Strategic Technology and Innovation Management Programme 2017

Value of time/Cost of delay in R&D

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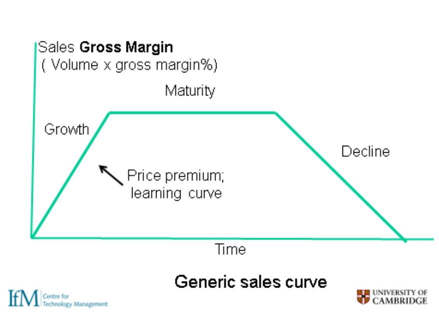
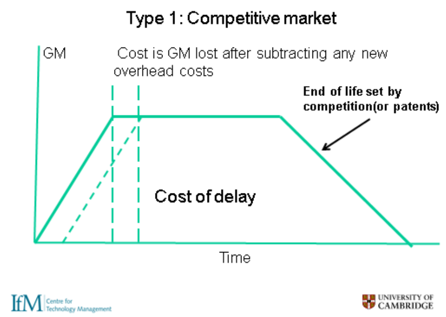
Aim: to find approximate rules of thumb to assess the cost of delay to R&D project.



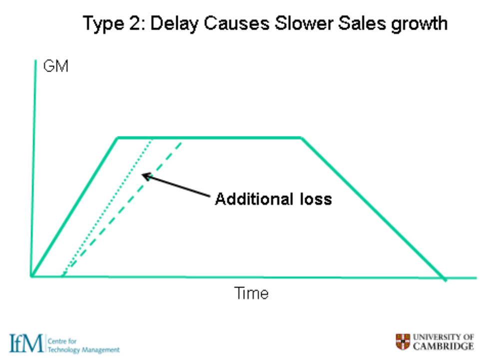


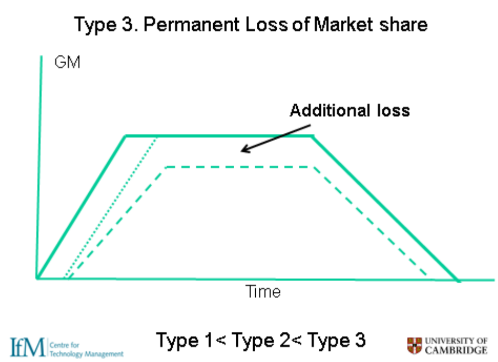
Type 1 is the baseline case.

The cost of delay is the Gross Margin on the lost sales after subtracting any new overheads occasioned by the new product. This can be significant: for mature sales of £10 Million a year at 50% Gross Margin it is £100k per week.

BUT lost sales must take account of the possibility of continuing to sell an existing product that was planned to be withdrawn. This could apply for product updates, but not for entirely new products. Note, the existing product may be already declining or have lower gross margin.

Two cases where the cost may be even larger:





SUMMARY

The cost of X weeks delay is the gross margin on X weeks lost sales less the results of any action that to extend the life of existing products. This cost can be surprisingly large.