

# The Impact of Product Innovation and Up-Marketing on Appliance Purchase Behavior

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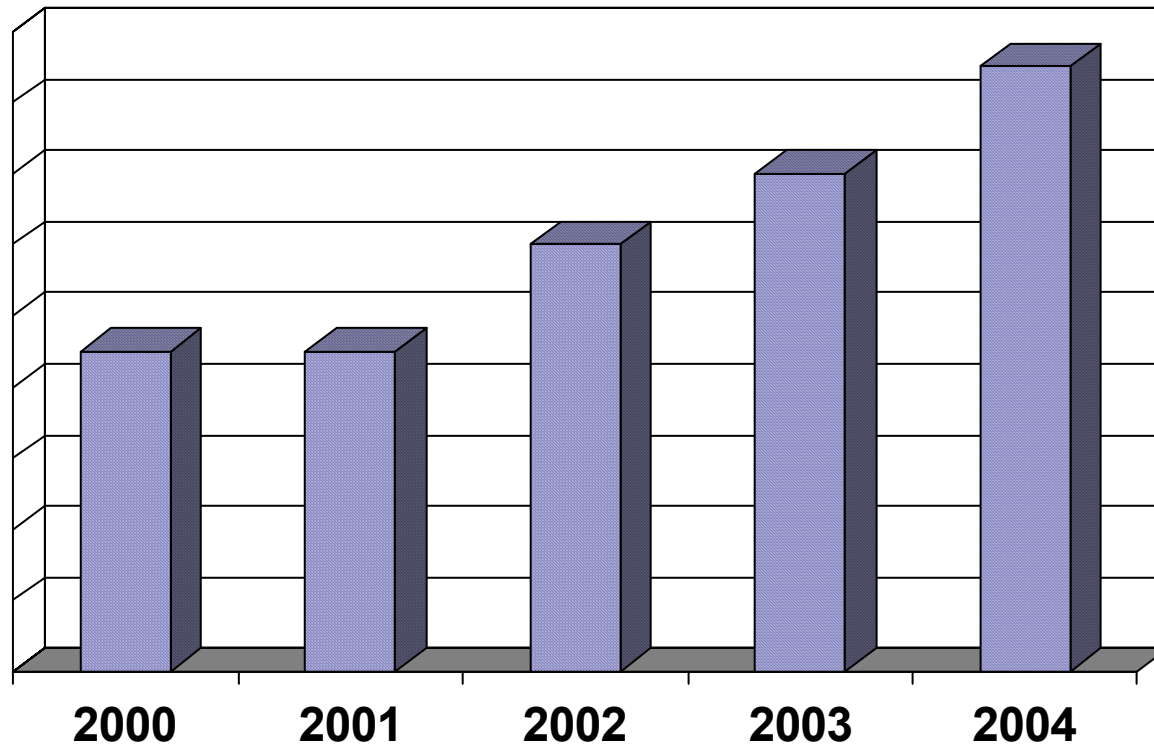
# Outline

- Recent trends in higher-end brands and products
- Features as part of the replacement equation
- The role of product innovation
- Economics of early replacement
  - for consumers
  - for manufacturers
- How to capture the attention of the consumer

# Recent Trends in Higher-end Brands and Products

- Brand Names:
  - KitchenAid
  - GE Monogram
  - Frigidaire Gallery
  - Bosch
  - Sub-zero, Thermador, Viking, et.al.
- Stainless Steel
- Professional-appearing kitchens
  - Kitchens for Cooks <sup>TM</sup>

# Recent Trends in Higher-end Brands and Products (cont'd)



The premium segment has shown twice the market growth of the appliance industry overall

**Premium Growth = 9%; Overall Growth = 4.5% (CAGR)**

# Features as Part of the Replacement Equation

- The original “blockbusters”:
  - No-frost Refrigerators
  - Self-clean Ovens
  
- More recent developments:
  - Ice makers
  - Countertop Microwave Ovens
  - “Food grinder” Dishwashers
  - Increased product capacity:
    - Refrigerators
    - Washers
    - Dishwashers
    - Ovens

# The Role of Product Innovation

- Microwave-Hood Combinations
- Front-load Washers (full-size)
- Polara® Refrigerated-Range
- PUR® filtered water/ice
- Gladiator Garageworks®...garage appliances

