Questions for Discussion

1. Describe In-N-Out in terms of the value it provides for customers.
2. Evaluate In-N-Out's performance relative to customer expectations. What is the outcome of this process?
3. Should In-N-Out adopt a high-growth strategy? Why or why not?
4. With so many customers thrilled by In-N-Out's "no-change" philosophy, why don't more burger chains follow suit?

Sources: Seth Lubove, "Youngest American Woman Billionaire Found with In-N-Out," *Bloomberg*, February 4, 2013, www.bloomberg.com/news/2013-02-04/youngest-american-woman-billionaire-found-with-in-n-out.html; Jay Weston, "In-N-Out Burger's 'Secret Menu' Revealed," *Huffington Post*, April 6, 2012, www.huffingtonpost.com/jay-weston/in-n-out-burgers-secret-menu_b_1407388.html; Meredith Land, "Inside The In-N-Out Burger Empire," *NBCDFW*, November 17, 2011, www.nbcdfw.com/the-scene/food-drink/Inside-the-In-N-Out-Burger-Empire-134008293.html; and www.in-n-out.com, accessed May 2013.

Company Case 2

Dyson: Solving Customer Problems in Ways They Never Imagined

From a head-on perspective, it has a sleek, stunning stainless steel design. With wings that extend downward at a 15-degree angle from its center, it appears ready for takeoff. The latest aeronautic design from Boeing? No. It's the most innovative sink faucet to hit the market in decades. Dyson—the company famous for vacuum cleaners, hand dryers, and fans unlike anything else on the market—is about to revolutionize the traditional sink faucet.

The Airblade Tap—a faucet that washes *and* dries hands with completely touch-free operation—is the latest in a line of revolutionary Dyson products that have reinvented their categories. In fact, Dyson was founded on a few very simple principles. First, every Dyson product must provide real consumer benefits that make life easier. Second, each product must take a totally unique approach to accomplishing common, everyday tasks. Finally, each Dyson product must infuse excitement into products that are so mundane, most people never think much about them.

The Man behind the Name

James Dyson was born and raised in the United Kingdom. After studying design at the Royal College of Art, he had initially planned to design and build geodesic structures for use as commercial space. But with no money to get his venture started, he took a job working for an acquaintance who handed him a blow torch and challenged him to create a prototype for an amphibious landing craft. With no welding experience, he figured things out on his own. Before long, the company was selling 200 boats a year based on his design.

That trial-and-error approach came naturally to Dyson, who applied it to create Dyson Inc.'s first product. In 1979, he had purchased what claimed was the most powerful vacuum cleaner on the market. He found it to be anything but. Instead, it seemed simply to move dirt around the room. This left Dyson wondering why no one had yet invented a decent vacuum cleaner. At that point, he remembered something he'd seen in an industrial sawmill—a cyclonic separator that removed dust from the air. Why wouldn't that approach work well in vacuum cleaners? "I thought no one was bothering to use technology in vacuum cleaners," said Dyson. Indeed, the core technology of vacuum motors at the time was more than 150 years old. "I saw a great opportunity to improve."

Dyson then did something that very few people would have the patience or the vision to do. He spent 15 years and made 5,127 vacuum prototypes—all based on a bag-less cyclonic separator—before he had the one that went to market. In his own words, "There were 5,126 failures. But I learned from each one. That's how I came up with a solution."

Dyson's all-new vacuum was far more than technogadgetry. Dyson had developed a completely new motor that ran at 110,000 revolutions per minute—three times faster than any other vacuum on the market. It provided tremendous suction that other brands simply couldn't match. The bag-less design was very effective at removing dirt and particles from the air, and the machine was much easier to clean out than vacuums requiring the messy process of changing bags. The vacuum also maneuvered more easily and could reach places other vacuums could not. Dyson's vacuum really worked.

With a finished product in hand, Dyson pitched it to all the appliance makers. None of them wanted it. So Dyson borrowed $900,000 and began manufacturing the vacuum himself. He then convinced a mail-order catalog to carry the Dyson instead of Hoover or Electrolux, "Because your catalog is boring." Dyson vacuums were soon picked up by other mail order catalogs, then by small appliance chains, and then by large department stores. By the late 1990s, Dyson's full line of vacuums were being distributed in multiple global markets. At that point, Dyson, the company that had quickly become known for vacuum cleaners, was already on to its next big thing.

The Dyson Method

During the development of Dyson's vacuums, a development model began to take shape. Take everyday products, focus on their shortcomings, and improve them to the point of reinvention.

"I like going for unglamorous products and making them a pleasure to use," Dyson told *Fortune* magazine. By taking this route, the company finds solutions to the problems it is trying to solve. At the same time, it sometimes finds solutions for other problems.

For example, the vacuum motor Dyson developed sucked air with unprecedented strength. But the flipside of vacuum suction is exhaust. Why couldn't such a motor blow air at wet hands so fast that the water would be pressed off in a squeegee-like manner, rather than the slow, evaporative approach employed by commercial hand dryers?

