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**What is
Product Lifecycle
Management (PLM)?**

PLM is a software environment devoted to improving the business return on the end-to-end product innovation process. Its foundation is a core platform with capabilities for managing product data, automating business best practices, and searching and sharing related information.

On this platform, companies operate a range of solutions for their various innovation challenges, like: ensuring consistent application of brand equity, standardizing execution of phase-gate process, making more effective decisions among various new product options, optimizing product and package design for cost, manufacturability, and environmental factors, and improved finished product quality management.

**IN 2007, DID YOUR BRANDS GROW ?
ARE YOUR BRANDS *PREPARED TO GROW* IN 2008?**

If you believe, as most CEOs do, that innovation is your key to success, read on ...

Have you been investing most of your information technology resources in support of cost reduction and almost none in support of brand growth?

In 2008, with so many factors conspiring against greater consumer spending, only companies that have effectively invested in innovation are likely to grow. So here is a small table that you might request from your team:

Business Objectives	Cumulative 10-Year IT Spend
Reduced Cost	
Improved Asset Efficiency	
More/Better Innovation	

Then compare to a second table that looks like this:

Performance Driver	% of forward 5-year shareholder growth expected from business investments in each category
Reduced Cost	
Improved Asset Efficiency	
More/Better Innovation	

If the data you get back is typical, it will provoke the question: *Is it appropriate that so little IT investment is directed at supporting improved innovation performance when innovation is the dominant driver of shareholder value?*

Historically, IT is About Cost Reduction

Put briefly, the first wave of enterprise IT in CPG and F&B has focused almost exclusively on systems to get the general ledger and the transaction management



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processes of the company under control. These systems generally go under the heading of “ERP” (*Enterprise Requirements Planning*). ERP has reached into HR, supply chain management, production planning, and even customer relationship management. *But it has not done much to support brand management, R&D, or the end-to-end innovation processes of your company.*

It is good that your general ledger is under control and managed by modern technology, but your innovation process still lives in the 1980’s.

A warning from Booz Allen Hamilton, stemming from its *Global Innovation 1000* [2007] study:

“We found that companies place an increased value on innovation, but more spending doesn’t necessarily lead to smarter spending or better results . . .”.

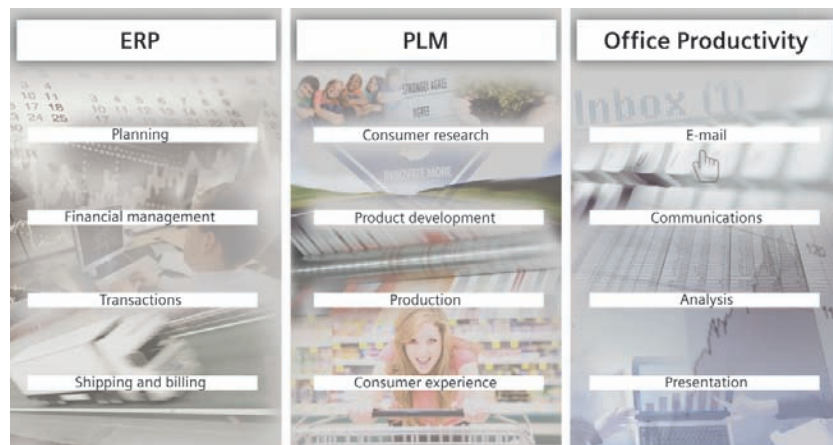
In other words, if the innovation process is broken, fix it before pouring more money through it. Fixing it must involve a strategic examination of PLM technology.

In Your Company, IT Must Be About Innovation

The next wave of enterprise IT in CPG and F&B has begun, and it includes a fundamentally different kind of system that goes under the name “PLM”

(*Product Lifecycle Management*). But it would really be better to think of it as BRAND lifecycle management, because this technology is designed to improve your new product success rate by controlling the processes that begin with consumer insight and extend the whole way through to consumer experience (chart below).

