Consumer Driven Innovation at Electrolux

The smartness of Smart Grid

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Why a Consumer Innovation Program?
An industry in transition

- Growth in the low-end price segment
- ...and in the high-end
- In general tougher competition and lower margins
- Increased standardization of white goods
Changing consumer needs

- More and smaller households
- Less time for household work
- Increased demands for a flexible home
- Professional products and services moving into the home
- Etc
Combined with an increased purchasing power and increased interest in our categories

- Increased disposable income
- Kitchen has become the ”heart of the home”
- In general an increased interest in home decoration
- Etc.
“We have returned to a consumer focus – meaning that rather than selling what we produce, we produce what sells”.

Hans Stråberg, CEO Electrolux
The Consumer Innovation Program was launched in 2004 with the task to drive the transformation process.

Product Management Flow: A “cradle to grave”-process driving innovation based on consumer insight.
Consumer insight is what fuels the PMF process

What is an insight?
A focused understanding of unfulfilled needs, problems, wants or desires

Watch
Ask
Listen
X-functional work is a core principle of PMF: The insight should carry through all the way to launch and beyond.

Marketers to “dramatize features”. Turn technical solutions into emotional benefits.

Designers to ensure that key features are visible and that you stand out overall.
How do you segment consumers to make it actionable to the Electrolux brand?

- One possible approach is demographic...
  - Men
  - Children > 7 year
  - 40 – 65 yrs age
  - Mid to high Income
  - Larger household in urban areas
  - Interests: music, fashion, cooking
Electrolux global segmentation model: 4 distinct need states in relation to home and household appliances.
Innovation process & Smart Grid
Setting the strategy…

Product Creation Process

Strategic market plan

Consumer opportunities

Primary development

Product development

Concept development

Commercial launch preparation

Launch execution

Range management

Phase-out

Commercial Launch Process
Looking at the world through three lenses...

**Industry analysis** painted a picture of a high growth potential for smart appliances, competition is quite active in developing and advertising smart grid related focus.

**Macro trends**

...and **macro trends** points out at how smart grid is a globe spanning network of thousands of company.

**Consumer lens**

...and the **consumer lens** showed that consumers understand the environment and feel the impact of increasing energy costs.
Decision that “Smart Appliances & Smart Grid” are an interesting global opportunity area that needed further investigation
Several initiatives have been started in different phases of the product creation process...

What is a Smart Appliance? What are relevant functional and emotional benefits to our target consumers?
Opportunity identification and verification...

Product Creation Process
- Strategic market plan
- Intent
- Consumer opportunities

Primary development
- Concept development
- Product development
- Commercial launch preparation
- Launch execution
- Range management
- Phase-out

Commercial Launch Process
- Deep understanding of consumers needs, wants and desires
- Early rough assessment of business opportunities
Concepts creation...

Product Creation Process

- Strategic market plan
- Consumer opportunities
- Concept development
- Primary development
- Product development
- Commercial launch preparation
- Launch execution
- Range management
- Phase-out

Commercial Launch Process

- Feasible concept addressing the identified needs
- Distinct positioning
- Consumer value-based pricing
- Solid business case
Opportunity areas identified from consumer prospective to be exploited and validated

Explore opportunity areas

- Develop 3–5 business and product concepts
- Concept evaluation
- Develop 3–5 product ideas
- Product idea evaluation
- Proposed product idea!

Think

Watch

Listen

Ask
Product idea platform based on consumer needs to bring consumer perspective into the technical roadmap.

Current Appliances
- Single Appliances Communicating with the Electronic Meters
- Integrated Appliances coordinated by an Energy Manager
- Modular Appliances fully integrated for Energy and Resourced optimization

Product Idea Platform
- Product Idea 1
  - Product description
  - Reason to believe
  - Value proposition
  - Business case
- Product Idea 2
  - Product description
  - Reason to believe
  - Value proposition
  - Business case
- Product Idea 2
  - Product description
  - Reason to believe
  - Value proposition
  - Business case
- Product Idea 4
  - Product description
  - Reason to believe
  - Value proposition
  - Business case
- Product Idea n
  - Product description
  - Reason to believe
  - Value proposition
  - Business case
Some examples?
Ergorapido case: our consumer insight as starting point

My home needs constant cleaning…

There is
Gravel in the hallway
Cat hair all over the rug
And my children are eating snacks on the sofa

However
My vacuum cleaner is stacked away in a closet
I don’t have the time for a thorough cleaning

But

I still want the house to look tidy everyday!
More than 2.8 million Ergorapido has been sold since the launch.

Electrolux is the #1 player in Europe with approximately 60% value market share in the cordless handstick category.

At a price index of 200 vs. market average, Electrolux is driving increased prices and a premiumness of the entire category.

Ergorapido 2 in1 has become a global success story, and is now sold in 43 markets across the globe*