & collaboration phase

- Identify type of launch
- Assess current state of relationship with retailer
- Define composition of cross-functional team (if needed)
- Hold first launch meeting
  - Define “launch success”
  - Lay out up-front potential challenges
  - Establish communication protocols and detailed plans
- Hold second launch meeting
  - Agree upon a clear milestone for freezing of product attributes
  - Plan for contingencies
- Hold periodic reviews

Execution phase

- Have a “go” check (7 weeks out)
- Communicate “go” status to retailer
- Freeze product attributes
- Communicate final product attributes to retailer
- Freeze supply chain plan
- Freeze final advertising commitments
- Deploy product
- Review initial purchase orders to adjust production

Review phase

- Hold preliminary launch review (+ 90 days)
- Hold second launch review (+ 6 months)

New product launch timeline

Understand

Key success factors

- Launch classification
- Definition of success
- Dual accountability for results
- Ability to execute
- Contingency planning
- Launch credibility

Commit & collaborate

First meeting

Attendees

- Senior executives
  (retailer and manufacturer)

Topics of meeting

- Timeline
- Launch date
- Launch scope
- Priority of launch
- Expectations
- Key decision makers
- Team composition

Second meeting

Attendees

- Appointees/cross-functional teams

Topics of meeting

- Planning by area
  — Timeline
  — Milestones
  — Critical paths
- Contingency planning
- Exit strategy

Example for a corporate/market-maker launch
Time relative to launch day

-18 months | -17 | -16 | -15 | -14 | -13 | -12 | -11 | -10

(-)18 months

FIrst meeting

Decisions

- Launch classification
- Launch date
- Milestones
- Scope/volume
- Expected category growth
- Appointees/cross-functional teams

(-)15–12 months

Second meeting

Decisions

- Milestones by functional area
- Contingency plans

Periodic checks as needed

Executive reviews (at least QUARTERLY)

- Senior executives
- Roadblocks and hurdles

Tactical reviews (at least MONTHLY)

- Appointees/cross-functional teams
- Follow-up

Execute

Periodic meetings

- Item setting
- Plan-o-grams
- Communicate plans to stores
- Item's attributes are frozen
- Supply chain plan agreed upon
- Manufacturer checks "go" status
- Freezing of advertising commitments
- Supply chain plan frozen
- POs in retailer's system
- Product is deployed
- Stores are set for launch

Example for a corporate/market-maker launch
Time relative to launch day

-6 months -5 -4 -3 -2 -7 weeks -6 -5 -4 -3 -2 -1

(-)6–4 months
- Marketing and advertising
- Item setting
- Plan-o-grams
- Plans communicated to stores

(-)3–2 months
- Supply chain plan agreed upon

(-)4 months
- Freezing point for changes to items

(-)7 weeks
- Manufacturer checks "go" status

(-)6 weeks
- Key milestone
- Freezing of advertising commitments

(-)3 weeks
- Supply chain plan frozen
- Orders placed in retailer's system

Launch

Review

Preliminary review

- Review of POS data to adjust production

Secondary review

Attendees
- Sales/purchasing
- Cross-functional teams

Topics of meetings
- Review of key metrics
- Product performance
- Launch execution
- Profitability
- Captured lessons

Example for a corporate/market-maker launch
Time relative to launch day

+3 weeks +4 +5 +6 +3 months +6

(+)3–6 weeks
- Review of POS data to adjust production

(+)3 months

Preliminary review
- KPIs
- Sustainability of product
- Execution

(+)6 months

Secondary review
- Projection vs. results
- Profitability
- Launch score
- Lessons learned

Potential metrics for measuring new product launches

- Share of market on new item versus share of market in category
- On-time shipments: number of shipments on time versus total shipments
- Sales versus forecast
- Percentage of stores with shelf tags for new item
- Shelf execution
- Display execution: percentage of displays executed as planned (on time and at the right location)
- Out-of-stocks
- Available-for-sale timeliness: degree of synchronization between the actual availability of the product in a given region and the advertising campaign that supports it

Note: A number of companies are exploring the use of radio frequency identification (RFID) as the best vehicle to monitor when new products actually reach individual retail stores. Use of this timely information may lead to better use of advertising and promotions, as companies are better able to turn their marketing campaigns on or off.

New product launch planning meeting and task schedule

Account:	Functional area	Topic/issue	Objectives	Date	Time	Meeting confirmed Y/N	Attendees	Owner	Complete	Completion date
Understand										
Commit and collaborate										
Execute										
Review										

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