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Stages of Innovation

Product Development Templates

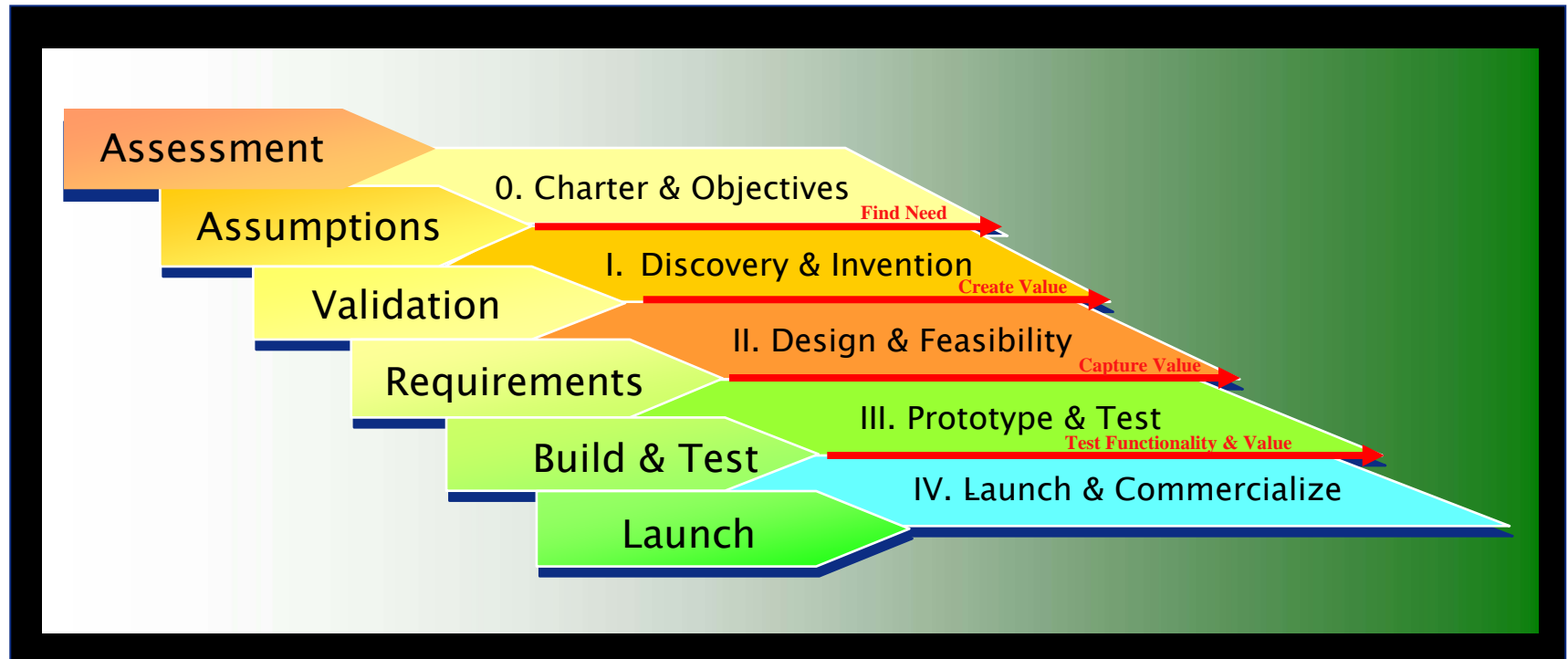
Stage 3 – Prototype & Launch



The SOI Process

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"Success is more likely to result from the systematic pursuit of opportunities than from a flash of genius..."

Peter F. Drucker
The Discipline of Innovation, HBR 1985



To help facilitate our discussion, we are defining the following terms

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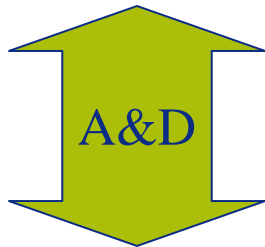
- **Mock-Up** - a graphical representation of the customer facing feature set, which has no real functionality, used for data gathering
- **Prototype** - a working model used to assess the risk associated with new technologies and identify potential development paths
- **Pilot** – an end-to-end working solution deployed to a limited number of customers in order to capture the appropriate number of real transactions and customer services incidences



Stage 3 is about building and testing

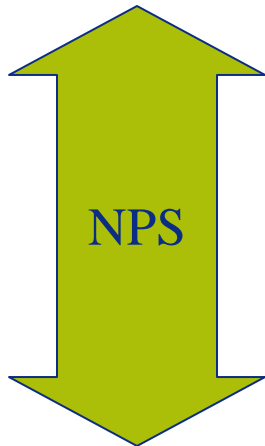
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Test the product model to determine if we can deliver on our promise

