

Evaluating Your New Business Development (NBD) Process for Packaging:

FlexPackCon

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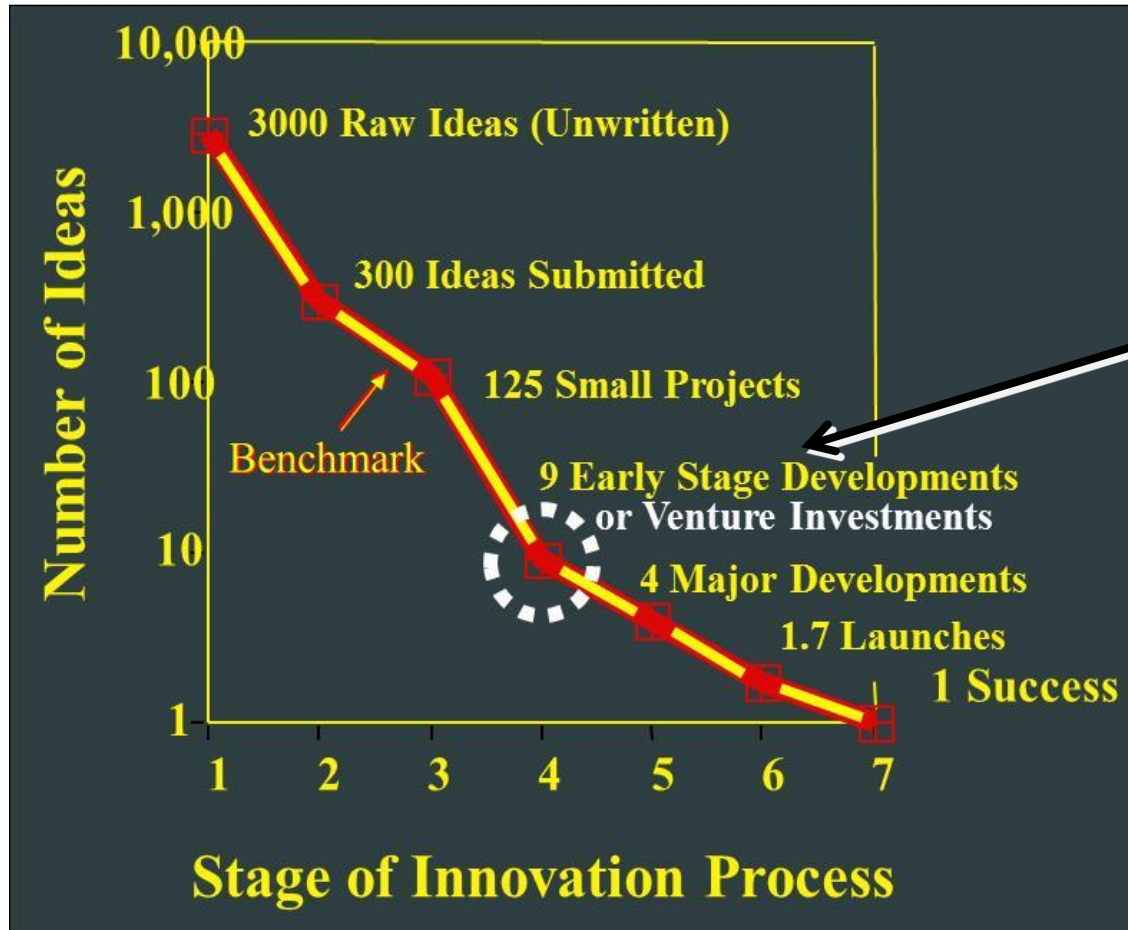
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NBD Theory: *Simple*

- **You should win with:**
 1. Lower Cost or
 2. Better Performance
 - Especially both
- **You should lose:**
 - If neither
- **But if don't know (typical) - get “Average” results.**
 - What *are* “Average” success rates for NBD?
 - Benchmark needed

Benchmark Shows Some Good News:

NBD Success Rates Are *Same*
for Large Firms & VC's:



The Bad News:

**“Average” =
1 In 9**

**Investments
Succeeds With
“Stage-Gate,”
Used by 80+%
of Fortune 500¹**

Must Be *Better Than “Average”* in NBD to Achieve **Competitive Advantage**

- **“Average”** = Most Firms
 - It’s better than “Below Average” ...
 - But barely leads to growth:
 - 1% per year real growth/corporation or per capita
- **How beat the odds?**
 - Aside from luck?

