

Dyson vacuum cleaner case analysis essay



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Case overview Dyson is the world's leading company in vacuum cleaner industry with its strength in technology and innovation. James Dyson, the creator of Dyson Company, introduced innovative vacuum cleaner which eliminated the need for both bag and filter. However, as big vacuum cleaner manufactures refused to license for his technology, Dyson decided to develop his own manufacturing company. Luckily Dyson was able to sign a deal with Japanese company, which funded him in research and development.

Dyson was able to continue developing his innovation of new models and ideas in this matured vacuum cleaner industry and got steady increase of market share worldwide. In recent years, Dyson is expanding into washing machine industry with new technology called “contrarotator” and with catchy design. Although the first washing machine model was not a great success, Dyson continues to invest greatly in research in development to differentiate themselves from their competitors. Problem and opportunity Vacuum cleaner market is already matured and the demand is derived mainly from replacement purchases at the end of the product cycle of 8 years.

In unsaturated markets, demands for vacuum cleaners are very low due to national preferences for floor tiles rather than carpets. Differentiation is the key in saturated markets, but Dyson's unique bagless technology is imitated by other manufacturers with lower price. Therefore, Dyson need to come up with new ways to differentiate themselves. Dyson could expand their shares in countries using floor tiles by continuing word of mouth marketing strategy. Currently, China and India are not high in demand for vacuum cleaners, but

with their economies growing 10% per year, more consumers will become affordable and demand soon will grow.

Although most Japanese houses are made from tiles, Dyson shows strong sales in Japan compared its competitors. This is because despite its high price, consumers who have used Dyson's vacuum cleaner tell good review about the product. Dyson officially entered Korean vacuum cleaner market only six months ago. However, some Korean consumers were already purchasing Dyson's vacuum cleaner from few years ago because they were either recommended by consumers in Japan or they heard about the buzz in Japan. Word of mouth strategy could be more effective if Dyson rewards the consumer who writes review about their products online with a small gift or have special promotions in stores.

The latest hit in the vacuum market is steam cleaner and robot cleaner. Steam cleaner is similar to original vacuum cleaner but it uses hot water to produce steam for cleaning. This is especially popular in Asian countries because it is very silent and the cleaner can be used in any places including mattress, window, etc. Robot cleaner is time saving and convenient, so robot cleaners will have about 6 percent of the vacuum cleaning market by 2010.

With many new technologies introduced, being bagless does not attract consumers anymore. Dyson really needs to come up with more innovative technologies if they would want increase their market share. A vacuum cleaner that sucks in all the dust, but can be changed to many different modes including wiping, waxing, emitting ions, and disinfecting with steam will be an example. Alternatives Dyson could set up a strategic alliance with

high brands in other industry. Ken Okuyama, automobile designer who designed Ferrari Rossa, once said that he is inspired by Dyson and truly respects James Dyson.

Dyson could take this opportunity to set up strategic alliance with companies such as Ferrari to create big buzz in the market and also higher their brand image at the same time. Many vacuum cleaners buyers' are women, but due to its high price, many married couple go vacuum cleaner shopping together and discuss about the purchasing. In many vacuum cleaner reviews, surprising number of men are involved in the process of buying vacuum cleaner and influence decisions. Since more people in the world are experiencing atopic skin problem or other health problems, Dyson could focus on health as one of their selling points.

According to Dyson, their vacuum cleaner is so powerful that it even sucks in all the mite in the house. Health focusing marketing should be targeted to houses with children or senior citizens. Dyson should develop special features to prevent the allergies such as asthma: this surely would attract people with babies and animals. As Dyson introduced allergy preventing vacuum by eliminating pollen, they should create more health awareness and be the solution to many households. Instead of developing new technology for washing machine, Dyson should use their powerful suction technology to develop other products. The technology that Dyson possesses could be used in many industrial sites including a construction site where construct workers are suffering from the dust and in need of ventilation.

For home use products, there is a limit to the need for great performance. However, for commercial use appliances, great performing products are essential. Washing machine is too expensive for its technology. Consumers would just use cleaning service if they would want their clothes extremely clean.

Advertising Dyson does not use any celebrity and does very few commercials. Dyson's main marketing tool is through word of mouth and actually their sales are sold the most by personal recommendations. In recent years, Dyson started to promote more aggressively worldwide, their marketing principal still remain unswerving. For example, ' Sir Ranulph Fiennes' solo expedition to Antarctica' and ' The charity Breakthrough Breast Cancer' with emphasis on information and education is Dyson's uniqueness and this could impress special type of consumers with interest in education.

It seems not aggressive but it is seemingly successive. Buying a vacuum cleaner is a large investment for a long period, therefore, marketing should be divided into two parts: online and offline promotions. Online part should be done through infomercial and internet ads and the offline part should be done at stores. Although Dyson is doing a good job alerting the consumer about their product through online part, they lack in the offline marketing. Consumers do not purchase vacuum cleaners as the same way they purchase clothes.