- Customer Interfaces
- Product features/functions
- Customer Service/Operations

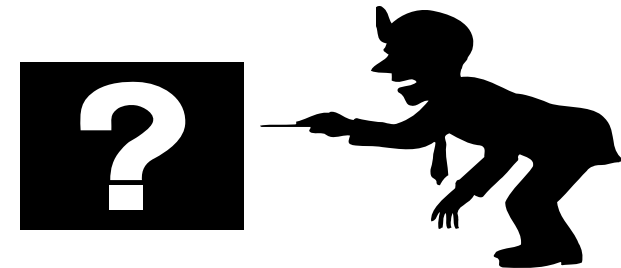


Test the business model to determine the validity of the economic model assumptions

- Usage
- Price
- Costs

Test the marketing model to determine the effectiveness of the assumptions

- Customer acquisition methods
- Sales channels





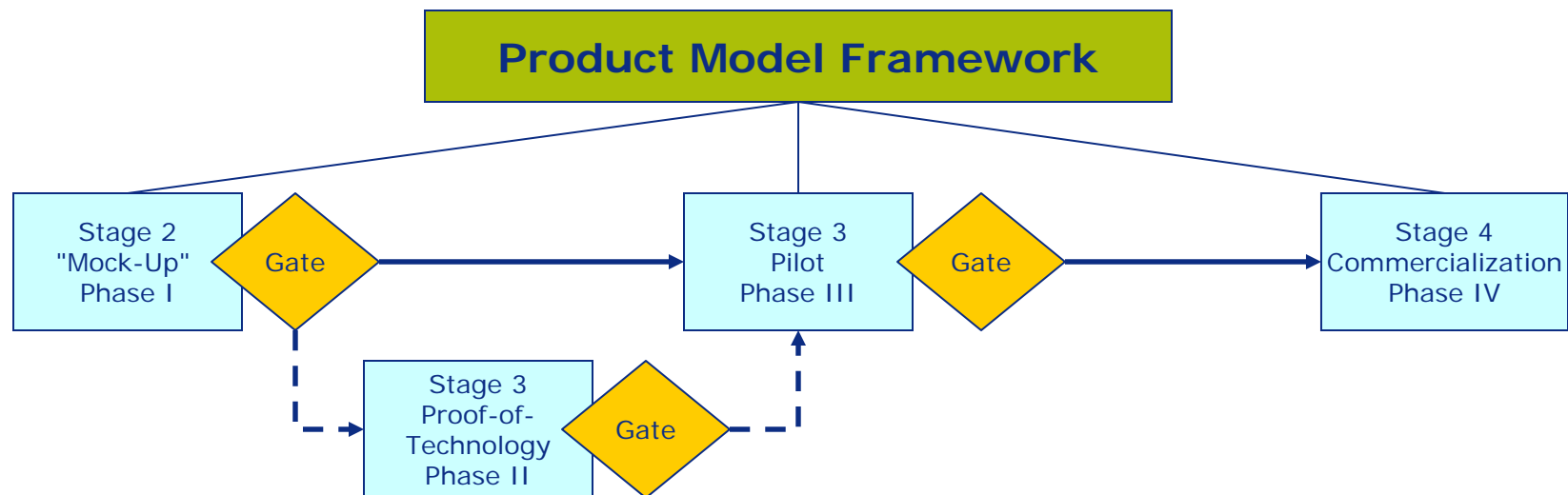
To effectively build products requires extending the development Process to span Stages 2, 3 and 4

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Building Objectives

- Seamless transitions between Stages 2 to 4
- Develop quick "Mock-Up's" and Prototypes to help gather customer's functional requirements for Pilot
- Investigate and validate Proof-Of-Technology (if necessary) prior to Pilot development
- Execute a Pilot that customers transact with that demonstrates product functionality and core features

