

Time is Money

A briefing on managing time to market

In a recent poll, the top concern of product innovation leaders was conflict surrounding time to market (TTM). In many firms, TTM is an emotional issue, rather than a business question.

The Briefing

Some companies have found a way to move TTM from conflict to collaboration. By creating an objective framework for TTM decisions across the enterprise and throughout the development process, they can minimize last minute crises, optimize business outcomes, increase ROI and build customer confidence.

This briefing provides attendees with valuable insights on:

- New product speed as a core business capability
- Financial frameworks for TTM decisions
- Managing the entire new product operation for TTM
- Creating the environment to manage individual projects for TTM

Why Spend An Hour On This?

When executives find it difficult to improve TTM, it may be that they are managing in ways that actually undermine performance. This briefing will help attendees to reframe the TTM problem with ideas their peers are finding effective and generate a new approach for their company. This is especially valuable when top managers and key new product stake holders attend the briefing together, to build a common perspective on the issues and solutions.

The Briefing Leader

John Farnbach is a Co-Founder and Principal of Silver Streak Partners LLC, helping companies improve the business impact of product innovation. Silver Streak Partners works with leadership teams to create an enterprise-wide new product operation that produces higher returns, reduces fire fighting, and fits their culture and vision. John holds a Ph.D. (EE) and has 35 years' experience in product development at large and small companies in semiconductor, system, and software products.

Time is Money

The Hard Value of TTM



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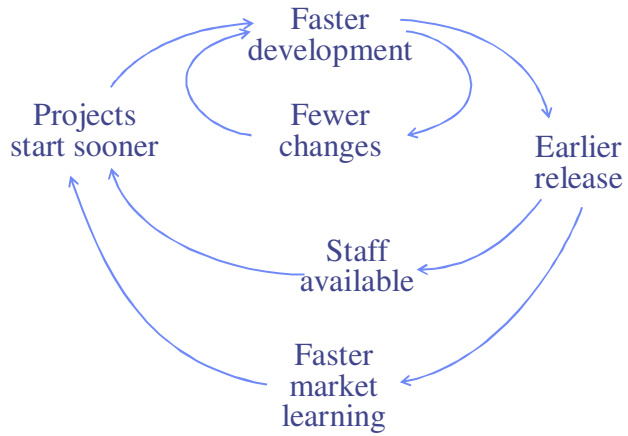
The Hard Value of TTM

- ◆ The business impact of TTM
- ◆ Project ROI: The heart of the matter
- ◆ Financial models and rules of thumb
- ◆ Putting it all together

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The Agility Loop



Cannot sacrifice development deliverables

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Faster and Better



- ◆ Forced schedules, heroic efforts are symptomatic cures
- ◆ The systemic cure is to apply more resources

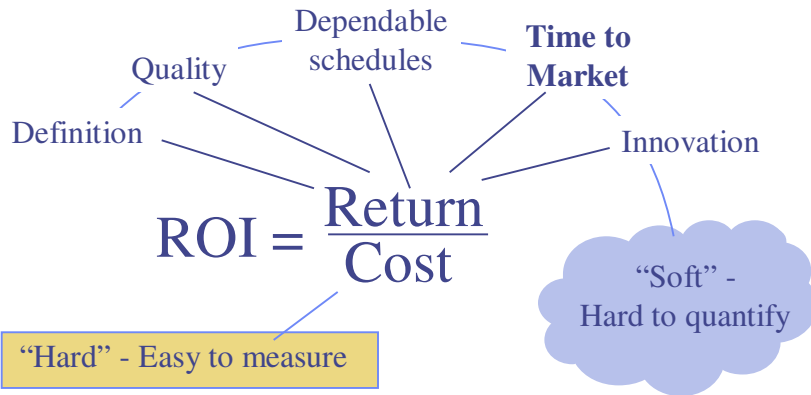


- Internal staffing
- Design tools
- Third party IP
- Contract services

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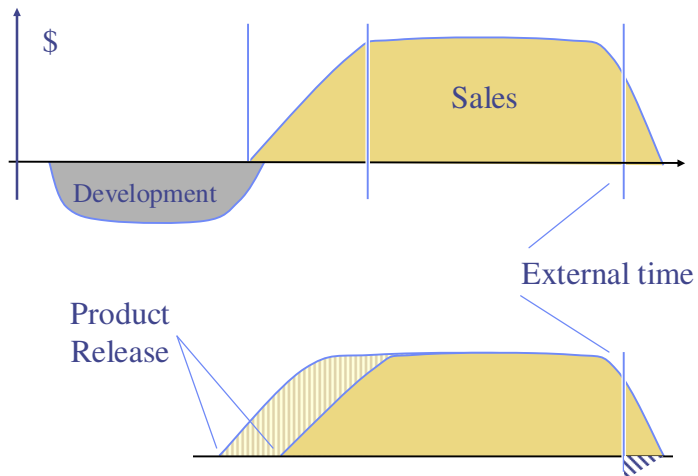
Project ROI



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TTM's Financial Impact



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Financial Project Lifecycle

	Yr1	Yr2	Yr3	Yr4	Yr5	Yr6	Yr7	Yr8	Lifetime	
Unit sales p									166	
Unit cost									1983	
ASi									48645	
Revenue										
Unit cost p									183	
Cost/									30304	
Mfg cos									600	
Prod E									30904	
COi									17741	
Gross M:									36%	
GM										
Devel cost \$K	2000	1000	1000						2000	
Sales/Marketing	23%			460	1840	2659	2659	2034	1537	11188
G&A	5%			100	400	578	578	442	334	2432
Opex		1000	1000	560	2240	3237	3237	2476	1871	13621
Net Profit B4 tax		-1000	-1000	340	1160	1338	933	362	-13	2121

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Financial Impact

$$\begin{array}{l}
 \text{Sales volume} \\
 \times \text{ASP} \\
 = \text{Revenue} \\
 \underline{\quad - \text{COGS}} \\
 = \text{Gross Margin}
 \end{array}$$

← TTM

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Baseline Model

	Baseline
Volume	240
Revenue	\$31,500
COGS	\$16,000
GM	\$15,500
Devel. Cost	\$3,500
GM\$/Cost	4.4

- ◆ 2 year development
- ◆ 5 year sales life
- ◆ PBT = \$5,600
- ◆ Market economics:
 - ASP 20%/year
 - Unit cost declines from \$80 to \$60

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What If...