Just seeing the technology on television is not enough; consumers need to experience the technology. Therefore, increasing trial sites in stores is the key factor in marketing. However, through mass retail channels in US, it was

more difficult to have customers take time to actually try the cleaner. In new markets, Dyson should have management contracting to gain more high-end distribution channels such as department store to have customers feel that they are treated specially by Dyson.

SWOT Analysis Strength 1. Technology 2. The best suction power 3. Cleaner air : no dust emitted 4. Design 5. Long period of warranty Weakness 1.

Weight: some consumers complained about heavy weight compared to other leading brands 2. Price: usually 2-3 times higher than the average 3.

Distribution Channel 4. Marketing 5.

Brand Power: Dyson is only focusing on vacuum cleaner and washing machine, its international brand power is weaker compared to BSH or Electrikux Opportunities 1. Developing countries such as China and India 2. More technology innovation to establish the blue ocean . Increase brand image through strategic alliance with other high brands 4. Increase trial sites in store to have consumers feel the difference 5.

Increase promotions such as events related to weddings etc. Threats 1.

Cheaper bagless vacuum cleaner 2. Competitors with high brand power and many distribution channels 3. Robot vacuum cleaner 4.

Steam vacuum cleaner FIVE FORCES ANALYSIS The threat of the entry of new competitors The size of the threat of the new entry is decided by the height of “ Barriers to entry”. We can say that barriers to entry include “ Industry that economies of scale are demonstrated”, “ differentiated the product”, and “ a specific technology, and a big experience curve effect”.

Now, Dyson has differentiated the product, and the Dyson is well established company and includes a specific technology and a big experience curve effect when we compare Dyson Company with another new entry in this market. The threat of substitute products The threat is large, with hundreds of new vacuums cleaners produce each year with new technologies. Dyson's strengths are research and development and unique marketing strategy.

Dyson should further invest in creating unique vacuum cleaner that can compete with robot cleaner, steam cleaner, and other vacuum cleaners. The intensity of competitive rivalry Dyson cannot expect the Growth potential in this industry, rather, this industry has already matured. That Dyson moved production into Malaysia is Growth potential to expand the worldwide. Also, low labor cost in Malaysia is really favorable to expand market share and expect profit growth.

If Dyson will expand his market in Asia, it is likely that Dyson could get more profit though he will have to compete against others more aggressively.? 1.

Eletrolux : Eletrolux is the biggest competitor for Dyson because the company has wide range of models for vacuum cleaners with different usages. They are also more widely recognized since they are the second largest manufacturer of kitchen supplies. Eletrolux has already established wide distribution channels worldwide including Korea and other parts of Asia, which will give them big advantage against Dyson.

2. SEB group: Although SEB is smaller manufacturing company, it can be a great threat to Dyson, who is trying to get into developing market. SEB's Neo

vacuum cleaner shows outstanding design with very high performance. 3.

Bosch: The company's strength is mainly in Western Europe.

Since Dyson is focusing on international marketing, Bosch is not much of a threat to Dyson. Since many popular vacuum cleaner manufactures are located in Western Europe, Dyson could try to set up regional headquarters in Asia, Eastern Europe and Latin America to stay closer to the consumers.

The bargaining power of customers The purchaser who buys the cleaners also has a big influence (threat) on its Dyson Company. Strength of the influence is decided by purchaser's dealings negotiation power. As for purchaser's negotiation power, we want to analyze with " Number of purchasers", " Presence of product differentiation", " buyer price sensitivity", and " Stick to the quality of product/service". Demands for vacuum cleaner are mainly come from replacement at the end of product life cycle.

Also, Sales volume is stable although profit is relatively high. In spite of the higher price, Dyson's brightly coloured designer machine puts ahead in terms of the value of sales. Such high quality and high function product is gaining consumers' loyalty in many countries. ? The bargaining power of suppliers Because the role of suppliers of raw materials, components, and services including expertise is played by Dyson, Dyson do not have to think about his relationship with the power of suppliers. Conclusions - what are the Key success factors for Dyson 1. Localization for new market - development of a vacuum cleaner tailored specifically for new market.

Use management contracting for higher end distribution channel. 2.

Marketing Strategy - word of mouth and strategic alliance 3. Expanding into

different industry segment such as appliances for commercial use, but withdraw from the washing machine industry. 4.

Customer service loyal customers make much profit in term of life time value. 5. Social contribution – to emphasize the social contribution that no need of bag and filter is environmentally friendly makes people to pay extra money and to use Dyson cleaner repeatedly. Recommendation In order to dominant present position in the cleaner market in the world, it is important to maintain the quality and develop technology and not to give up the innovation.

It is hard to compete against the other company which follow the Dyson's technology and take over the same dual cyclone cleaner. However, because Dyson has already got the first mover advantage and brand position in the cyclone cleaner market and Dyson have a strong stylish image. In addition to their word of mouth marketing strategy, Dyson could dd strategic alliance with other top of the industry brand such as Ferrari to future create buzz in the market. Distribution channel is limiting Dyson's growth in new markets; Dyson could do management contracting with companies that know the local market the best. Dyson should set up market operation and explore the emerging market in the developing country such as China and India especially rich part of these countries, since the demand in theses countries will increasing greatly in next few years.