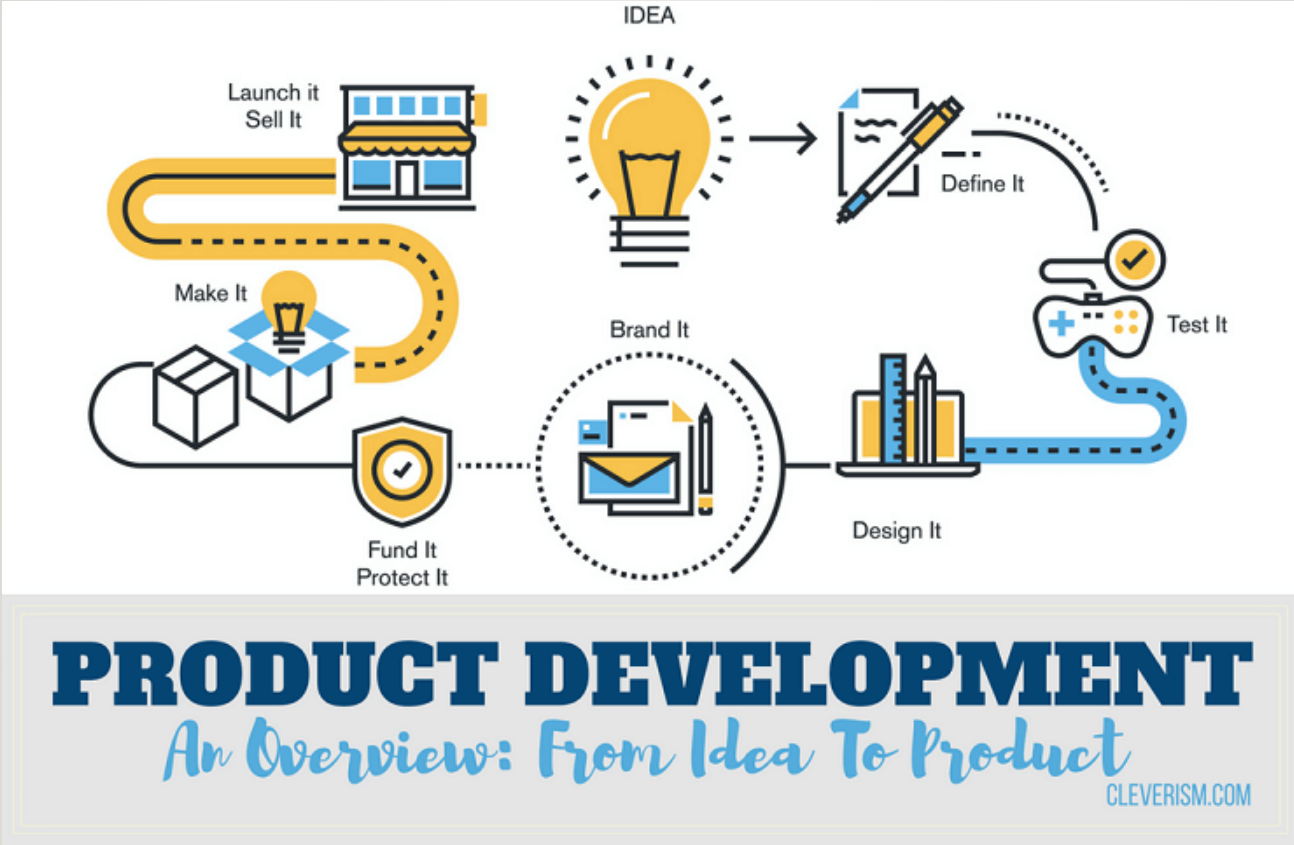


PRODUCT AND SERVICE DEVELOPMENT

It's a journey, not just an inspiration...



Many methodologies for developing products and service offerings...



You have already established a product or service at this point and performed market research...

- Ensure that the market and product research you undertook was not biased toward your preformed ideas
- Verify that the benefits of your offer matches the market(s) you have chosen
- Take one more look at the competition including possible substitutes
- Avoid channel conflicts:
 - Marketing and sales
 - Communications
 - Distribution

Research is ongoing

- Never stop learning
- Continuous improvement is critical
- The market can, and does change continuously, and there are times when the change is abrupt.
- Personas are not exact, and their thinking and behavior may be at odds with each other.
- Many ways to test: Prices, offer mixes, terms, product features and combinations, marketing communications, platforms

My Background

- Educationally: marketing, consumer behavior and finance
- Have developed the processes needed for implementation for operational businesses, as an entrepreneur, an intrepeneur and as a consultant.
- Direct Mail industry (and later digital Direct Marketing): A/B and Multivariate testing. Clients included AmEx, GEICO, Binney and Smith, Just Born, The Franklin Mint and Volvo USA.
- Program development for Lowes: develop from scratch, all justifications for moving forward, marketing , process and operational development, acquiring and retaining financing >> Similar to working for a PEG.