# Gladiator™ --Innovation Meets Efficiency



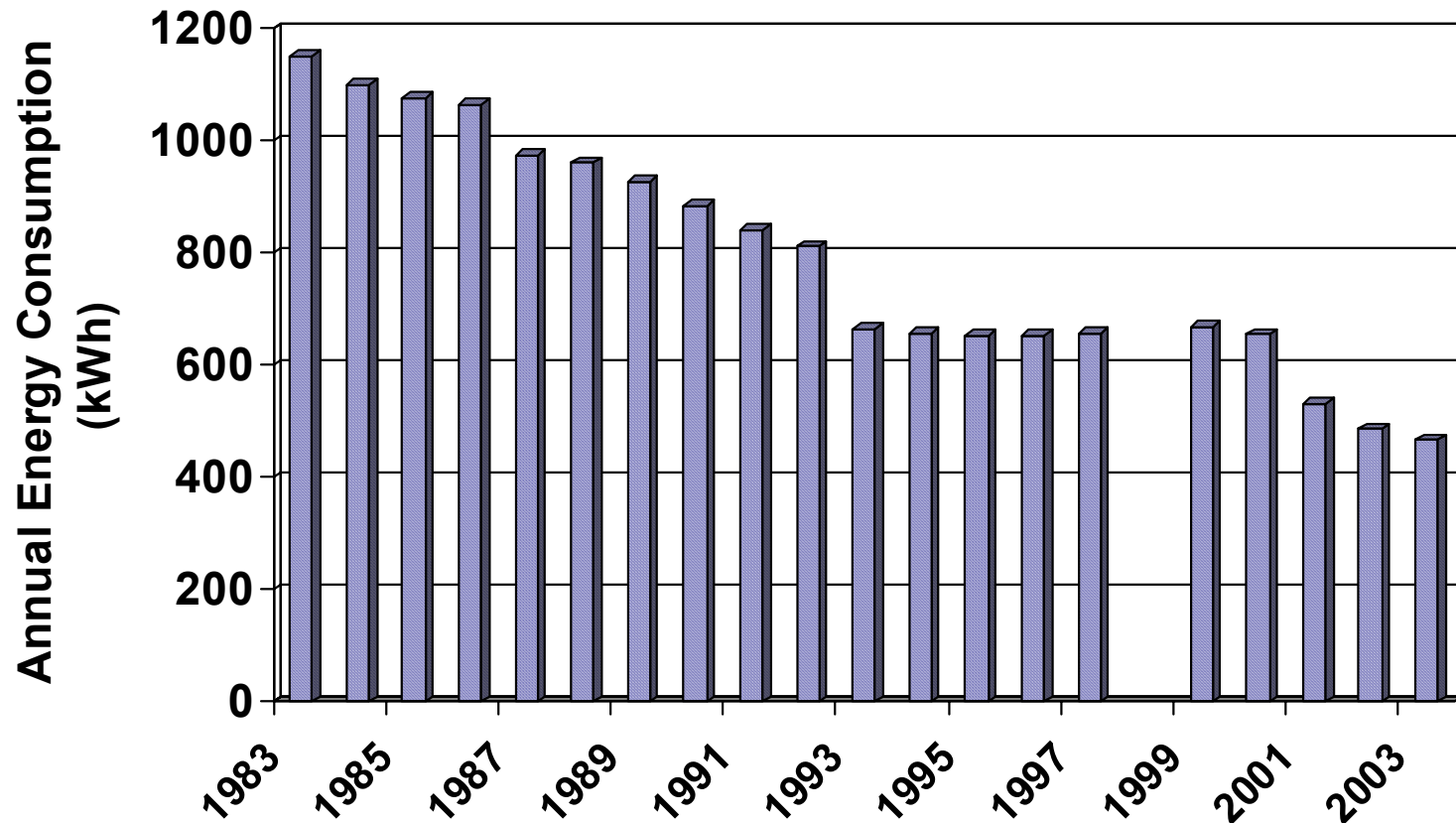
- 18 cu.ft. ENERGY STAR® Garage Refrigerator/Freezer...the only refrigerator designed to operate in the extreme garage environment
- Stays chilled inside, when it is freezing outside...built-in heater keeps refrigerated items chilled, not frozen, even in very cold environments
- Stays cold inside, when it is hot outside...powerful cooling system operates in high heat environments
- Stays dry, when it is humid outside... special heater keeps the outside of the refrigerator from sweating in high humidity environments
- Rounded tread plate doors...sleek and rugged appearance