Before Substantial Investment
Must Have *All* “5-Essential Vitamins”
to Ensure Higher NBD Success Rates

- A. **Fit** of New Business In Your Company
- B. Sustainable **Competitive Advantage**
- C. Understand **Unmet Customer Needs**
- D. Create Winning **System Cost-Performance**
- E. Understand **Value** to Your Customers & You

Vitamin A: Fit

with Top Leadership's "Gut-Level-Screen"

- Just **ask** the top ~3 decision makers, one-on-one:
 - “What fits?” & “What doesn’t?”
 - 1 hour interview:
 - Growth **goals**?
 - Size, timing & profitability to be **exciting**?
 - **Technology & Markets** preferred - & not?
 - **% Acquisitions**?
 - **Work on NBD where leaders happen to agree**
 - Ensures two-fold greater leadership buy-in

Vitamin B: Sustainable Competitive Advantage

- **Essential** to sustain the business
- Must at least have a clear path
- Many forms:
 - **Patents: 20 years protection**
 - Proprietary knowhow
 - Business agreements
 - Unique business models
 - Hard for competition to duplicate

Vitamin C:

Understanding Customer Unmet Needs

1. Improved Performance?

2. &/or Lower Cost?

– Always needed

- & totally legitimate
- Great when achieve with sustainable advantage

- **Beyond stated needs (often wrong)** & typical VOC

- 10 to 40 detailed expert interviews & plant tours
 - 100 page combined write ups, deep analysis
 - Often understanding customer needs better than them

Vitamin D: System Cost-Performance Models

- **For new business** vs. all global **competitors**

- Much earlier than Stage-Gate
- Including, from customer interviews:

• Capital
• Labor/unit
• Raw materials

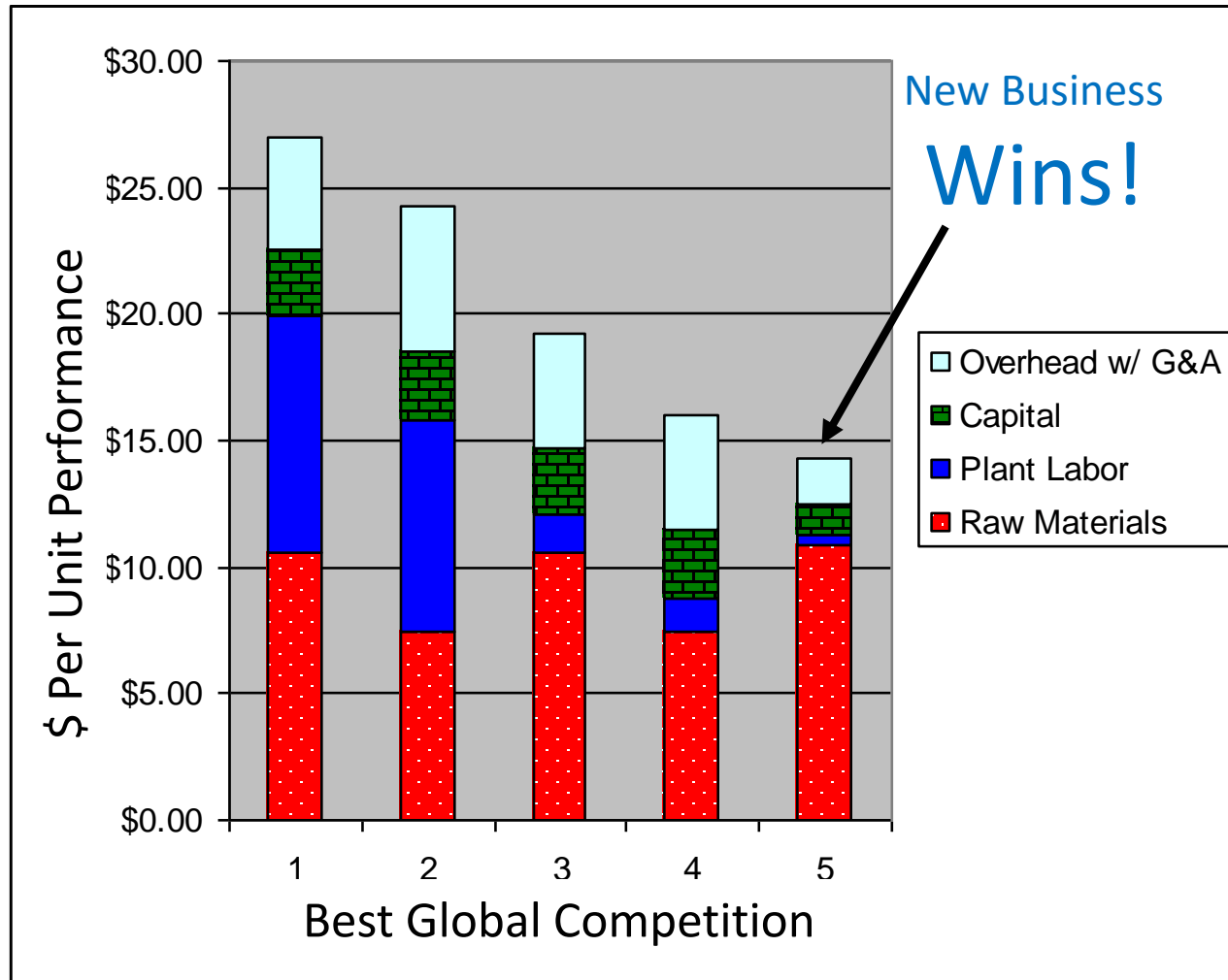
- **Detailed** models:

