

Electrolux Redesigns Itself

By Ariane Sains and Stanley Reed

Johan Hjertonsson was lounging around his house outside Stockholm late one Saturday afternoon in 2003 when his boss, Electrolux CEO Hans Straberg called. "Hans said: We have a problem/" recalls the 38-year-old Hjertonsson. "Things aren't moving fast enough." Sales were falling, products were taking too long to get to market, and consumers weren't sure why they should buy from Electrolux instead of the competition. Straberg told Hjertonsson: "I want you to fix this."

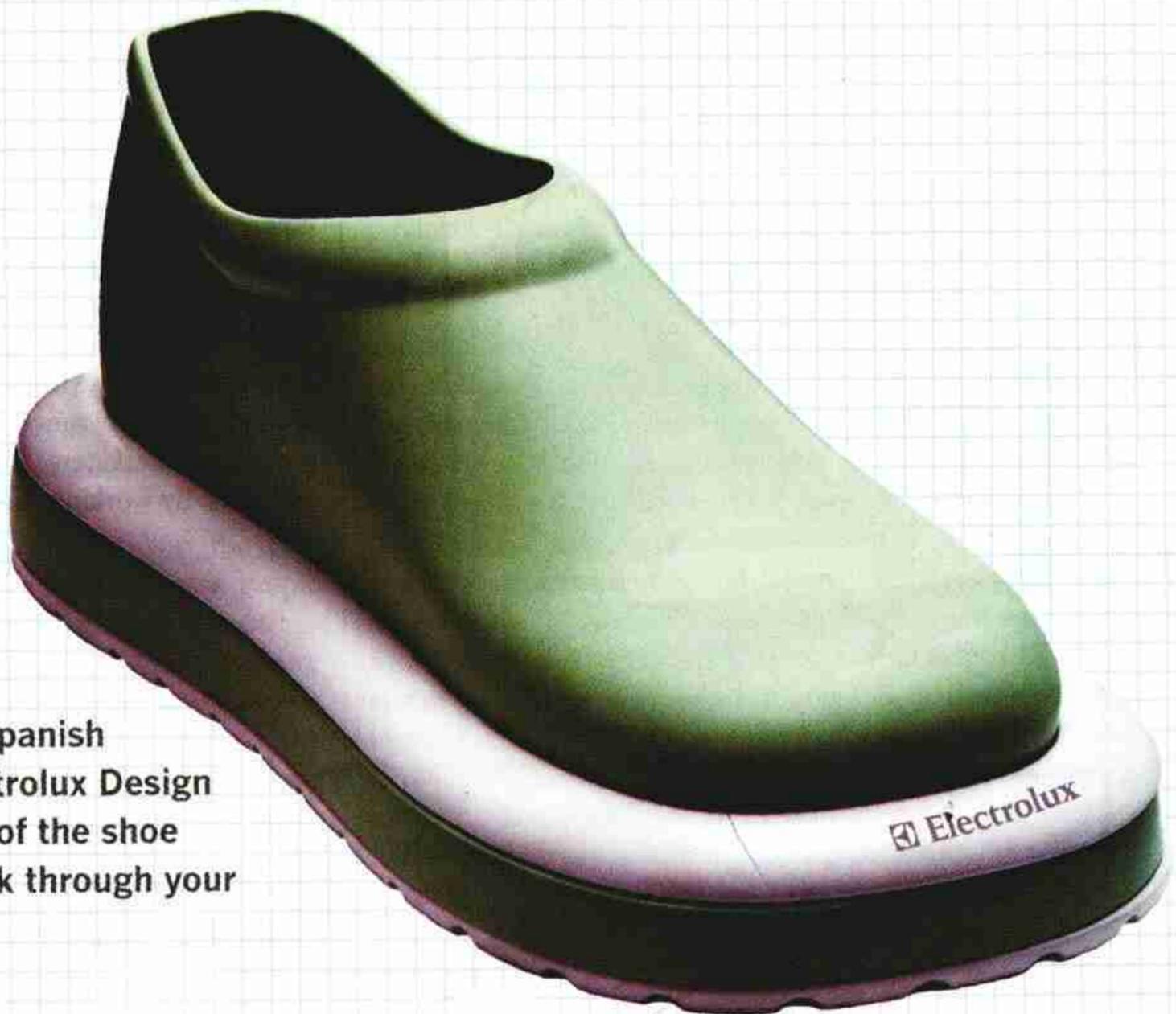
In the past, the CEO of the giant Swedish appliance maker would have dealt with weak sales by turning to the company's army of engineers to power up a new line of products. But this time, Straberg chose a more radical approach. Instead of letting Electrolux engineers dominate the development process, he opted to go with another model—teams of designers, engineers, marketers, and salespeople working together to design consumer-friendly products.