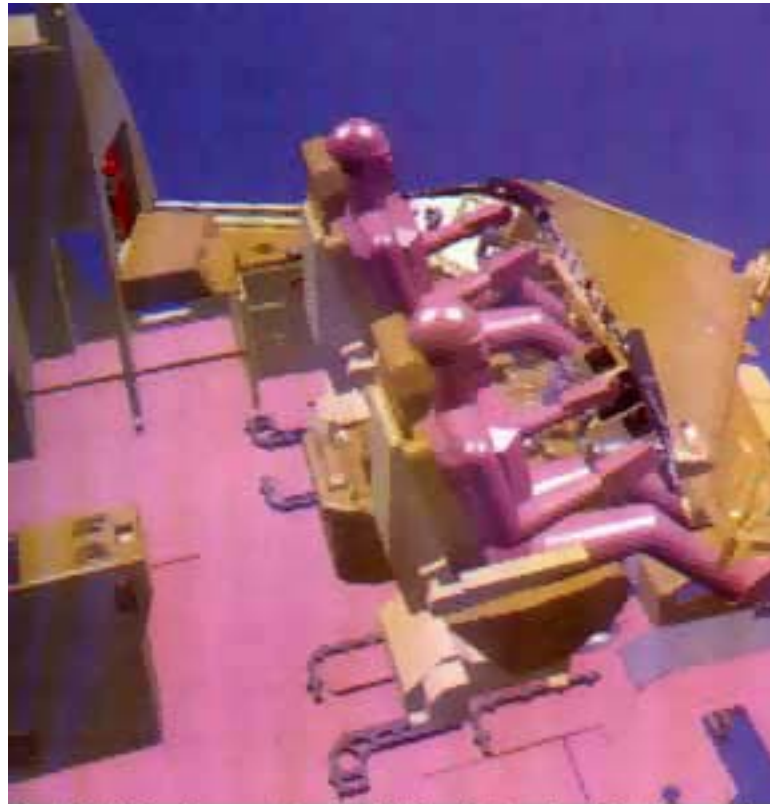




The "Mock-Up" Phase I

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The "Mock-Up" Phase I validates customer's functional requirements

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The "Mock-Up" phase translates Voice of the Customer requirements into product or functional requirements

- The demo addresses how the user will interact with the product.
 - Iterate until customer says "that's what I need"
 - Rank and prioritize functions/features
- The functional pilot requirements will be reflected in the Use Cases and Process & Data Flow Models
 - Use Cases addresses how the product will fit into the customers work environment
 - Process & Data Flow Models addresses how the product might work

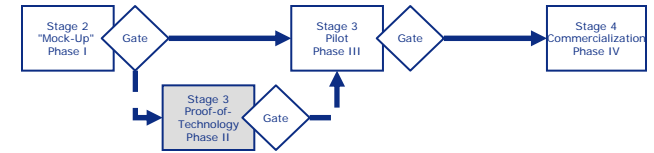
"Mock-Up" is the data gathering phase that allows us to answer the following questions which serves to identify points of pain

- Navigation/Workflow
 - If there's a process or sequence of steps, does it match/integrate with the user's workflow?
 - Do they have to keep flipping back and forth between process steps?
 - Does the "mock-up" ask for inputs that the user doesn't have, or doesn't want to enter?
 - Are we asking customers to change their process?
- Content
 - Does the "mock-up" provide the right information for the user to make decisions?
 - Does it have extra information that they don't need, or that annoys them?
- Page layout
 - Are the fields in the order that the user expects?
 - Is the amount of information overwhelming, not enough, or about right?



The Proof-Of-Technology Phase II

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The Proof-Of-Technology Phase II is about assessing technology risk and validating new technology solutions

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The Proof-Of-Technology phase allows us to understand what new technologies are needed and how we will “integrate” it

- Technical Risk Assessment identifies the risk associated with new technology and its impact on product design and performance
- Integration Path addresses how will this new technology be integrated into existing SOI systems, organizational structures and operating procedures
- Technology acquisition addresses the Build vs. Buy vs. Rent decision



The Proof-Of-Technology phase allows us to better gauge the “technology” risk factors:

- Are all elements of the new technology understood? Can the new technology be adequately maintained?
- Can it deliver the functionality and performance as expected?
- Can the new technology be invented within the budget and timetables?
- Can existing component technology be utilized to develop all elements of the new technology?
- What is the risk associated with the new technology? Does the new technology rely on proven technologies?
- Do technical resources exist to invent the new technology?
- Can the new technology properly interface with existing SOI Legacy systems?
- Are machine-to-machine and human-to-machine communication handled in an intelligent manner?



The Pilot Phase III is about building it “loosely” for the First Time

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For Product Development & Architecture, the Pilot Phase III Building it “loosely” for the First Time

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The Pilot phase takes the learnings' from both "Mock-Up" phase and, if needed, the Proof-Of-Technology phase to create a working product that can be rolled out to our test Pilot customers

- The pilot system addresses our ability to build an end-to-end working system that will allow real customers to interact with a real product concept.
 - Enables us to capture new product requirements based on actual product usage for the next version
 - Enables us to better assess staffing resources required to support needed manual support activities
- Automated were needed and manual everywhere else!