- Can exceed 85 pages Excel
- Most difficult aspect of analysis but always achievable

- **Vitamin D: most often missing**

- Rarely done before big investment (including VC's)
 - Yet: If **don't KNOW** you can win, your odds are **AVERAGE = 1 in 9**

Typical Output of Cost-Performance Modeling: Only Have “Vit. D” If NBD Wins

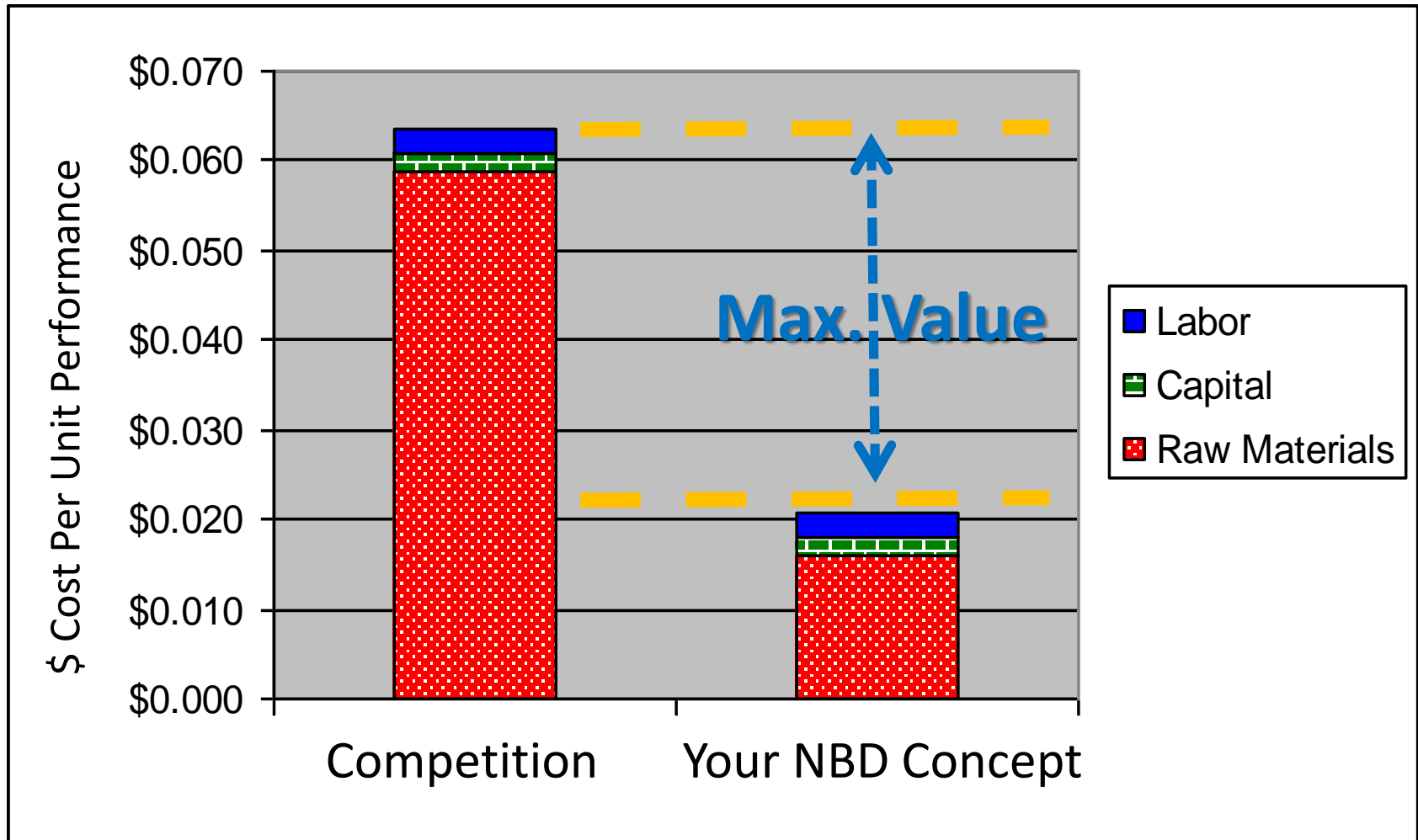


Vitamin E:

Value to Customers, & Your Firm

- Profitable vs. best competition?
 - Profit/unit x Addressable markets/year = \$ Value
- **Knowing** if have value **requires Vitamin D:**
 - i.e. Cost-Performance Models vs. all competition
 - **Can't know your profitability until know competitors costs & if can win**
 - If not: sell little to nothing

Vitamin E: Value Depends on Delta Between Competitor's & Your Cost-Performance

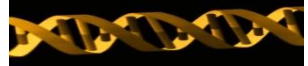


Simple Theory? Having All 5 Essential Vitamins Means *Knowing You Should Win.*

True? *Yes*

- **Per two separate 10-year longitudinal studies^{2,4}**
 - Involving over 50 NBD projects
- **85%-95% Commercial Success achieved**
from Early Stages NBD, before large investment
 - **vs. <10% With Stage-Gate** NBD Approaches
 - **Reliable, Repeatable System**
 - **& Nine times faster**
- **Approach Recognized:**
 - ❖ Two “Top-50” Management Articles^{2,4}
 - Out of 15,000 Juried Articles Reviewed Those Years

