



May 2006

**How important is being first to market?**

If innovation is your primary competitive advantage, then being first to market with new products might be your mantra. First to market helps you gain brand awareness and market share while maximizing your new product's life potential. But without thoroughly understanding customer needs and a rigorous, integrated product development strategy that incorporates market perspectives, first to market can be fatal. *In the Boardroom* talked to a group of executives about balancing the pros and cons of being first to market.

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Virtual Roundtable

*In the Boardroom :*

**Does your company strive to be first to market?**

**Rygol:** The answer is clearly yes. PTC has a demonstrated history of innovation, beginning with the introduction of Pro/ENGINEER (our flagship product) in the 1980s. Pro/ENGINEER changed the way companies created digital product models by providing users with a completely new “parametric” way of working. The rapid adoption of Pro/ENGINEER was a major factor in PTC's early success.

PTC continued this trend of industry-changing innovation with the introduction of the Windchill family of products that allows companies to participate in product lifecycle management using standard Web browsers.

PTC's innovation strategy will continue to evolve through product enhancements and acquisitions so we can provide the novel product development solutions our customers have come to expect.

**Maloney:** We're first developing the materials that we feel from the physical science standpoint will provide some excellent performance results. Because we can deliver that and manufacture that to scale, and we're working with our customers, we believe that [customers will adopt them]. Because we .... have a lead time on the process, naturally we become first as far as suppliers for the metallic powders at the nano scale.

**Stein:** Yes. As part of our mission, foneGEAR strives to be first to market with innovative, high-quality products. Quality and value to the consumer are integral to that process, because without a desirable product that performs well, the advantages of being first to market quickly are eroded. The challenge and the reward is getting the *right product* to market first.

**Price:** Your company should be striving to be first to market. That's what innovation is all about. If you innovate, you have something new and you want to bring it to market.

Until you test your idea in the marketplace, you don't know what its weaknesses may or may not be in terms of the demand for it. The only way you can really find that out is by trying it out. That's the proof in the pudding, or in this instance it's better said the proof of the innovation that it really is a valuable innovation.

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*In the Boardroom :*

**What circumstances tell you when to lead and when to follow?**

**Maloney:** The key is understanding your strengths and weaknesses as a business. We know what our strengths are, but, more importantly, we are very clear on what our weaknesses are. If we are correctly working ... with our customers and partners and addressing solutions to pains in the marketplace, that's the key.

**Price:** The time when you follow is when someone else has brought a product or a

service to market and you see a way to do the same thing or the equivalent thing for less cost or in a more timely fashion or more economically. And then you can try out your idea in terms of its competitiveness by testing it against something that is already there that does the equivalent sort of service for people.

**Rygol:** It's clear that software vendors and their customers have a symbiotic relationship. Often times, new technology creates new ways for customers to reduce costs, improve time to market and create better products. Conversely, industry trends often drive vendors to create new solutions to address market demand. For example, in recent years, the shift toward a global “design anywhere, build anywhere” philosophy within manufacturing has given PTC the impetus to create packaged solutions to address this need.

The definition of standards, whether de facto or officially recognized, is an important factor in product development. By their nature, standards should provide consistency, reliability, stability and familiarity. The need to follow standards is important whether they are in the realms of user interface, data exchange, communications or business process methodologies such as the ASME Y14.41 standard for model centric design. For PTC, the latter is a great example of *leading* with robust product offerings that leverage the standard but *following* the work done by the ASME in defining the standard.

**Stein:** There are many different factors that determine when and how we bring a product to market. Because the goal of our company is to accessorize phones and music players, we need to be constantly aware of changes and product launches in our key markets. Because we focus so tightly on the categories we know best, we are able to quickly assess market opportunities and make decisions on when to roll out a product, and when to replace an existing one.

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*In the Boardroom :*

### **How can companies mitigate the risks associated with first to market?**

**Rygol:** Rigorous product management and market analysis are key factors in risk mitigation. Product management must identify market needs and the products that meet those needs must be supported by financial and growth analysis and market readiness to adopt the new product. Many products have failed because of inadequate planning and analysis.

