

Case Study: Lessons Learned in Selecting Distribution Channels and Promotion Strategies for Product for Baby Boomers

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INTRODUCTION

The importance of choosing the right distribution channel and promotion strategy for commercial product success cannot be emphasized enough in today's marketplace [1]. It's especially important to consider both distribution and promotion when you are going after a new customer segment, releasing a new product or looking for ways to aggressively grow a business targeted at a specific consumer demographic.

Knowing the field, the target markets, and the buying tendencies of the demographic you are targeting, are just as important in the launch of an assistive technology device as they are in the launch of a mainstream product or a new medical device.

This paper will present three case-based examples of new product launches whose success, or lack thereof, can be directly attributed to the distribution channel selected and the promotion strategy used for the product. The cases presented vary from an assistive technology product to mainstream consumer products to an aid for daily living (ADL) product.

BACKGROUND

There are a myriad of distribution channels available to a corporation attempting to introduce a new product into the marketplace [2]. Distribution channels can be Wholesaler / Distributor, Direct/Internet; Direct/Catalog; Direct/Sales Team; Value-added Reseller; Consultant; Dealer, Retail, Sales Agent/Manufacturing representative among others.

In New Product Development (NPD) one may follow all of the steps in a Stage Gate Model of product development but still be faced with a well-defined, consumer needed product that does not sell. Why? In the past, size of market and product price would dictate a distribution strategy. Now our research has shown that the distribution channel along with the promotion strategy selected is of great importance in ensuring a product's successful introduction into the marketplace. No longer does size of market and product price dictate a distribution strategy. The distribution channel and promotion strategy must be directly attuned to the needs, wants, tendencies and idiosyncrasies of your target market [3]. In our case, that target market has become the Baby Boomer generation.

According to the United States Census Bureau the current population of the United States is roughly 321 million people [4]. Of those 321 million people, 23.7% of the total population or approximately 76.4 million were born in the 18 years spanning from 1946- 1964 [5]. This demographic group is commonly referred to as the Baby Boomer Generation. Despite being pigeonholed into one all-encompassing demographic group, in actuality, the Baby Boomer generation is quite diverse.

Boomers want to age in place and are seeking products that will make their lives easier. Over 70% of this generation uses the internet as a communication tool, an information gathering tool, and some for social networking [3]. But that still leaves a significant number, 30% or roughly 23 million Baby Boomers who don't use the Internet at all! Baby Boomers still use print media - newspapers, targeted periodicals, magazines - and are still addicted to television. They will search for product information on the internet more than previous generations but less than younger generations. Boomers want comparison product information; want product reviews; want value for their money. They are willing to spend more than previous generations [6].

METHOD

The following are three case studies of new product introductions of products developed for the Baby Boomer generation. The distribution channels and promotion strategy used for each product are discussed along with the relative success or failure of the product in the marketplace.

Case 1: Lids Off Jar Opener- Mainstream Distribution Channel for ADL Product with Extensive Cross Media Marketing Campaign.

Historically, people of all ages and ability levels have struggled with the troublesome task of opening vacuum-sealed food jars. From pickles, to mayonnaise, to sauces of all kinds, a large variety of prepared foods and

condiments in today's supermarkets are packaged in jars. An opportunity was identified to develop an automated jar opener appliance that would address this apparent void in the marketplace [7].

The product, called Lids off, was developed with an initial manufacturing production run of 500k units. Distribution would first be through an Internet product launch as a preliminary 'testing of the waters' on consumer purchase intent and price point. Even though consumer testing had shown a consumer price point of \$39.39, an initial retail price of \$49.99 was selected for its Internet product launch. Follow up distribution channels would be through mainstream retailers (Wal-Mart, Target and others) currently selling small home kitchen appliances.

The Lids off Jar Opener made its formal debut at a marketing/press event called Christmas in June in New York City. An in depth publicity campaign was initiated with advertisements in many newspapers and family oriented magazines.

Internet sales were slow. After a month or so, it was decided to lower the retail price to \$39.99 and increase the advertising budget for the product. The product was shipped to mainstream retailers and appeared in their weekly sales advertisements distributed nationwide through newspapers and the Internet. With the increased advertising campaign and having the product available through mainstream distribution channels, sales of the new jar opener took off. Sales were so robust the initial product run was sold out in November and the company had to withdraw its December holiday advertisements for the appliance, as it no longer had product to sell. When inventories were replenished the following February, sales continued at a very rapid pace with over 1 million Lids off Jar Openers being sold in the first year.

A key fact discovered in consumer focus groups was that the targeted user of the appliance would not be the purchaser of the product. While older adults clearly wanted and needed the device, they were not willing to spend any money on purchasing the device. However, they were very willing to receive it as a gift. The true sales target market for the product became the adult children (Baby Boomers) of older adults, and it was decided that it would be marketed as a gift item during the December holidays and at Mother's Day.

Case 2: The Line Butler – E-commerce Only Distribution Channel for ADL Product with a Minimal Marketing Campaign

With the growing population of 'Aging in Place' seniors, telephone communication with family members and others is of the paramount importance [8]. It was discovered that many older adults were experiencing breaks in their telephone service due to accidentally leaving a land line telephone 'off the hook.' An opportunity was identified to develop a unique telephone accessory that would enable a land line telephone to receive incoming calls even when it is 'off the hook'.