# Economics of Early Replacement

- Manufacturers
  - Accelerated replacement → Increased sales
  - Allows introduction of innovative concepts & products
    - Early adopters feed broader pipeline
- Consumers
  - Lower cost of operation
    - Energy
    - Water
    - Maintenance



# Consumer Benefits from Early Replacement--Refrigerator Example



**Today's refrigerator uses 61% less energy, saving the consumer \$59 / year vs 20-year old unit**

# How to Capture the Attention of the Consumer

- Lifestyle changes (cocooning/nesting)
  - Spend more time at home
  - Baby boomers have high discretionary income
- Functionality
- Energy, water savings
  - Pure economics
  - Appeal to Green tendencies
- Color

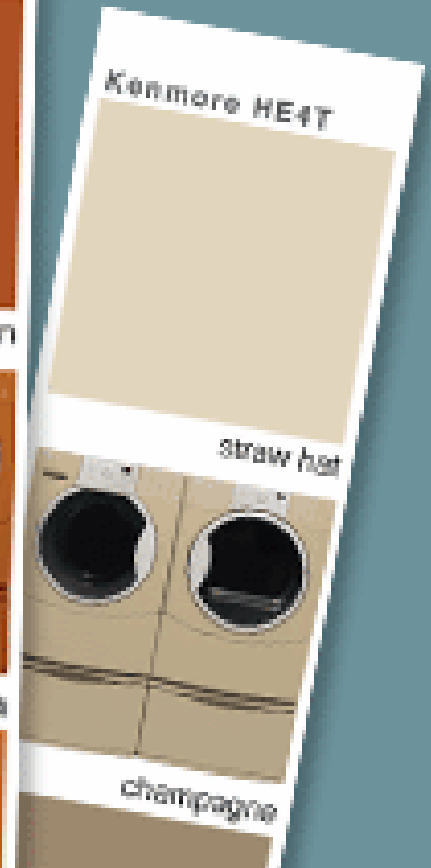
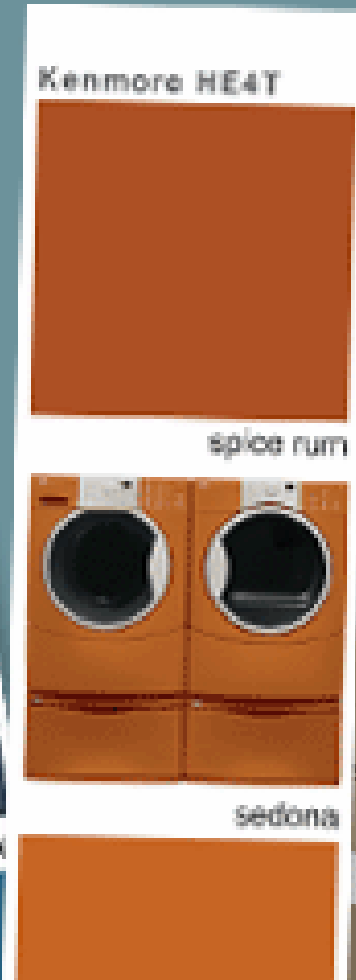
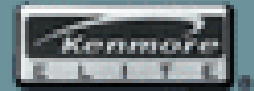
# New Kenmore Colors

HE<sup>4t</sup>

Bold Color Outside.  
Fully Loaded Inside.

Reinvent your  
laundry room.

[Click here for exciting ideas](#)



# Summary--Innovation & Up-Marketing

- Lifestyle changes--desire to spend more time at home; income to make home very comfortable
- Features--a way to draw attention to appliances
- Economics--Very significant story
- Innovation!!--The comprehensive way to provide:
  - Dramatic consumer benefit
  - Economic benefit
  - Lifestyle impact

**Innovation & Up-Marketing combine to give consumers a more desirable product usage experience along with significant energy savings!**

# Thank You!!