Industry symposia, focus groups and analyst reports all provide valuable input to mitigate risk. Moreover, maintaining strong relationships with customers offers additional insight into the needs and pain felt by the market. A key example of this is PTC's recent acquisition of Arbortext. PTC's customer base used PTC solutions for creating and managing digital product design data and also used Arbortext products for creating and configuring technical documentation. The integration of both product families into a single solution has been strongly ratified by our customers.

**Maloney:** You've got to have strong development partners with open communication. We're working with ... large government contractors, leading Japanese electronics

companies, household battery companies. Surprisingly, they roll up their sleeves with us, tell us what their problems are, what solutions they're looking for, and it comes down to having a strong value [proposition]. If you can truly increase performance and lower cost, ... deliver a product that addresses those concerns, and you've got partners that are benefiting from this and giving you feedback as you go, you're going to mitigate your risk if you're naturally first to the market. ...

We think that's going to continue to mitigate our risks because we're doing it in concert with some large folks that have their pulse on the market, the end consumer if you will. And everyone is sensitive to cost and performance as you go.

**Stein:** Companies need to understand that being first to market is important, but being the best is more vital to building a lasting brand. foneGEAR customers need to know that when they purchase our accessories they are buying the best product available. ... Risks are managed by knowing your market and your customers intimately, and not making decisions impulsively. Companies that best manage risks associated with new product launches are the ones that are thorough with their product and market research in order to really bring products to market that their customers want. Risk is never absent from any product launch, but knowing the market and the customer provides the data necessary to take advantage of opportunities.

**Price:** There is inherent risk involved in innovation. The best way to mitigate that is to be financially strong enough to hold up under the inevitable setbacks you're going to get by being a pioneer.

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*In the Boardroom :*

**What role can modular product development and reconfigurable products play in being first to market?**

**Stein:** Modular product development is great to a point. If your product line is centered around a system that just needs an interface or adapter for a specific customer, then there are real time and cost savings associated with modular design. On the other hand, you can't assume that a "one size fits all" approach will work all the time, because a reluctance to be flexible with your product design and configuration will dissuade some customers from purchasing your products. Ideally, and if their product line allows for it, companies would pursue a modular approach for the bulk of their customers and pursue incremental sales through product customization.

**Price:** You don't have to do the whole system from scratch. You can do just a piece of it and yet enough of it will fit into the modularity concept. That would be particularly true in things like software for example.

**Rygol:** The design of reusable architectural components is a key factor in the rapid creation of new solutions or specific packages to address particular needs without building new products from scratch. There is inevitably a large amount of reuse of

existing components or technologies in the creation of “new” products. This reuse decreases the product development spend and time and can contribute to overall product market acceptance — especially if these components are already accepted in other guises within the market.

At PTC, our visualization product technology is designed to be a set of reusable components that allow for the rapid integration of capabilities into other PTC products. This helps create innovative solutions at a fraction of the cost to develop equivalent capabilities from the ground up. Customers who use the new product can reap the benefits of data reuse and familiarity with the components within the new solution. This helps reduce the adoption barrier of new products and helps contribute to the success of first-to-market product configurations.

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Some of our panel members note that they're focused on first to market, but place equal importance on getting to market the smartest way possible and reducing risks along the way. And they point out that:

- Being first to market is important, but getting the right product to market is vital.
- An acute awareness of your industry's direction, your own corporate strengths, customers' needs, and competitors' intent will help guide your decision on when to get new products to market, and when to be first.
- Modular design can streamline first to market and provide cost-savings when product lines are planned to accommodate future adaptations and/or interfaces specific to customer needs.

Many first-to-market products allow competitors to prosper from their early-entry mistakes, but waiting for others to make mistakes can be a poorly calculated bet and result in lost opportunities. The key is pulling together the product strategy, resources and tools that allow you to be first *and* best, creating a market wake that the competition can never really overcome.