With that realization, Dyson created and launched the Airblade, a hand dryer that blows air through a .2-millimeter slot at 420 miles per hour. It dries hands in 12 seconds, rather than the more typical 40 seconds required by other hand dryers. It also uses cold air—a huge departure from the standard warm-air approach of existing commercial dryers. This not only reduced energy consumption by 75 percent—a major bonus for commercial enterprises that pay the electric bills—but customers were much more likely to use a product that worked fast and did the job right.

With very observable benefits, the Airblade was rapidly adopted by commercial customers. For example, as part of a comprehensive plan to improve its environmental impact, Los Angeles International Airport (LAX) was looking for a solution to the financial and environmental costs of manufacturing, distributing, and servicing the paper towel dispensers in more than 100 restrooms throughout its terminals. Switching to recycled paper towels helped, but only minimally. The energy used by conventional hand dryers made them an unattractive alternative. But when LAX management saw a demonstration of the Dyson Airblade, it was a no-brainer. With Airblades installed throughout its terminals, LAX was able to significantly reduce landfill waste as well as costs. The overwhelmingly positive feedback from travelers was icing on the cake.

Today's Airblades have evolved, guided by Dyson's customer-centric approach to developing products. With the first Airblade, it was apparent that all that high-powered air is noisy. So Dyson spent seven years and a staggering $42 million to develop the V4 motor, one of the smallest and quietest commercial motors available. The new Airblade is quieter and almost six pounds lighter than the original. But even more advanced is Dyson's new Blade V, a sleeker design that is 60 percent thinner than the Airblade, protruding only four inches from the wall.

Assessing Real Customer Needs

Although Dyson sees itself as a technology-driven company, it develops products with the end-user in mind. But rather than using traditional market research methods, Dyson takes a different approach. "Dyson avoids the kind of focus group techniques that are, frankly, completely averaging," says Adam Rostrom, group marketing director for Dyson. "Most companies start with the consumer and say, 'Hey Mr. or Mrs. X, what do you want from your toothbrush tomorrow or what do you want from your shampoo tomorrow?' The depressing reality is that often you won't get many inspiring answers."

Rather, Dyson's uses an approach it calls "interrogating products" to develop new products that produce real solutions to customer problems. After identifying the most obvious shortcomings for everyday products, it finds ways to improve them. It then tests prototypes with real consumers under heavy nondisclosure agreements. In this manner, Dyson can observe consumer reactions in the context of real people using products in their real lives.

This approach enables Dyson to develop revolutionary products like the Air Multiplier, a fan that moves large volumes of air around a room with no blades. In fact, the Air Multiplier looks nothing like a fan. By using technology similar to that found in turbochargers and jet engines, the Air Multiplier draws air in, amplifies it 18 times, and spits it back out in an uninterrupted stream that eliminates the buffeting and direct air pressure of conventional fans. Referring to the standard methods of assessing customer needs and wants, Rostrom explains, "If you ... asked people what they wanted from their fan tomorrow, they wouldn't say 'get rid of the blades.' Our approach is about product breakthroughs rather than the approach of just running a focus group and testing a concept."

No-Nonsense Promotion

In yet another departure from conventional marketing, Dyson claims to shun one of the core concepts of marketing. "There is only one word that's banned in our company: brand," Mr. Dyson proclaimed at *Wired* magazine's *Disruption By Design* conference. What Dyson seems to mean is that the company is not about creating images and associations that do not originate with the quality and function of the product itself. "We're only as good as our latest product."

With its rigid focus on product quality and its innovative approaches to common problems, Dyson's approach to brand building centers on simply letting its products speak for themselves. Indeed, from the mid-1990s when it started promoting its bag-less vacuums, Dyson invested heavily in television advertising. But unlike most creative approaches, Dyson's ads are simple and straightforward, explaining to viewers immediately what the product is, what it does, and why they need one.

"It's a really rational subject matter that we work on, so we don't need to use white horses on beaches or anything like that," Rostrom says, referring to Dyson's no-nonsense approach to advertising. "We need only to explain the products. One thing we're careful to avoid is resorting to industry-standard ways of communicating—fluffy dogs and sleeping babies and so on. We don't want to blend in that way."

Today, Dyson complements traditional advertising with digital efforts. Like its TV advertising, such methods are simple, straightforward, and right to the point. For example, e-mail communications are used sparingly, targeted to existing customers, and timed for maximum impact. And beyond the media it buys, Dyson considers public relations as the promotional medium that carries most of the weight. From product reviews in the mainstream media to online reviews and tweets about its products, word of its Dyson's products gets around fast.