\$100K pulls schedule 3 months?

- ◆ License third party IP
 - \$100K added cost
 - Pull schedule 3 months
 - ◆ Add an engineer
 - Baseline: 5 engrs x 24 months = 120MM
 - What if: 6 engrs x 21 months = 126MM
 - \$100K added cost, pull schedule 3 months
- ...OR...

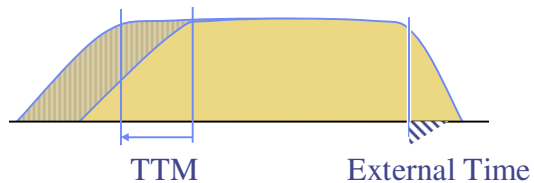
Release faster without cutting corners.

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Production Volume

-Mature Markets



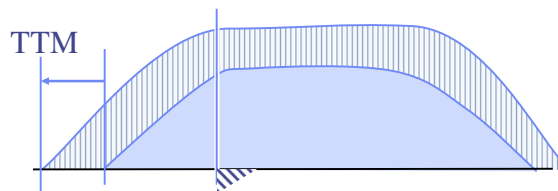
- ◆ TTM adds 3 months mature sales
- ◆ Volume increases 15 Ku

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Production Volume

-Design-win Markets



- ◆ 3 months adds to design-in window
- ◆ Peak volume: +17%
- ◆ Sales life: +10%
- ◆ Lifetime volume: +27%

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Production Volume

3 months faster

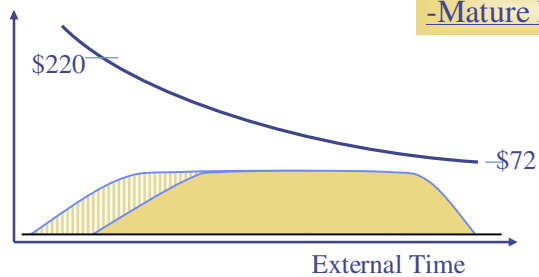
	Baseline	Mature	Des.Win
Volume	240	255	305
Revenue	\$31,500		
COGS	\$16,000		
GM	\$15,500		

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Average Selling Price

-Mature Markets



- ◆ "Average" sale advances 1.5 months
- ◆ ASP: +3%
- ◆ Less for Design Win market

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ASP & Revenue

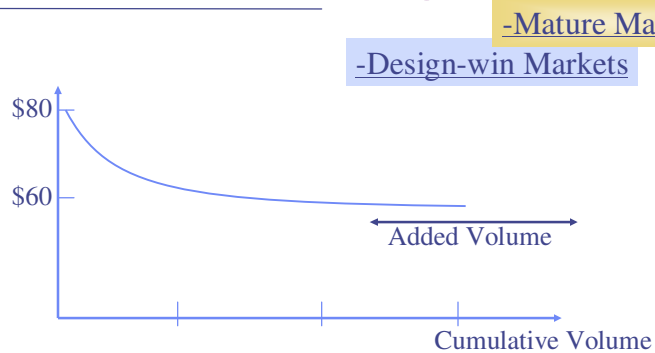
3 months faster

	Baseline	Mature	Des.Win
Volume	240	255	305
Revenue	\$31,500	\$34,500	\$40,000
COGS	\$16,000		
GM	\$15,500		

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COGS - Learning Curve



- ◆ Added units produced at mature cost
- ◆ Unit cost bargain!

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Gross Margin

3 months faster

	Baseline	Mature	Des.Win
Volume	240	255	305
Revenue	\$31,500	\$34,500	\$40,000
COGS	\$16,000	\$16,900	\$19,900
GM	\$15,500	\$17,600	\$20,100

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ROI

3 months faster

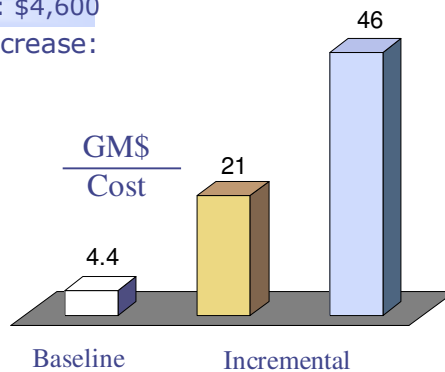
	Baseline	Mature	Des.Win
Volume	240	255	305
Revenue	\$31,500	\$34,500	\$40,000
COGS	\$16,000	\$16,900	\$19,900
GM	\$15,500	\$17,600	\$20,100
Devel. Cost	\$3,500	\$3,600	\$3,600
GM\$/Cost	4.4	4.9	5.6

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Hard Value of TTM

- ◆ 3 Months impact on return
 - Mature Market: \$2,100
 - Design Win Market: \$4,600
- ◆ Development cost increase:
 - \$100



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The Hard Value of TTM

- ◆ Fast development drives business agility
- ◆ TTM improves project ROI
- ◆ Balance cost vs. TTM decisions

Significant opportunity for typical company

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Questions? Comments?



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