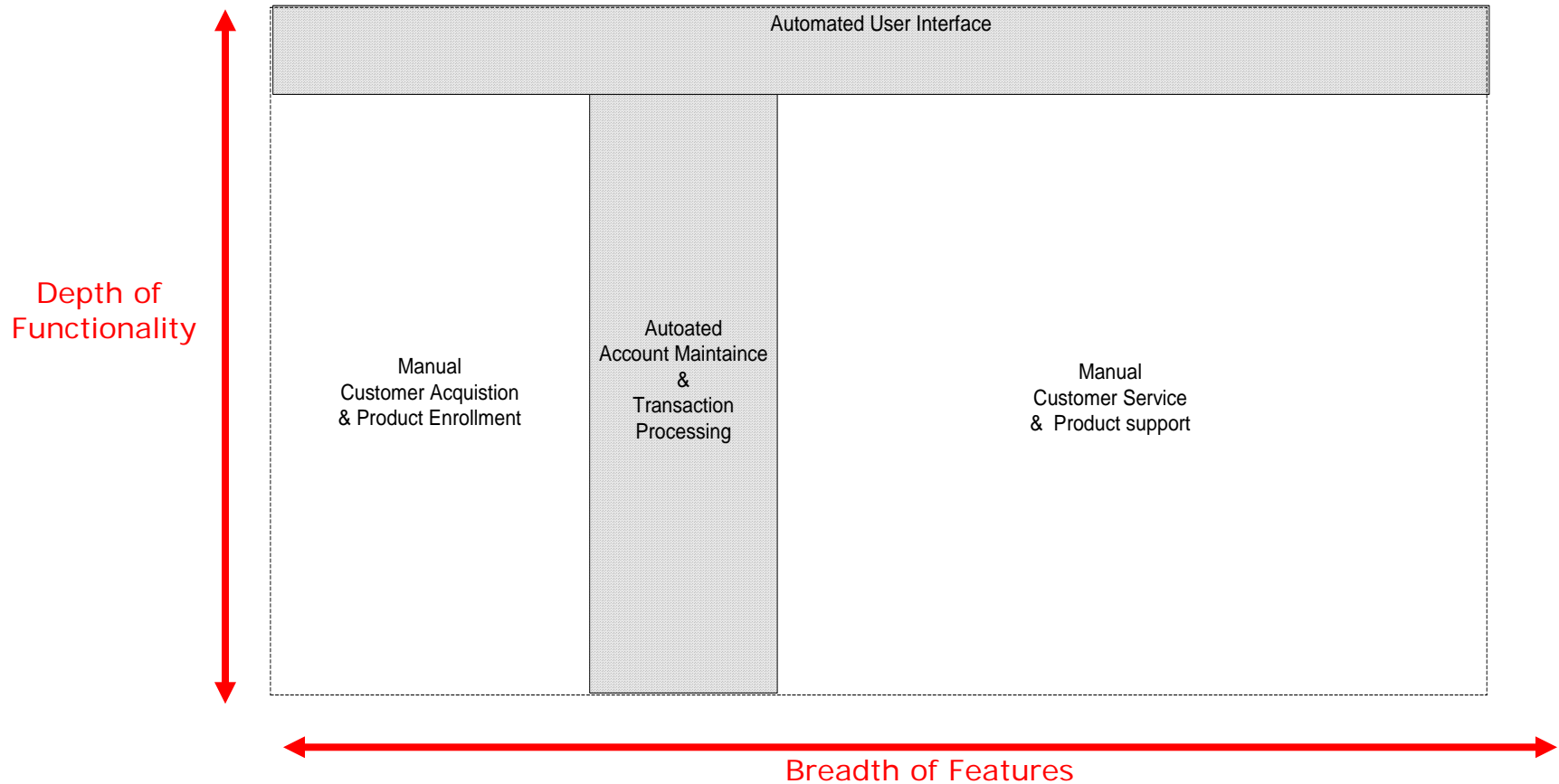


The Pilot product architecture should leverage the best of automation where possible and the Sneaker Net

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Illustrative





Accordingly, to “launch” a Pilot will require having the support of Gating committee member resources