My Background (cont)...

- Consultant, specializing in strategic marketing initiatives, new opportunities and go-to-market strategies and partnership development
 - Most clients were in technology (software applications or infrastructure) or sophisticated manufacturing (sprint cars, electronic circuitry, medical devices), but some more simple products and services were involved (meat snacks, baseball bats)
 - Clients were both B2B and B2C
- Acted as CMO for 1+ year to one client in the CPGs area. Brought in by PEG.

SUSQUEHANNA CANDLE

While there are many ways to be successful, there are also many ways to fail...



Product line was built to be the highest quality offering in a mass market channel

- Quality of materials and fragrance matched Yankee, Colonial or Root Candle companies, but sold at approximately half the retail price
- Initial product was votive candles and small glass jars to fit “Lil Powerhouse” brand concept
- Sold mainly through supermarkets, and some higher volume drug chains
- Floor standing displays (multiple sizes) located mainly in the floral or gift sections. Held significant inventory suitable for a high volume location.
- Packaging was built to be bold in order to stand out in the supermarket environment



After PEG purchase, sales fell through the floor after several years of double digit growth

- Conducted market research around customer and market perceptions and behavior:
 - Industry experts
 - Customer focus groups
 - Customer surveys (online)
 - Retailer and gift trade associations
- This work led to changes in the product, as well as sales and distribution channels

All of original thinking for this company turned out to be wrong in hindsight

- No one anticipated the Chinese Tsunami that would hit the candle market. This course of events was even missed by Unity Marketing, who was the major market research guru of that industry, as well as the American Candle Association
- People did not buy quality candles based on price, although they do like deals.
- While the convenience of being at a supermarket was nice, consumers of higher quality candles viewed the shopping experience as important
- The floral location did not generate the appropriate traffic or enough traffic
- The packaging did not stand out in the busy supermarket environment and was too masculine



Product Changes

- Change in packaging of the main product line that was more refined and more appealing to women (at the time 90% of all candle buyers). Tested in focus groups, online and in stores.
- Added a larger 3 wick version to the main product line to compete with the larger quality candles lines and make a direct comparison to the imported candles
- Created products for additional markets based on knowledge of manufacturing, the industry and the market

Permanent Wing Display, “In and Out” for 3 wick; Wine Country Counter Display



Packaging and commitment changes

- Developed “in and out” programs in addition to permanent stocking to open up additional outlets (successful with CVS, Kirkland’s, Cracker Barrel and Walmart Canada)
- Smaller permanent displays requiring less inventory (enabled entry into Duane Reade and further expansion in Eckerd and Jean Coutu)
 - This enhanced the in store turns and made the line more appealing
 - Reduced fragrances available in the main product line

Additional Sales Channels

- In addition to supermarkets, also went after:
 - Greater penetration in drugstores with existing reconfigured line
 - Specialty gift stores (pillars, beeswax, soy, specialty jars)
 - The Pennsylvania Liquor Control Board and other winery and liquor stores (pillars)
 - Beauty Supply stores (soy, beeswax, specialty jars and packaging)
 - Direct Sales on Internet and through FSI in Sunday papers and QVC
 - More private label customers



Structure of product offering by market channel



- Successfully built penetration into all of these new markets
- Supermarket products were available in drug stores, but not typically elsewhere (exception was that some of the more exotic fragrances were available in the beauty and spa market)
- Specialty products sold in spas and gift retailers were not available to supermarkets and drugstores
- Online and direct sale quantities varied from retail purchase: Generally sold as multi packs online, QVC, and in FSI. These channels introduced new products and exclusive products.
- Also sold discontinued packaging and fragrances online and through BJs and Ross.

A miscalculation...

- Added almost 50% in new products and channel opportunities, but lost 80% of original market due to shift in market and original miscalculations
 - PEG was unhappy with collapse of mass market opportunity...not the company they thought they were buying, and had concerns about ability to compete head on against Yankee, etc. Unwilling to interject additional capital needed to expand the opportunity created.
 - Susquehanna as a brand was sold to another specialty candle company in Michigan that had a strong interest in the business and products we had developed
 - The physical equipment was sold to a candle company in the fund raiser space who needed a facility in the Northeast.

Q & A

