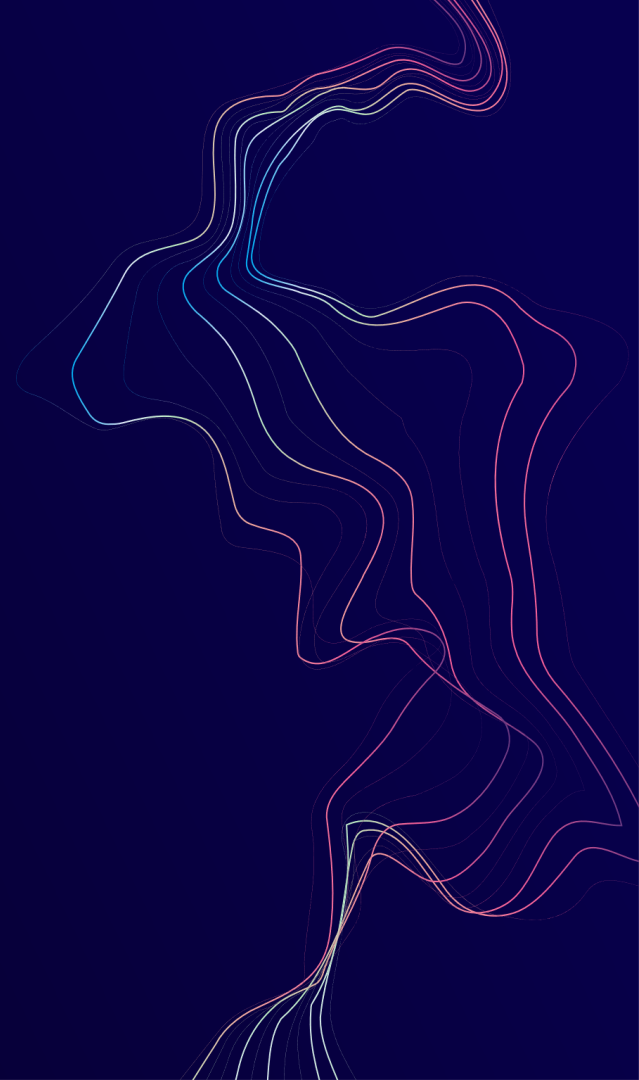


Navigating regulatory challenges
in new product development

A GUIDE FOR CONSUMER GOODS INDUSTRY LEADERS

PRESCOUTER



Expanding into new markets and navigating the associated product development challenges are essential strategies for growth and innovation. However, amidst the promise of new opportunities lie intricate regulatory and compliance challenges that can significantly impact a company's market share and penetration strategy.

Proactively engaging with regulatory bodies, cultivating internal expertise, and forming strategic partnerships can significantly enhance product success and strengthen brand reputation. These strategic moves ensure smooth navigation through regulatory complexities.

In this report,
we will cover the
following topics:

ADAPTING TO UNFAMILIAR REGULATORY STANDARDS

Navigating regulatory and product compliance in unfamiliar markets demands early expert engagement, framework establishment, and collaborative strategies for success.

ADAPTING TO NEW REGULATORY COMPLIANCE MANAGEMENT

Proactively addressing regulatory compliance in existing product categories ensures readiness for evolving regulations. What are the best practices for exploring alternative product formulations or design concepts, collaborating with the right experts, and ensuring future-proof product testing aligned with marketing claims?

