

Introduction to Technology Management

“Procter & Gamble 2000(A): The SpinBrush and Innovation at P&G”

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- 1. What is wrong with the Crest Brand?*
- 2. What is wrong with the P&G new product development process?*
- 3. Is it better to foster organic change and innovation in a company or purchase or acquire technology from the outside?*
- 4. What should be done about SpinBrush?*

This case illustrates the critical aspect of “Time-to-Market” on the new product development. The objective of a corporation is to maximize shareholders’ value, with this in mind, it is much clear on what to do with the development of new products (NPD). The SWOT analysis can be used to demonstrate this critical point. This Time-to-Market is the compounded result from customers’ need, technology advancement, competition in the market place, supply-chain readiness, corporation culture on R&D and government’s regulation if any. These factors then can be ranked based on different weight scales to evaluate a proper process for NPD. This process could provide a simple measurable on how the NPD can be pursued to meet the Time-to-Market requirement. On the technology side, this case also depicts the analytical bent needed for the valuation on potential acquisition of a new product (technology developed outside). By evaluating the variables that used to provide an indicator on how to meet Time-to-Market, we could have a rough estimation number on the value of this acquisition of 325 millions plus or minus a fudge factor as listed in exhibit 1.

1. What is wrong with the Crest Brand?

It didn’t react to the competition in a timely manner that allowed the leapfrog of Colgate-Palmolive’s new product to grab the market shares from every companies besides P&G. Once you lose market share, it will be very difficult to get it back. P&G is a chemical company. It is difficult for it to foresee the needs of integration of the dental needs (Pharmaceutical) and tooth-paste beyond the dental needs (Chemical) and tooth-paste.

2. What is wrong with the P&G new product development process?

It is the “Time-to-Market” issue that stressed in this case study. There is no sense of urgency to develop a timely product for the market needs, while there was a technology push from Colgate. This happened to a lot of companies that dominated in their unique markets through very profitable and successful products, like Kodak’s color films and IBM’s mainframes. Crest’s toothpastes had dominated the market since 1960 until Colgate overtook it in 1998. Other example like the development of fat substitute Olestra by P&G took over 20 years but only gained a very small market shares.

3. Is it better to foster organic change and innovation in a company or purchase or acquire technology from the outside?

This case study illustrated a way to evaluate what is the better way to develop or acquire from outside. The Time-to-Market matrix compounded using six variables that will provide meaningful measurements allow management to make decision on a case-by-case judgment.

4. What should be done about SpinBrush?

1) Acquire it. 2) Use the valuation developed (baseline 325 millions) to negotiate the price 3) Make it a solely owned and independent subsidiary. 4) Retain key scientists (and John Osher as consultant, not president), 5) Acquire other patents (auto dispensing of toothpaste) as listed in reference to sustain the market lead and product innovation. 6) Slowly integrate SpinBrush into Crest Brand.

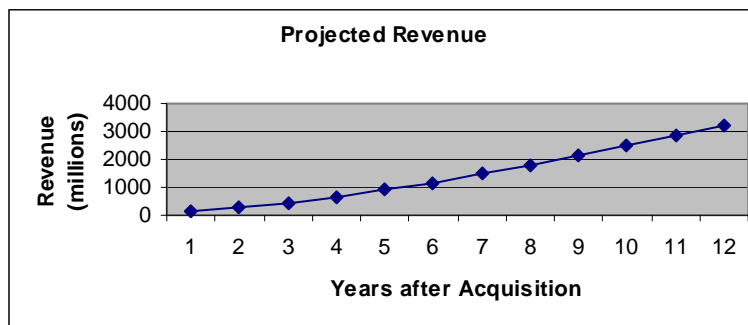


Exhibit 1 the projected revenue for the acquisition of SpinBrush.

The profits are the compounded Net Present Value. The acquisition value is based on the profit margin of 12 years' revenue on net present value (2-4 years to develop and 10 years life cycle) = $3250 * (10\% + \text{Time-to-Market Factors as discussed above}) = 325$ millions + ???

Reference:

1. Kuo, Youti (US) 1996 DENTIFRICE DISPENSING TOOTHBRUSH WITH REPLACEABLE CARTRIDGE EP0724393 <http://www.freepatentsonline.com/EP0724393A1.html> and Kuo, Youti (US) 1988, Dentifrice dispensing toothbrush United StatesKuo, Youti (US) 4787765 <http://www.freepatentsonline.com/4787765.html>