The primary market was identified as older adults or people with disabilities who are living alone and may accidentally knock or leave the telephone 'off the hook'. In addition, individuals with children or pets were found to be a secondary market as children or pets may accidentally leave or knock the telephone off the hook, causing an inconvenience to the parent/pet owner. Parents and pet owners were deemed likely to buy this device for themselves, while the adult children (Baby Boomers) of older adults were deemed likely to buy it for their parents' use. A search of recently introduced and successful products in the telephone accessory marketplace revealed that existing devices did not provide the planned functionality of the proposed device. The competing product analysis also demonstrated that the target price for the Line Butler would have to be in line with telephone caller identification devices and priced under \$30.

The device was intended to be sold for profit through the E-commerce marketplace. At the onset of this project, the increasing use of cell phones was not a major concern. At the time, the older adult segment of the target market tended to resist the use of radically new technology such as cell phones. However, the advent of cell phones and VOIP (Voice over Internet Protocol) technologies acted as disruptive technologies in the mainstream segments of the target market. The advent of cell phones caused the mainstream marketplace for traditional landline telephones to shrink rapidly.

A small number of units of the Line Butler were produced in an initial trial production run. The device was launched on various E-commerce companies' product web sites without the benefit of a major cross media marketing campaign informing the general public of the product's existence. In light of the market changes, an extensive marketing campaign to the adult children of older adults would have to be mounted to encourage them to purchase the item as a gift for their older adult parents. The team carefully evaluated the new market conditions and determined that large-scale production would no longer be feasible. Even with a successful targeted marketing campaign, the loss of the larger secondary market (parents with children or pets) due to disruptive

technologies created a situation where manufacturers would not be able to recoup the high-dollar investments needed to continue through the production phase. With potential revenues declining as cell phone usage increased, the project was terminated.

Case 3 iWalk 2.0 – Medical Device Distribution Network with Intense Clinician Training Support from the Manufacturer

People with lower leg non-weight-bearing injuries who wish to remain ambulatory have long used standard crutches. The use of standard crutches is predicated on ones ability to use their arms and hands to support their weight as they navigate around in their surroundings. The use of standard crutches does not allow the free use of your hands and arms for other activities. It was noted that there was a need for a device that allowed one to remain ambulatory and still have the free use of their arms and hands.

The iWalk 2.0 was developed as such a device and is a hands free crutch substitute [9]. It is a first of its kind mobility device that frees you from the limitations of conventional crutches. Rather than marketing this new device directly to the consumer, the company elected to market the device directly to clinicians who would ordinarily be fitting the target population with standard crutches.

Common misconceptions from just looking at the iWalk 2.0 range from that it is unstable and you may be injured using it, to that it will be difficult to learn and use. So how is this addressed for both the clinician and the consumer? First, the company provided a highly informative web site to serve as a reference for the clinicians and consumers. Next, the company personally teaches each retailer about the device, how to sell it, and how to fit it. The company provides a webinar and certifies clinicians (dealers) to become iWalk fitters. The product typically outperforms consumer expectations, so the dealer has to be armed with the knowledge to disarm consumer misconceptions.

The iWalk 2.0 distribution channel is that of being sold by the manufacturer directly to trained dealers who in turn sell the consumer on the product. There is no promotion strategy other than entering into new medical device competitions at various trade shows throughout the nation and winning them. The iWalk 2.0 has also benefited from publicity on its use by high profile figures such as Harrison Ford. Mr. Ford uses the iWalk 2.0 due to an injury he incurred during filming of the new Star Wars movie.

DISCUSSION

When choosing a distribution channel for a new product there are many questions to be asked such as: does your product need to be customized or installed; does it need to be serviced; is there a need for education and training in the use of your product. Or is your new product a useful, intuitive to use product that is just *'plug and play'* ready for the consumer?

When selecting a promotion strategy, the key question has always been: *'What is the best way of informing your target market of your product's existence?'* When designing a promotion strategy for the Baby Boomer demographic, we found there is certain terminology you should not use. When advertising to Boomers do not speak of impairments or functional limitations, instead speak of ease of use. Do not use terms like golden years, the elderly or senior citizens. Boomers want to age gracefully and consider the age 60 as the new age 40. Boomers are more determined to stay active, stay in better physical shape, and remain more mobile than previous generations.

Our initial research has shown us two main points one must consider when introducing a new product for the Baby Boom generation. First, whenever possible, distribute it through mainstream distribution channels with a broad promotion strategy. As technologically savvy as some Baby Boomers are, introducing a product strictly through the internet will not find the large number of buyers needed for a successful product introduction.

Second, you must know the competitive landscape you are entering, and the eccentricities of your target population. For example, for a specific medical device, the payer (who is actually buying the product), the prescriber and the user are all different stakeholders with different concerns and interests. The incentives and objectives for each stakeholder are different. Clinical needs are also important and the difference between success and failure for a new medical device product here usually lies in the selection of the appropriate distribution channel and promotion strategy.

With the aging of our population, we are seeing companies broadening the target market for their new product introductions. The concept of Transgenerational Design, or designing a product that can be used easily by a target population ranging from children to older adults has come into vogue. This has companies creating

products with more flexible, accessible user interfaces.

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