

Scott Paper is managing a portfolio of new product launches. Its overall business strategy is to extend an existing international consumer products company into new international regions and markets. Scott wants to grow incrementally and become more efficient with its Research and Development spending. The R&D efficiency focus is both internal within Scott Paper and external through Open Innovation sources.

Scott Paper could develop and commercialise products that would mirror their competitors' existing products. Alternatively, the company could introduce product-line extensions to their existing products. The development of a completely new product line is not feasible. Intense competition in the industry would result in the loss of market share during the extensive time required for new product development. One Scott senior executive notes that, "We could not invent for 5 years and still bring out new products."

Scott's Chief Technology Officer takes a "core-satellite" approach to the company's portfolio. This approach targets higher-volume products where the market is better defined for new products and there is a higher probability of successfully launching these products. The aim is to launch these new products, build relationships with partners to enhance the commercial success, and then follow-up with new products for entirely new markets. Once these products are established, Scott would then focus on products that require more innovation, particularly for selected international markets such as Japan where consumers expect more innovation.

Scott's dynamic development process is built around monthly reviews with core stakeholders and quarterly reviews with all its international partner teams. Scott's customers also contribute ideas about new products through an active Open Innovation Program that Scott initiated within the past year. In addition, the CEO periodically contributes ideas into the pipeline based on his observations of market conditions and his knowledge of competitive developments. Because of these diverse inputs, the set of ideas under consideration is constantly expanding.

Over the past two years, Scott initiated several new product development programs to expand their presence in the specialty paper area.

- The company launched new product development efforts in the security paper area – one for mass transit tickets, another for paper for printing stock / bond certificates, and a third for a new type of high-end, specialty stationary paper products.
- Scott also expanded its presence in the personal tissue paper area (such as Kleenex-type products) with efforts to include different scents and different colors in its product mix.
- In addition, it launched a Research and Development effort to examine the feasibility of placing medicinal substances into the personal tissue products to relieve nasal congestion for individuals with colds and flu.
- Within Scott, it is relatively easy to introduce a feasibility study for any product, but the amount of effort required to build the business case, including financial estimates, varies depending on how established the product category is. Business cases are living documents. Product testing minimises development risks. Concepts are tested online through virtual prototypes where new product attributes are described to a select group of consumers. Focus groups are used to generate additional information that is used as input into financial assessments.

There is no mandated process for testing. The overall goal of testing is to reduce financial risk by reducing uncertainty. "I don't mind some uncertainty if the financial *stakes* are low," said the Vice President of Research and Development. In cases where financial estimates for the new products

are more uncertain, and there is less certainty about potential consumer acceptance, more testing will be conducted. This additional testing can include limited market research testing in selected geographic areas. For those products areas where financial uncertainty is less, some testing phases will be eliminated to lower costs and increase speed to market.

Projects are ranked systematically across the following four core categories:

1. Supply chain issues such as cost, manufacturing feasibility, and shelf life
2. Market opportunity, including customer demand, value proposition, and incrementality
3. Alignment with brand positioning
4. Competitive threats and responses

The resulting rankings are fluid and are adjusted as new information is received. For the top six products in the active pipeline, reprioritisation is common and encouraged as new information becomes available from test results and feasibility studies. When products are removed from the pipeline, it is typically for manufacturing or distribution reasons. Other products may not be developed because of brand guard rails. Scott is unlikely to invest in areas that are inconsistent with what their brand represents.

Pipeline priorities may also change based on distribution deals with new markets. Japan, Korea, and the UK each represent different markets. If Scott decides to enter a certain market, that decision may change its development priorities. The Vice President of Research and Development indicated that “in development if we spend a couple of months and can’t get to where we need to be, we will likely reprioritise that product.” For products that are not in development, ranking is less of an issue.

Questions:

1. What project portfolio management elements are currently in place in Scott Paper’s new product development process?
2. How does Scott Paper’s new product development approach reflect its overall business strategy?
3. What are the limitations with the approach that Scott Paper is following?