**With expert
insights
from:**



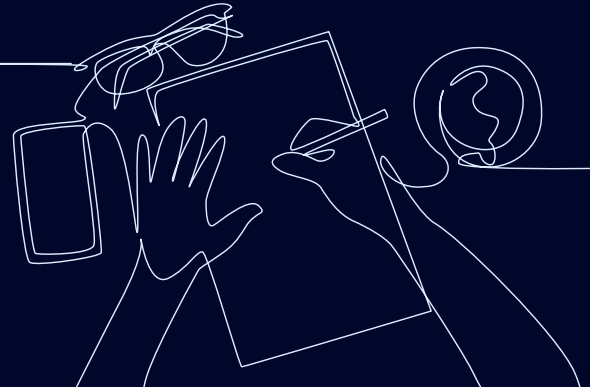
Norbert Teston

25 years in Compliance Excellence at Adidas

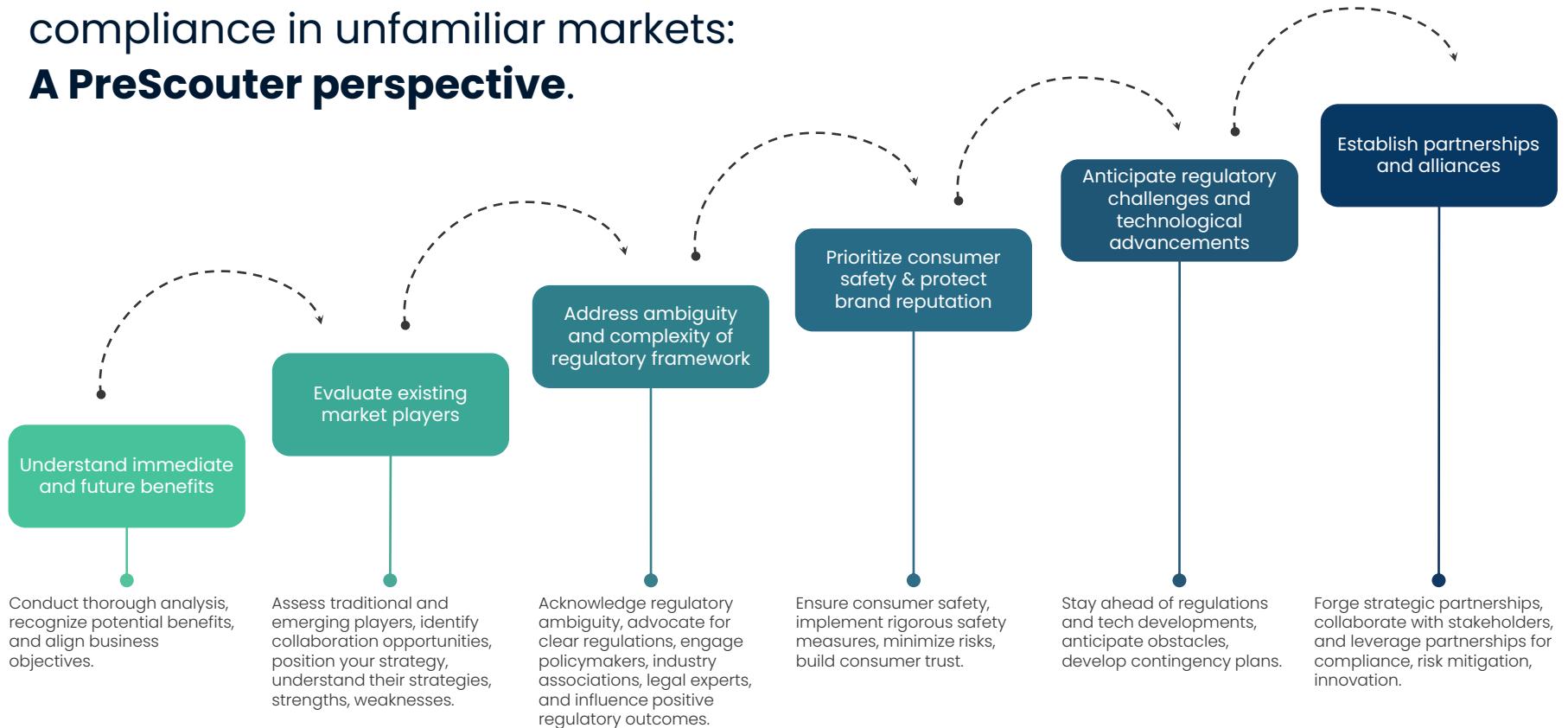
Norbert is currently the President and Principal Consultant of NT Creative and Consulting where he assists organizations with their product strategy, focusing on quality and compliance framework and governance. Previously, he was the Director of Complex Excellence for Advanced Creation Testing at Adidas where he oversaw all standards & compliance-related governance tasks as part of Product Creation Testing & Integrity.

Adapting to unfamiliar regulatory standards:

Navigating regulatory and product compliance in unfamiliar markets demands early expert engagement, framework establishment, and collaborative strategies for success.



How to navigate regulatory and product compliance in unfamiliar markets: A PreScouter perspective.