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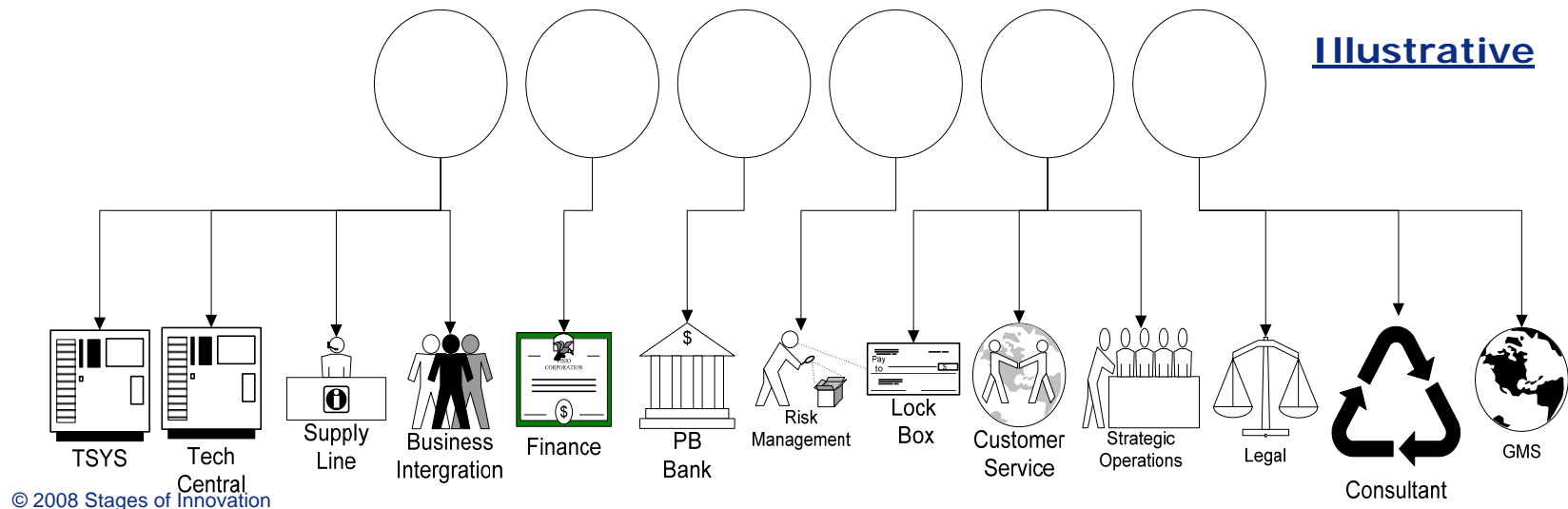
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Gating committee members need to provide the appropriate “lead person” from their respective teams

- Each proposed product concept will determine what human resources will be required

The decision at this stage affect the development of the pilot system

- Defined and agreed pilot objectives
 - Identified support resources
 - Training for support
- Timetable for coding, testing and integration any system components



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The Pilot “launch” enables to test a real product with real customers in the real world

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Stage 3 Gating criteria answers the questions of what products to invest in and in what priority

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Dimension	Assessment	Score
1. Can we Build it? <ul style="list-style-type: none"> Can the product be commercialized? Can the product be commercialized profitably? 	QUALATATIVE RANKING <ul style="list-style-type: none"> HIGH = 9 MED = 3 LOW = 1 	9,3,1
2. Can we Acquire customers to buy it? <ul style="list-style-type: none"> Do customers want it? What is our cost of acquisition What is our method of acquisition? How satisfied are customers with the product? 	QUALATATIVE RANKING <ul style="list-style-type: none"> HIGH = 9 MED = 3 LOW = 1 	9,3,1
3. Can we make money doing (1) building the product and (2) acquiring customers ? <ul style="list-style-type: none"> How realistic were the original business assumptions and model? How have the original business and market assumptions changed? 	SUM OF (1) and (2) <ul style="list-style-type: none"> $\Sigma > 12 = \text{PASS}$ $\Sigma < 12 = \text{FAIL}$ 	Σ
4. For Passed Product, can we grow our business every year? <ul style="list-style-type: none"> Customers? Revenues and profits? 	BREAKEVEN (MONTHS) <ul style="list-style-type: none"> BE < 18 = 9 18 < BE < 24 = 3 BE > 24 = 1 	9,3,1
5. Have we identified the risks and developed contingency plans so we can achieve profitable growth? <ul style="list-style-type: none"> Competitive responses Credit Risk Marketing Risk 	QUALATATIVE RANKING OF EACH RISK FACTOR <ul style="list-style-type: none"> LOW = -1 MED = -3 HIGH = -9 	-1,-3,-9 -1,-3,-9 -1,-3,-9
Overall Score	SUM OF (3), (4), (5) <ul style="list-style-type: none"> Greater the positive score, the higher the priority 	Σ

