



Industry Forum

Business Excellence Through Inspired People

January 2015

The role of digital technologies in successful New Product Introduction implementation

An important success factor in successful New Product Introduction (NPI) is the attitude of consumers in the target market. The internet represents new ways of informing potential buyers and stimulating purchase decisions. To make the most of the net knowledge of attitudes in the target group is vital.

McKinsey reports that in China there are 632 million internet users currently - compared with 277 million in the US. In both domestic markets internet sales account for around 6-8 % of retailing. The Chinese e-tailing market at USD 295bn is currently larger than the US at USD 270bn.

Until recently Chinese manufacturers were thought to be lagging behind firms in the West in internet use. McKinsey senses an important increase in the rate of uptake of these technologies by Chinese firms.

This should mean a surge in productivity and better access to finance for Chinese firms. Besides better richer communication with the market, the internet globally is helping smaller, potentially disruptive firms, enter market and in some instances grow rapidly. Chinese firms can be expected to benefit in this way.

McKinsey anticipate that the innovative capability of Chinese firms will also progress rapidly. Examples include mobile phone maker Xiaomi who is developing net based user centred design capability - also Lenovo who have moved into crowd-sourcing new product ideas.

McKinsey's analysis ties in with important new work by Peter Williamson at the Judge Business School in Cambridge, UK, following on his study of the Chinese strategy of globalising by cost innovation.

In his latest work he finds that China has moved beyond cost innovation to develop rapid innovation capability by integrating technologies.



SMMT Industry Forum Ltd

2680 Kings Court, The Crescent, Birmingham Business Park, Birmingham, B37 7YE

T +44(0)121 717 6600 www.industryforum.co.uk enquiries@industryforum.co.uk [twitter](#) @smmtif



Industry Forum

Business Excellence Through Inspired People

January 2015

By Western standards, Chinese innovation is often unorthodox - for example designing a fast computer by linking standard chips.

Overall, the Chinese are industrialising innovation with an approach shaped by their relative lack of PhDs. They are using the classic principles of Fordism to create innovation processes which take place in a lot of small steps using trade school graduates.



They are also pushing the boundaries of simultaneous engineering. Lenovo have been successful with this approach as the classic waterfall sequence isn't needed with a modular design with well specified interfaces like PCs. Pearl River Pianos have also moved beyond sequential development to reduce cost and compress time.

The Chinese have embraced the fast iteration approach typical of the Lean Startup methodology. Some Chinese markets support this approach well because there are customer segments who are happy to buy innovative products and then provide fast feedback on the product aspects where more work is needed. It is becoming routine to launch platforms and let users suggest what to add. This

approach has been used effectively by medtec firm, Mindray, for example.

Like the Tech City firms in London the Chinese have adopted flexible horizontal organisation but this is coupled with a strong vertical hierarchy which sets ambitious goals for each team. These goals often cover extremely rapid production scale up for new products.

All in all, Peter Williamson believes the Chinese are emerging at the cutting edge of global management practices. He suggests that China is now taking a global lead in business models in the way that Japanese manufacturing did in the 1980s.

In summary, China's contribution is in building management systems that can deliver accelerated innovation to keep pace with a fast-changing domestic consumer market. In this way a distinctive Chinese management style and a Chinese way of doing things are rapidly developing.

Clearly it would be a mistake for UK firms to neglect these developments. Major engineering firms in the UK have been reshoring their supply chains to better manage NPI. UK supply chain firms often have to upskill to meet expectations when this happens.

There is some evidence now that big pharma is actively seeking collaboration with Chinese firms, in part to get access to their new methods and approaches.

Big pharma have deep experience in managing their development and innovation processes as you would expect

SMMT Industry Forum Ltd

2680 Kings Court, The Crescent, Birmingham Business Park, Birmingham, B37 7YE

T +44(0)121 717 6600 www.industryforum.co.uk enquiries@industryforum.co.uk [twitter @smmtif](https://twitter.com/smmtif)



Industry Forum

Business Excellence Through Inspired People

January 2015

from the UK sector which spends most on R&D. In other sectors many firms need to prioritise improving their understanding, management and development of their NPI process. This where SMMT Industry Forum's insight, experience, planning and training can ensure smooth new product introductions and a profitable Return-On-Investment. For more information on SMMT Industry Forum's NPI capabilities, please visit the Industry Forum website at www.industryforum.co.uk/expertise/new-product-introduction.



The big lesson from the Chinese case (apart from the importance of the internet) is the way that they are actively re-engineering their NPI systems to suit their circumstances both in terms of skills supply and market expectations. UK firms should make this active and explicit management of the NPI process a priority for 2015. This is likely to include adapting it to suit both their capability and skills supply plus working out the best way of enlisting customer input and co-operation.

This work is likely to highlight the importance of suppliers in successful NPI. The judgement of whether a potential supplier will be an asset from the NPI angle is something many firms struggle with. SMMT Industry Forum can help with this via its training offering for the VDA 6.3 Supplier Audit (www.industryforum.co.uk/training).

As Chinese GDP growth falls back to more normal levels it is easy to misread this headline as a weakening of the competitive threat. While a major factor in the GDP growth rate decline is a drop in the overall level of investment, the recent studies by McKinsey and Williamson show that investment is being concentrated on projects with strong growth opportunities. This means that UK firms must adapt their strategies accordingly. Getting a better grip of NPI should be high up the list of priorities for the UK in 2015. Industry Forum is ready to help.

Author: Iain Cameron, SMMT Industry Forum Ltd



scan with smartphone