Crafting a conceptual framework should be adapted for specific verticals and products: **Lessons learned from Smart Ride by Adidas.**



Establish frameworks and templates

Challenging innovation projects are opportunities to create robust frameworks and templates. Tools that can streamline future endeavors, ensure consistency and efficiency in navigating regulatory landscapes.



Embrace collaboration and interdisciplinary innovation

The future successes often lie at the intersection of industries. Leveraging collaboration and expertise from diverse fields can pave the way for groundbreaking advancements.



Assess and define proof of concept

Prioritize a tightly defined proof of concept to serve as the foundation of the innovation journey. This clarity enables focused efforts and minimizes potential deviations from regulatory requirements.

Crafting a conceptual framework should be adapted for specific verticals and products: **Lessons learned from Smart Ride by Adidas.**



Implement rigorous testing and compliance processes

Develop comprehensive testing and compliance procedures and requirements to address the complexities of integrating new technologies into products. These processes ensure regulatory pitfalls, product safety and reliability.



Establish a process of governance & documentation

Establish governance and documentation protocols for regulatory compliance and risk mitigation. Detailed documentation ensures accountability in legal proceedings.



Integrate new products with current systems

Integrate new innovations seamlessly into existing systems to facilitate reporting, tracking, and scalability. This ensures operational efficiency and enables effective management of the innovation lifecycle.



When faced with the challenge of venturing into new territories, collaboration with seasoned experts is invaluable. Partnering with those possessing relevant expertise not only accelerates innovation but also mitigates risks, ensuring a smoother transition into unfamiliar landscapes.



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Identify complexities with manufacturing and scaling

Anticipate the complexities associated with manufacturing and scaling. Addressing scalability challenges early on prevents disruptions and ensures smooth transitions from concept to mass production.



Maintain consistency in product claims

Align product claims with the defined proof of concept to ensure consistency and credibility. Accurate and transparent communication is essential to building consumer trust and mitigating potential legal liabilities.



Align your new product with external expertise

Partner with external experts or organizations for expertise and experience. Collaboration accelerates innovation and mitigates regulatory risks.

Addressing product regulatory compliance management:

Proactively addressing regulatory compliance in existing product categories ensures readiness for evolving regulations. Categorize products, explore alternatives, collaborate, and test rigorously.



Managing a product line entails ensuring alignment with regulatory requirements: **The case of PFAS and microplastics.**

Understand the regulatory landscape

Stay updated on PFAS/microplastics regulations, health, environment impacts, existent litigations and initiatives within the industry.



Assess product composition

Evaluate the presence of PFAS/microplastics in your product line and categorize them into three buckets: nonessentials, substitutable products, and essential products. Are PFAS/microplastics needed?



Explore substitution options

Investigate available substitutes for PFAS and microplastics, especially in nonessential and substitutable products. Collaborate with suppliers and research institutions to identify emerging alternatives that meet regulatory requirements and align with your product specifications.



Customize solutions

Recognize that one-size-fits-all replacements may not be suitable for every product or company. Tailor substitution strategies based on your specific product needs, capabilities, and market demands. Consider factors such as performance, cost-effectiveness, and consumer preferences.



Invest in research and development

Allocate resources to R&D efforts aimed at developing alternative materials and technologies to replace PFAS and microplastics, particularly in essential product categories where complete removal may pose challenges. Foster innovation and collaboration to address regulatory compliance and consumer safety concerns.



Anticipate regulatory changes

Stay proactive in anticipating future regulatory changes and industry trends related to PFAS and microplastics. Prepare contingency plans to adapt to evolving regulatory requirements, whether through self-regulation or compliance with government mandates.



How to address the presence of a potentially problematic component in your product line:
An expert insight.

In terms of regulations:



Approach regulatory requirements systematically

Conceptualize regulatory requirements as a spectrum, ranging from strict laws and regulations to industry best practices and internal brand values. Understand where your product line falls within this spectrum.



Understand that the regulatory landscape is dynamic

Recognize the dynamic nature of regulatory environments and the need to constantly track and adapt to evolving regulations worldwide.



Push your boundaries and navigate towards the gray areas

Recognize the gap between regulatory requirements and voluntary standards. Utilize brand expertise, employee insights, and consumer input to navigate the gray areas adeptly.

How to address the presence of a potentially problematic component in your product line: **An expert insight.**

In terms of Strategies:



Hear your stakeholders

Partner with research groups and industry experts to stay abreast of emerging regulations and standards, particularly in areas where ongoing research can address issues related to potentially problematic environmental raw materials.