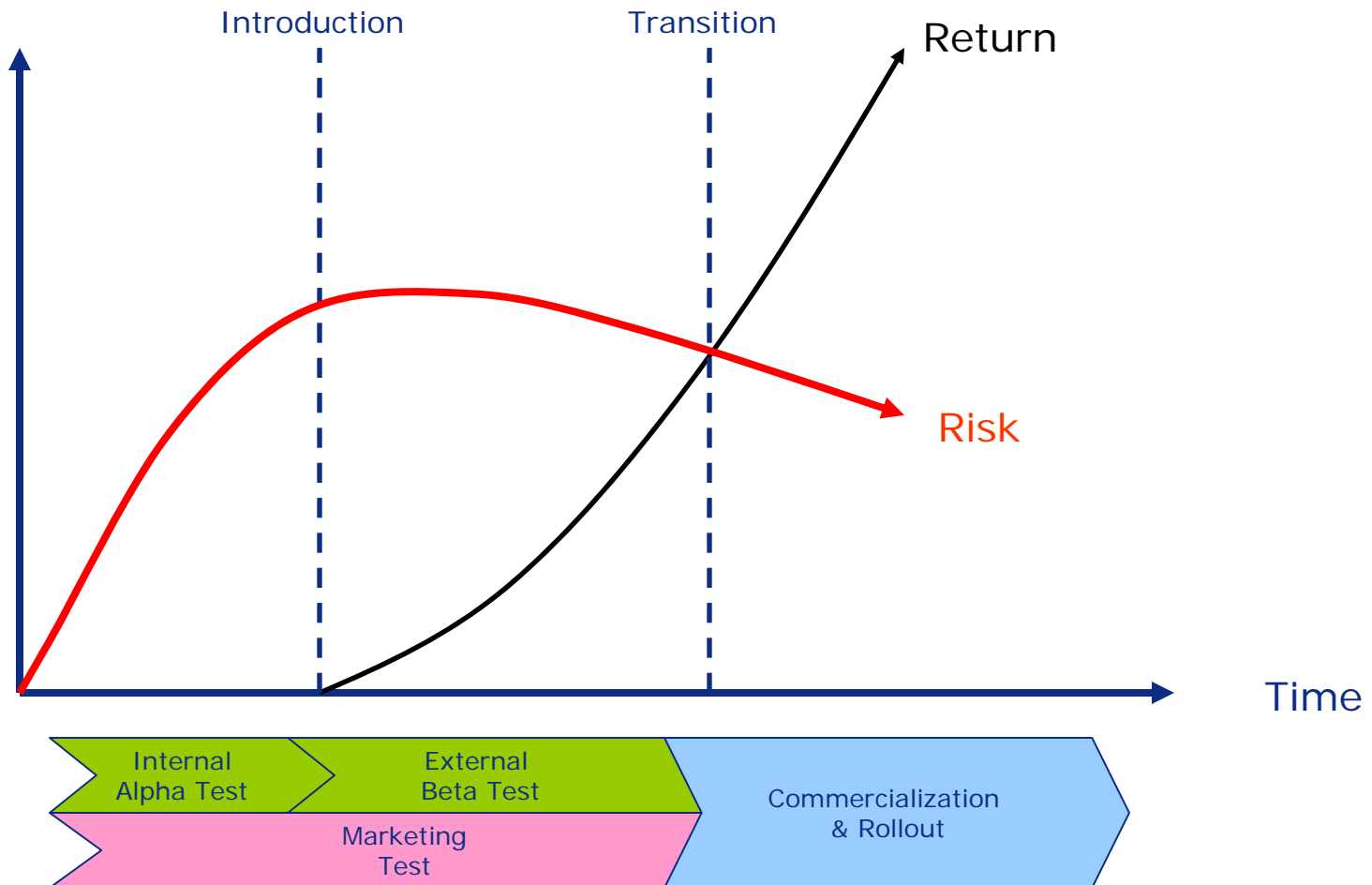


The Stage 3 Gating criteria

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Our definition of a Pilot success is when we have achieved a rate of return that surpasses the level of risk





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Appendix: Testing Protocols



Product Testing consists of Internal and External phases

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Our product testing goal is to create products that delivers value to the customer

- Validate product usability and functionality with real customers
- Capture new customer requirements, features and functions for Commercialization

	Internal	External
Development Phase	<ul style="list-style-type: none">■ An acceptance test inside the Firewall is designed as a quality assurance tool	<ul style="list-style-type: none">■ A pilot or market test outside the firewall that is designed as a product evaluation tool
Users	<ul style="list-style-type: none">■ Employees or consultants in a controlled environment	<ul style="list-style-type: none">■ Real customers in the real world
Duration	<ul style="list-style-type: none">■ Shorter Term	<ul style="list-style-type: none">■ Longer Term
Question to answer	<ul style="list-style-type: none">■ Does it work?	<ul style="list-style-type: none">■ Does it solve the customer's problem
Benefits	<ul style="list-style-type: none">■ Improves product quality, by ensuring the product meets functional, performance, and usability requirements	<ul style="list-style-type: none">■ Compensates for configuration holes in the Alpha test■ Subsidizes the total cost of testing■ Lowers customer service costs through improved training, planning and feedback■ Captures demographic customer data and user testimonials