The Airblade Tap sink faucet, Dyson's most recent new product, is a microcosm of Dyson's marketing strategy. It took 125 engineers three years and 3,300 prototypes to develop the final product. The Airblade Tap provides clearly communicated solutions to everyday problems—solutions that make life easier. It solves those problems in ways that no other product has ever attempted, claiming to "reinvent the way we wash our hands." And it injects style into an otherwise boring product. Dyson sums it up this way: "Washing and drying your hands tends not to be a very pleasant experience. Water splashes, paper is wasted, and germs are passed along. The Tap is a totally different experience. You have your own sink, your own dryer." And at $1,500, it illustrates another element of the Dyson marketing mix—a high price point that communicates quality and benefits that are worth it.

If the Airblade Tap is a hit, it will serve to forward Dyson's goal of doubling its annual revenues of $1.5 billion "quite quickly." The company is not only continuing to demonstrate that it can come up with winning products again and again, it is expanding throughout the world at a rapid pace. Dyson products are sold in over 50 global markets, selling well in emerging economies as well as developed first-world nations. Dyson does well in both economic good times and recessionary periods. Dyson also sees another big move in its future—a chain of company stores (as many as 20,000 stores in the United States alone) carved in the image of Apple's beloved hangouts. From a single vacuum cleaner to what Dyson is today in less than 20 years—that's quite an evolution.

Questions for Discussion

1. Write a market-oriented mission statement for Dyson.
2. What are Dyson's goals and objectives?
3. Does Dyson have a business portfolio? Explain.
4. Discuss Dyson's marketing mix techniques and how they fit within the context of its business and marketing strategy.
5. Is Dyson a customer-centered company? Explain.

Sources: Omar Akhtar, "Three Questions for Design Genius Mr. Dyson," *Fortune*, February 5, 2013, www.tech.fortune.cnn.com/2013/02/05/3-questions-for-design-genius-Mr.-dyson/; Matt Warman, "Sir Mr. Dyson: Master of Invention Has the Wind Behind Him," *The Telegraph*, February 9, 2013, www.telegraph.co.uk/technology/news/9858568/Sir-Mr.-Dyson-master-of-invention-has-the-wind-behind-him.html; Jonathan Bacon, "Cleaning Up All over the World," *Marketing Week*, November 22, 2012, www.marketingweek.co.uk/trends/cleaning-up-all-over-the-world/4004751.article; Matthew Creamer, "Mr. Dyson: 'I Don't Believe in Brand'," *Advertising Age*, May 2, 2012, http://adage.com/print/234494; Kelsey Campbell-Dollaghan, "Dyson's Latest Coup: A $1,500 Sink Faucet That Dries Hands, Too," *Fastco Design*, February 5, 2013, www.fastcodesign.com/1671788/dyson-s-latest-coup-a-1500-sink-faucet-that-dries-hands-too; Burt Helm, "Dyson Marketing: So Simple, It's Brilliant," *The Marketing Robot*, April 16, 2012, www.themarketingrobot.com/dyson-marketing-so-simple-its-brilliant; Burt Helm, "How I Did It: Mr. Dyson," *Inc.*, February 28, 2012, www.inc.com/magazine/201203/burt-helm/how-i-did-it-Mr.-dyson.html; and information found at www.dyson.com, accessed June 2013.

Company Case 3

Xerox: Adapting to the Turbulent Marketing Environment

Xerox introduced the first plain-paper office copier more than 50 years ago. In the decades that followed, the company that invented photocopying flat-out dominated the industry it had created. The name Xerox became almost generic for copying (as in "I'll Xerox this for you"). Through the years, Xerox fought off round after round of rivals to stay atop the fiercely competitive copier industry. Through the late 1990s, Xerox's profits and stock price were soaring.

Then things went terribly wrong for Xerox. The legendary company's stock and fortunes took a stomach-churning dive. In only 18 months, Xerox lost some $38 billion in market value. Its stock price plunged from almost $70 in 1999 to under $5 by mid-2001. The once-dominant market leader found itself on the brink of bankruptcy. What happened? Blame it on change or—rather—on Xerox's failure to adapt to its rapidly changing marketing environment. The world was quickly going digital, but Xerox hadn't kept up.

In the new digital environment, Xerox customers no longer relied on the company's flagship products—standalone copiers—to share information and documents. Rather than pumping out and distributing stacks of black-and-white copies, they created digital documents and shared them electronically. Or they printed out multiple copies on their nearby networked printer. On a broader level, while Xerox was busy perfecting copy machines, customers were looking for more sophisticated "document management solutions." They wanted systems that would let them scan documents in Frankfurt, weave them into colorful, customized showpieces in San Francisco, and print them on demand in London—even altering for American spelling.

This left Xerox on the edge of financial disaster. "We didn't have any cash and few prospects for making any," says current Xerox CEO, Ursula Burns. "The one thing you wanted was good and strong leaders that were aligned and could get us through things and we didn't have that." Burns didn't realize it back then, but she would one day lead the company she began working for as a summer intern in 1981. In fact, Burns almost left the company in 2000, but her colleague and friend, Anne Mulcahy, became CEO and convinced her to stay. Burns was named a senior vice president and was then charged with cleaning house.