

# Product Challenge

## Realising more value from existing products

By Iain Ansell

Over the past few months some of the world's most senior business people – A G Lafley, CEO of Procter & Gamble, and Microsoft founder Bill Gates to name just two – have publicly stated their belief in innovation as the way forward.

This confirms our own view at Sagentia: clients are remaining committed to long term innovation – but the inevitable budget pressures which have arisen from the economic slowdown are making them more selective in their approach.

Companies need to identify where best to focus innovation spend, homing in on those opportunities where innovation can deliver in the short to medium term, ideally giving a return on investment within the same financial year.

For the best part of a decade, our Product Challenge methodology has helped clients realise cost savings of 20-40 per cent, on occasion even up to 70 per cent. Product Challenge is designed to give mature products a new lease of life. It is a very good example of

how practical innovation can lead directly to cost reduction, improved cash flow, greater margins and an enhanced competitive advantage and ultimately business survival.

Product Challenge is a holistic, system-led review of product specification, technology and manufacture. It is designed to generate a raft of possible re-design options which either we or our client can take forward for further development. The methodology employed avoids the compartmentalised, component-focused approach that often characterises a product re-evaluation. Cheaper parts certainly save money, but at the risk of compromising the quality and performance which earned the product its valuable market share. Product Challenge aims to create new, better and cheaper products which can again become market leaders.

A business-led assessment is the first step, the aim of which is to confirm the viability of undertaking a product re-design. It's important to know, as early as possible, that the process will justify the redevelopment budget, aiming to deliver ROI in as short a timescale as possible – months rather than years. We then go on to examine the full range of variables affecting product price, to determine where effective changes can be made.

For example, mature products may benefit from newer technologies that can enhance performance for a fraction of the price (such as lower cost, higher performance sensors), and which could lead to new markets (such as lighter batteries increasing product portability). A review of technologies from other industries may highlight further avenues of exploration; for example, we found that a material developed for the construction industry proved ideal for wound care products!

We also look at the wider picture. Have customer needs changed? Are certain functions or performance levels no longer necessary? From the customer's perspective, many products are over-engineered, and a cheaper, easier to use equivalent is a much better market proposition. Savings that can arise during manufacturing and distribution also need to be examined. An interesting current trend is a retreat from offshoring; as fuel, materials and labour costs rise, the Asia Pacific region is losing its monopoly on cheap manufacture. Re-engineering for local manufacture – reducing the labour burden, for example, if these costs are high – can generate savings sufficient to replace the margins that once justified the inconvenience of long distance manufacture.

In today's challenging economy, Product Challenge has been shown time and again to extend product lifetime while creating an enhanced, improved solution with real consumer appeal – not least because the savings made enable pricing to stay the same. As a result, this cost-effective and easy to implement strategy can help a company remain profitable with a market leading product portfolio.

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