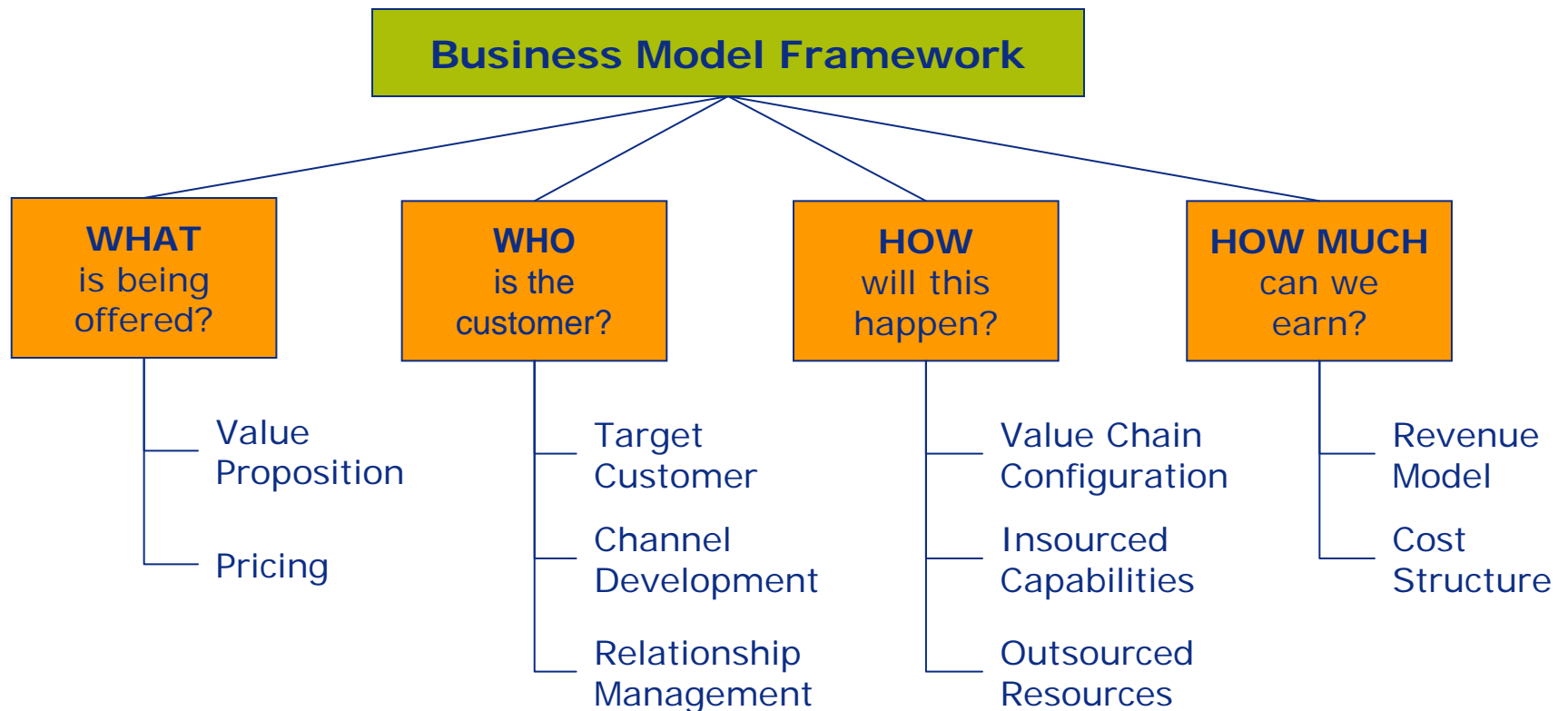


Testing the Business Model means validating the assumptions made in Stage 2

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Business Modeling is the process of designing an entire system for delivering utility to customers and earning a profit from that activity.



