

# **Call to Action: Developing a Support Plan for a New Product**

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## **EXECUTIVE SUMMARY**

The CEO of a large United States-based manufacturer was angry. A service and support plan was not in place for a new line of electronic controls that was a critical part of the company's growth plans. This product was also the first jointly developed product since a French competitor acquired the CEO's firm three years earlier. The executive team was looking for 500% sales growth over the next five years, and had made it clear that everybody's job was on the line if the team failed to produce. The product management and marketing team was given the specific challenge to develop a plan for service, support, and training. They had less than 90 days to review the current situation, and to then develop and begin to implement a new plan that centered on managing the flow of information between a number of key stakeholders.

## **ORGANIZATION BACKGROUND**

The U.S. company was founded in the early 20<sup>th</sup> century and quickly became a leading supplier of electrical switches for commercial, industrial, and residential customers. It established a strong network of sales channels, which allowed the company to compete against other large industrial manufacturers of electrical distribution and industrial control equipment. By the early 1990s, revenue had reached US\$1.6 billion, and the company had a leading market position for low voltage electrical distribution equipment including circuit breakers and safety switches, and a strong number two position for industrial controls.

The company was less successful in selling electronic controls such as programmable controllers (PLCs) and energy management systems (EMSs). The PLC business never achieved more than a 10% market share, and the EMS business was phased out in the mid-1980s. Despite these struggles, it was clear that electronic controls were becoming more important to customers and were going to put the core business at risk. An initial analysis led the company to enter the rapidly growing market for electronic variable speed controls (typically referred to as AC Drives). A manufacturing facility in South Carolina was chosen to design and produce this new product line. By 1985, the company's family of AC Drives was launched, and the sales force was having success selling them to the commercial construction market. Most of these applications were for air handling or pumping facilities. These applications fit the South Carolina facility's expertise in manufacturing heavily engineered products, and complemented the company's leading position as a supplier of electrical distribution products that were typically bought and installed by electrical contractors — the company's primary customer for most products. All support, service, and training was managed by the AC Drives team at the South Carolina facility. By the late 1980s, the company's AC Drives business had reached close to \$12 million in sales, which represented approximately 2% market share in the U.S. To further quantify the opportunity for electronic controls in general, and AC Drives specifically, the executive staff commissioned a market research study focused on the overall sales potential for the products over the next five to 10 years. From this study, it became clear that if the company failed to invest properly in the electronic controls business, it would put its core business at risk, as customers were beginning to switch over to more electronic devices in all aspects of their operations due to the ability to improve production processes, or to reduce energy consumption. Most of the company's development in recent years had focused on cost reduction, quality improvements, and minor innovations related to core products, which had average life cycles of more than 25 years. The consultant's study highlighted the need for the company to invest in products that typically had three- to five-year life cycles, which meant the time to develop, launch, and replace products would be greatly compressed. This also meant that the opportunity to achieve a respectable return on investment was also compressed. Fearing an overall decline in sales and profits if they ignored the consultant's recommendations, the executive staff decided to pull together a team of experienced AC Drives personnel who would be located in their recently relocated Industrial Controls Division headquarters in North Carolina. This now meant that the company had manufacturing, service, and project engineering in South Carolina, and development engineering, application engineering, and product management in North Carolina.

## **STAGNANT SALES AND DELAYED DEVELOPMENT**

By the early 1990s, the new product was still in development and the company's sales of AC Drives had stagnated at \$12 million per year. The new product under development was still a long way from being commercially viable. As the economy had begun to slow down, the decision was made to cut back on the marketing efforts, which led to the redeployment of many of the personnel outside of the AC Drives group. Within

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