How To Implement?

- **Need near full-time BOAs: Business Opportunity Analysts**
 - Usually takes ~6 months per project. Hard work.
 - One person, interacting with many: but not requiring a team
- BOAs must be selected for **inherent creativity** 
 - Success Curve shows starting ideas rarely commercial:
Creative BOAs “Morph” them into winners
 - Top Third on **Creativity Index** out-earned Bottom Third **95 Times**^{2,3,4}
- Creative BOAs require **extensive personal coaching**
 - Often 40 or more contacts, lasting 2-3 hours
 - Including customer visits
 - Lots to learn, & learning by doing is key
 - Later they **coach others**

Example: Dow Chemical PO&E Business – Polyolefin Resins, Mainly for Packaging

- 1991 - Business commoditized, stagnant
 - Ready to be sold



New Approach^{3,4,5}

- **By 2001:**
 - **Created 13 major new polyolefin product lines**
 - **Increased plant capacity 2.5 times**
 - **Added over \$15 Billion cumulative value in 10 yrs.**

Evaluating *Your* NBD Process

- ❑ Near **Full-time Business Opportunity Analysts (BOAs)?**
 - ❑ Selected for **Creativity**, (plus technical skills) so can **Morph** starting concepts?
- ❑ Getting **All 5 Vitamins** Before Big Investments?
 - ❑ Especially **Vitamin D**, detailed Cost- Performance Modeling?
- ❑ **Well Coached BOAs**: Experiential Learning?