Conduct a thorough testing

Prioritize comprehensive testing to ensure product compliance and mitigate potential risks. Continuous testing helps in understanding and addressing regulatory challenges proactively.



Utilize strategic advocacy

Approach decision-making akin to presenting a case in court, demonstrating thorough testing and efforts to meet regulatory requirements. Confidence in decisions arises from meticulous preparation and diligence.



Seek external expertise

Utilize external resources, such as consulting firms with specialized knowledge, to navigate complex regulatory landscapes effectively. Collaboration with experts can provide insights and strategies to address regulatory challenges.

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In navigating the dynamic realm of regulations and internal standards, envision a spectrum of compliance ranging from stringent legal mandates to industry best practices and intrinsic brand values. Within this spectrum lies a pivotal space, a no man's land, devoid of explicit requirements yet pregnant with potential risks and opportunities.

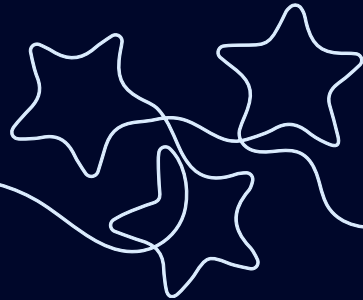


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Expert recommendations:

Advice on how to navigate the gray zones of product compliance



THE PROACTIVE APPROACH: How to justify self-regulation in the absence of external mandates, and quantify the business benefits accordingly?

Assess potential costs of non-compliance: Identify potential risks and costs associated with regulatory non-compliance, product recalls, legal fees, lost sales, and damage to brand reputation.

Compare costs with compliance investments: Evaluate the potential costs of non-compliance against the upfront investments required for compliance measures, such as thorough testing and quality control.

Quantify ROI: Calculate the return on investment (ROI) by considering the percentage of potential recall costs that could be mitigated through upfront compliance investments.

Approach in stages: Begin with preliminary research and assessment to gauge potential impacts and costs. Present these findings to the board for decision-making.

Board approval and implementation: Seek board approval for further investments in compliance measures based on the initial assessment and risk evaluation. Implement deeper compliance measures as approved by the board.

Emphasize risk assessment: Frame the decision as a risk assessment exercise to underscore the importance of proactive compliance measures in mitigating financial and reputational risks for the business.

Framing the decision as a risk assessment exercise underscores the significance of proactive compliance measures in mitigating potential financial and reputational risks for the business.



When to start testing for marketing claims?



The concept of **testing should not be viewed in isolation but integrated as validation throughout the innovation process.**

Begin by defining the concept and desired functionalities, then develop a test methodology to evaluate these aspects.

It is crucial to involve the quality team from the outset, ensuring alignment between innovation, development, and commercialization phases.

Maintaining communication bridges between innovation and quality/compliance teams is vital.

While innovation teams focus on creativity, the quality team can provide insights into regulatory requirements and potential pitfalls.

Failure to address regulatory concerns early can lead to significant resource wastage and innovation setbacks, as seen in cases where projects are halted due to non-compliance with specific standards or regulations.

Integrate testing seamlessly into innovation, focusing on validation from concept to development.

Regulators may sometimes lack industry-specific knowledge, and these issues should be addressed with the appropriate expertise

It is important to acknowledge that **regulators may not always possess comprehensive knowledge of the industries they regulate.**

For instance, the use of hazardous chemicals in Adidas commenced in 1998, and marked a significant turning point due to a major claim arising from a product recall involving cadmium detected in Amsterdam.

This incident prompted the company to delve deeper into understanding the implications within the industry.

Adidas recognized that certain chemicals served indispensable functions within its products, making their removal a complex endeavor.

Consequently, ongoing discourse and collaboration among stakeholders within the sportswear industry became imperative to address concerns regarding hazardous chemicals.

Discussions involved lobbying efforts and joint initiatives aimed at safeguarding both industry interests and regulatory compliance.

It is crucial to approach these interactions as collaborative exchanges and educational opportunities. While regulators bring their own priorities to the table, industry representatives must articulate their concerns backed by valid data and information.

Stakeholders collaborate with regulators, stressing viable alternatives and valid data for compliance with regulations, fostering mutual understanding and effective solutions in the evolving regulatory landscape.



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