



CONTACT:
Archstone Consulting
David Schutzman
203.940.8200

Berns Communications Group, LLC
Stacy Berns/Michael McMullan
212.994.4660

Survey Reveals 50% of Companies Dissatisfied with Return on Innovation Investment *72% Still Plan to Increase Spending*

STAMFORD, Conn – November 6, 2006 - Archstone Consulting, a rapidly growing strategy and operations management consulting firm, today announced results from a new survey which found that while 50% of companies are dissatisfied with their return on innovation spending, 72% still plan to increase spending on innovation.

Furthermore, 50% of the companies reported that 10% to 25% of their revenues over the next 3 years would be driven by products and services that will be developed over the next 12 months. Less than 5% of these companies believe they have a highly effective innovation process and only a small number are using state of the art approaches to innovation like open networks and innovation based metrics.

To bridge this gap, 86% of companies who responded are leveraging external resources to help identify new innovation strategies, especially during the upfront discovery phase. In particular, companies are investing significantly in consumer research to maximize innovative techniques for a better understanding of the consumer. Companies are also tapping into formal and informal inventor networks to find new ideas, concepts, improvements and enablers.

External resources cited include consumer research firms, brand strategy and innovation firms, management consultants, advertising agencies and brand and identity design firms.

“In today’s fast paced business environment, companies are increasingly relying on new products to drive the top line growth,” said Carrie L. Shea, Global Strategy Practice Leader, Archstone Consulting. “Yet many of the companies we surveyed were very dissatisfied with the overall innovation process and a lack of confidence in their innovation investments.”

Other Key Findings:

Identify Project Sponsorship – 70% of respondents indicated multiple project sponsors ranging from CEO (21%) to Vice President (8%). Companies who rated themselves as highly effective in innovation commit senior level attention and cross-functional owners to projects.

Measure and Report Your Results – The study found that only 28% measure their innovation effectiveness, while only 10% report the findings publicly. 93% of respondents state that their return on innovation is at or below expectations.

Have a Formal Strategy – Substantial opportunity exists for companies to improve their innovation effectiveness as 55% of the companies surveyed ***do not have*** a formal innovation strategy in place. Furthermore, only 5% of respondents think they innovate very successfully.

Commit to the Discovery Phase – Over 80% of respondents state they are only somewhat effective or very ineffective in the discover phase of innovation, resulting in fewer quality opportunities.

“The survey also found that having a culture that does not foster risk taking was the biggest impediment to innovation,” said George Davie, a Managing Director of The Hazelton Group, an Archstone Consulting company. “Companies also cited dedicated resources, internal communication, as well as consistent investment as major challenges to innovation.”

“This study provides both an objective means for benchmarking innovation infrastructure as well as guidance regarding innovation best practices. Combined, these resources will help increase our probability of success,” stated Ric Noreen, Senior Director Strategy, North America Customer Development, Kraft Foods, Inc.

About the Survey

In August 2006, Archstone Consulting surveyed 70 Consumer Durable, Consumer Non-Durable, Life Science and Services companies, about half of which were Fortune 1000 or Global 500 companies. Over a third of the companies surveyed were greater than \$10 billion in revenue and 78% were global organizations with a presence in multiple countries.

About Archstone Consulting

Archstone Consulting is a rapidly growing, independent strategy and operations management consultancy. Archstone Consulting specializes in delivering strategic, operational, IT and CFO advisory services to consumer products, retail, life sciences, manufacturing, and services sectors. Archstone Consulting offers experienced support, efficient execution and measurable results. Headquartered in Stamford, Connecticut, the company has offices in Amsterdam, Chicago, London, New York, San Francisco and Toronto. For additional information, please visit the company’s web site at www.archstoneconsulting.com.

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