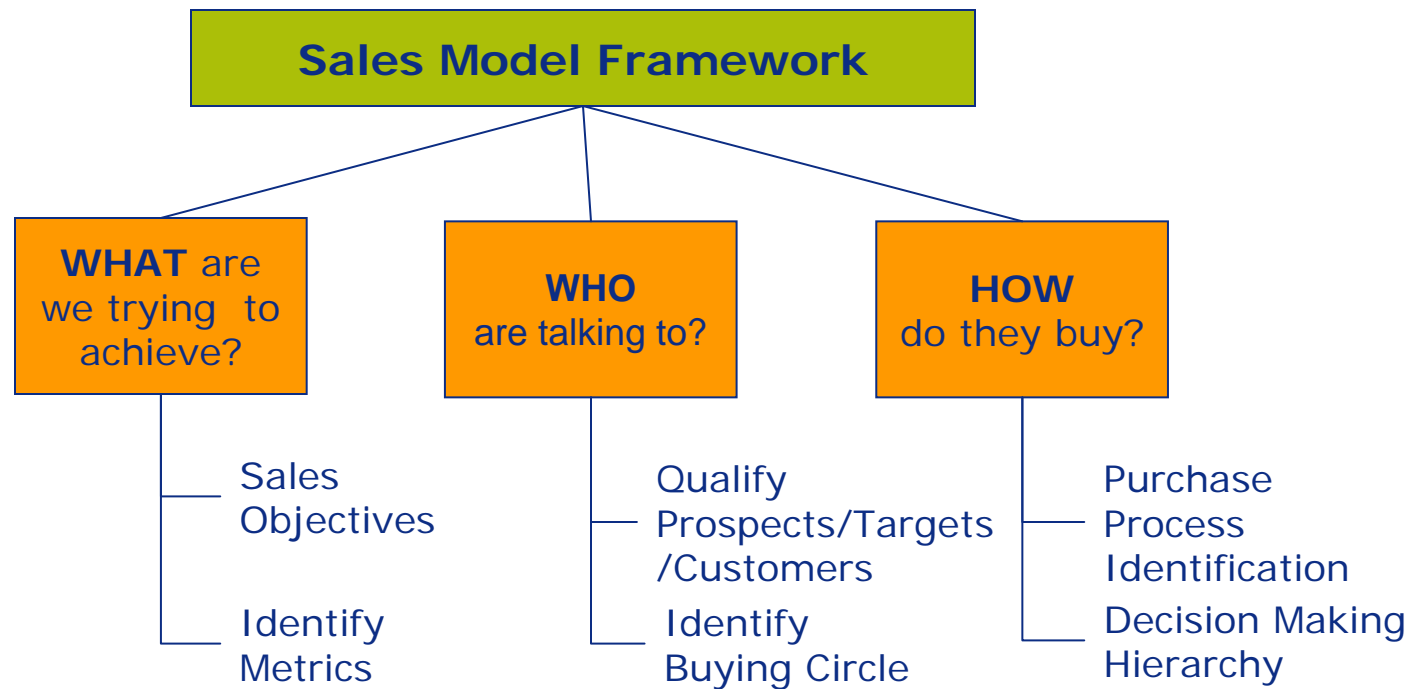


Testing the marketing model

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Sales Modeling defines the process steps regarding who does what, why and how.





The Marketing Testing Process consists of delivering a base line marketing plan

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Our market testing phase is creation and execution of a market plan with the objective of achieving breakeven.

Element	Description
Target Markets	<ul style="list-style-type: none"> ■ Vertical ■ Geographic
Customer Profile	<ul style="list-style-type: none"> ■ Buying Circle structure (User, Decision-Maker, Influencer) ■ Purchasing Process ■ Buying Relationship (Transactional, Relationship, Partnership) ■ Credit Score
Positioning	<ul style="list-style-type: none"> ■ Points of Differentiation <ul style="list-style-type: none"> ■ Brand ■ Product Attributes (Features, Functions, Benefits) ■ Service (pre-sales & Post-sale)
Communication Strategy & Channels	<ul style="list-style-type: none"> ■ Message Content for each Buying Circle Member ■ Channel Mix for Awareness <ul style="list-style-type: none"> ■ Advertising in trade journals ■ Trade shows and conferences ■ Telemarketing ■ Direct mailing ■ Targeted sales call;
Pricing Strategy & Tactics	<ul style="list-style-type: none"> ■ Penetration versus Skimming <ul style="list-style-type: none"> ■ Fees ■ Rates
Projections & Objectives	<ul style="list-style-type: none"> ■ Revenues ■ Expenses (Marketing, Operations) ■ Market Share
Customer Acquisition Strategy & Channels	<ul style="list-style-type: none"> ■ Channel Mix for Acquisition <ul style="list-style-type: none"> ■ Telemarketing ■ Direct mailing ■ Targeted sales call; ■ Credit Policy ■ Enrollment Process

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