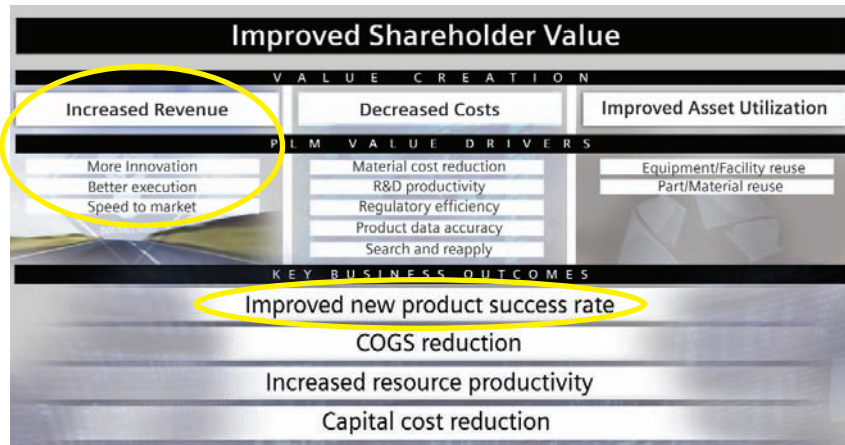
THE ROLE OF INFORMATION TECHNOLOGY IN LEADING COMPANIES



‘PLM,’ ONE OF YOUR MOST IMPORTANT IT PLATFORMS, might better be termed ‘brand lifecycle management,’ as it puts you and your people in control of the process from consumer research to consumer experience.

PLM is not new; it is just new to most CPG and F&B companies. It has been around as long as ERP. But while CPG and F&B companies were implementing ERP to get control of the vast numbers of transactions involved with producing billions of individual

PLM VALUE CREATION



THE UNIQUE POWER OF PLM IS THAT IT CREATES SHAREHOLDER VALUE VIA 3 LEVERS: increased revenue, decreased cost and improved asset utilization.

products for the world’s consumers, other industries were implementing PLM to get control of products such as aircraft carriers or luxury sedans that contain thousand or millions of individual parts, and are produced at a far lower frequency.

There are big-name CPG and F&B companies who are leading the way today with PLM. And they have already achieved impressive results:

- A leading CPG company has increased its innovation volume by 50% while improving development and marketing staff productivity by 35%
- Another large CPG company has reduced the time it takes to design an entirely new bottle from 3 weeks to 3 days, and at the same time has automated its ability to manage package shape (as an equity) across its bottle design families.
- A global food manufacturer has established greater control over consumer experience by electronically linking its production activity and QC lab analysis to approved R&D specifications.

Do you want to compete against a company that is months or years ahead of you in applying this technology to drive brand growth?

THE POWER OF PLM

The unique power of PLM is that it creates shareholder value through three value levers (Increased Revenue, Decreased Costs, and Improved Asset Utilization), while the earlier IT approaches have been largely constrained to cost and asset effectiveness (see chart, above).

PLM from Siemens Delivers Improved Innovation Performance

Our view is that sustainable innovation performance requires you to align the activities of your

product development and brand management processes with your manufacturing and quality control processes.

Consider the unfortunate food manufacturer who recently raced a great product idea (a form extension of a very successful brand) through the R&D process and got it into initial regional distribution via the services of a small-batch contract manufacturer.

The product was a hit. But the product is not on the shelf today because, in racing through the R&D process, the manufacturing process was left behind. It was simply not possible to run this product in a reasonable quality range on any known, scalable manufacturing process. *If only they had known. . . .*

“Knowing” is an outcome of PLM. One of our customers says that their simple definition of PLM is that it enables them to “know what they know” about their brands, products, consumers, and in-market successes and failures.

TAKE ACTION

You know how to grow your brands by delighting your consumers; we know how to help you do that. We suggest you personally initiate an exploration into how a PLM investment focused on delivering brand growth will help you achieve your shareholder value goals, in 2008 and beyond. ■