Each Factor is a ***quantifiable Forward Looking Metric***, together predicting **future commercial success with 90% accuracy**

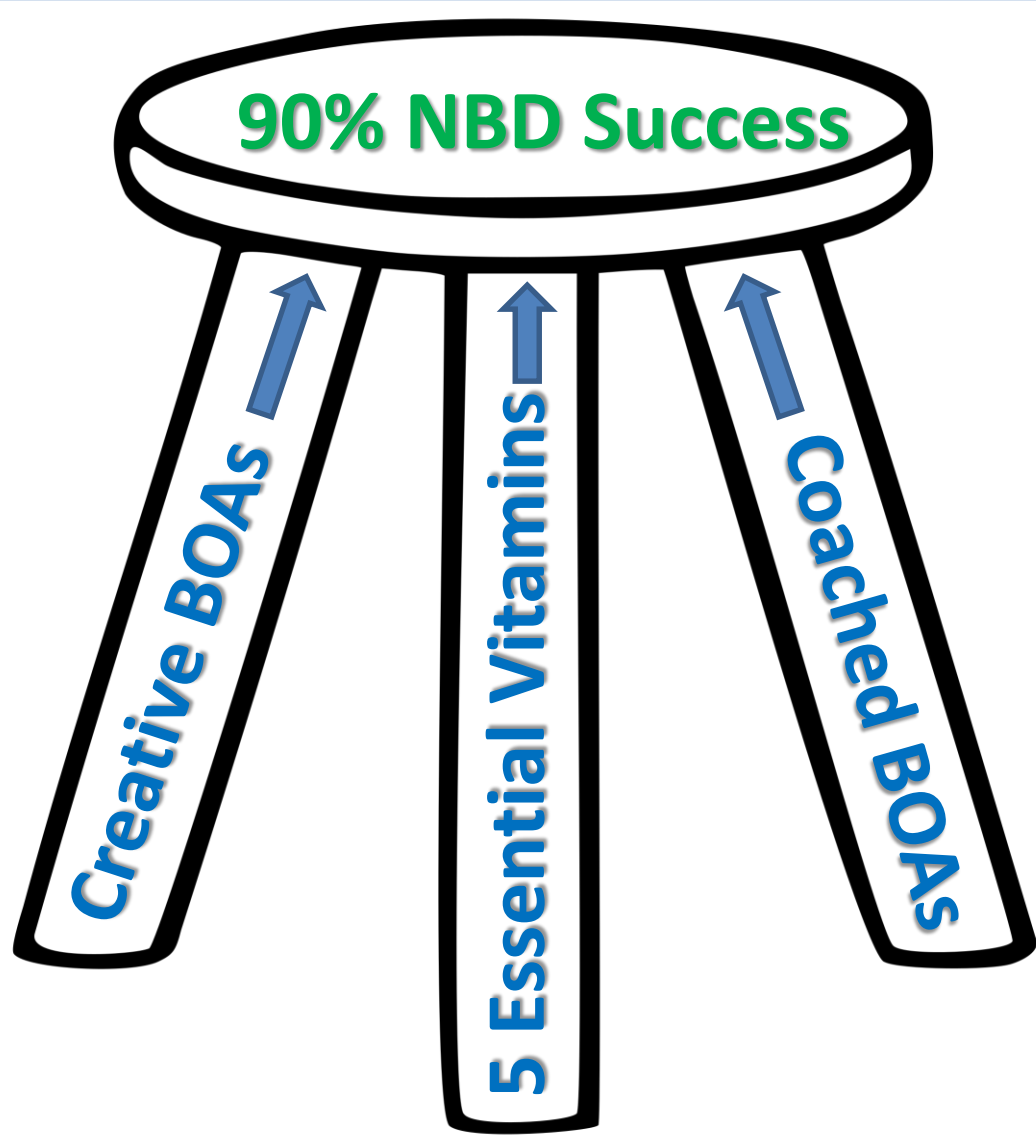


Congratulations:

Now You Can Repeatedly, Quickly Find
Profitable, New, Major Businesses!

- ☑ Near **Full-time Business Opportunity Analysts (BOAs)**
 - ☑ Selected for **Creativity**, (plus technical skills) so can **Morph** starting concepts, as almost always needed
- ☑ Getting **All 5 Vitamins** before big investments
 - ☑ Especially **Vitamin D**, detailed Cost- Performance Modeling
- ☑ **Well Coached BOAs**: Experiential Learning

Thank you



Articles Referenced:

@ www.WinOvations.com

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