This model had been developed by Hjertonsson when he was marketing manager of the floor products and small appliance unit, which had been hit hard in the 1990s by cheaper Chinese products. The team-based approach became known as the Consumer Innovation Program. Hjertonsson reinvented his entire division, taking it from an engineer-driven, heavy manufacturer with full-scale operations in many countries to an integrated global company driven by teams and guided by consumer insights. He brought in innovation/design consult-

ant IDEO to benchmark his program, then launched it in 2001.

By then, the entire company was having trouble from increasing Asian competition. In 2003, Hjertonsson, now head of Consumer Innovation, hired strategy consultant McKinsey & Co. to develop a questionnaire, which was sent to 500 managers. His team then followed up with 60 in-depth interviews. Four problems emerged: Managers didn't know enough about their customers, so they couldn't figure out what to develop; products were well-engineered but weren't filling consumer needs; R&D wasn't in sync with commercial product launches; and executives were afraid to take risks. "That," says Hjertonsson, "was the toughest and the hardest part to change."

In early 2004, Straberg and Hjertonsson began a six-week road show, visiting hundreds of company managers to explain the Consumer Innovation Program. "The reaction was: 'I met my quota last month, I met my budget, what's the big deal?'" Hjertonsson says. The big deal, as managers quickly learned.



Dustmate prototype from Spanish design students in the Electrolux Design Lab competition. The base of the shoe vacuums up floor dust. Walk through your house and clean as you go.

LEFT: PHOTOGRAPH BY MEGHAN PETERSEN/REDUX

was that Straberg wasn't just interested in monthly quotas. He wanted to reinvent the company, changing the way products were developed, brought to market, and sold. He was calling for a total business-model revolution, not evolution.

Fast-forward to 2006, and Electrolux is morphing into a very different company. It uses a series of innovation metrics to measure unmet consumer needs and how well new products meet them; how products are developed and launched; and whether the right product and marketing managers are in the right jobs. Hjertonsen simply calls this "talent management."

Hjertonsen wields both carrots and sticks. Bonuses are based on how well managers adapt to the new system at Electrolux. The evaluation process includes a series of 30 questions aimed at figuring out how well managers are adapting to the regime. Electrolux uses three basic measures. First there is what they call "value market share" which is the portion of the consumer's wallet going to Electrolux versus other competitors. It is determined by the volume of appliances multiplied by the average price. Electrolux also looks closely at growth of profit margins and at average prices. The purpose of all three of these metrics is to shift focus to higher-value products and de-emphasize those that have become commoditized.

Those who resist change are given increasingly pointed warnings. Hjertonsen says someone who disregards the new message at first receives a polite lecture from that person's manager. If the behavior doesn't change, a more severe dressing down follows. Finally, an employee's manager is told that if the laggard doesn't shape up immediately, the individual should get the boot. "If you continue to invest time in these people, you slow this process down." Hjertonsen says.

One of the biggest changes in Electrolux is the switch from using marketing surveys that ask consumers what they want to actually visiting consumers in their homes to see how they use their appliances. "We never ask the consumer what they want," says Hjertonsen. "We do anthropology. We study the consumer."

The new consumer-centric focus has caught the attention of designers such as Henrik Otto, 41, who was recruited by Straberg in August, 2004, from carmaker Volvo to be Electrolux' design chief. Otto had been using a similar approach at Volvo and found the challenge of applying the method at a completely different kind of company irresistible. He also saw similarities between designing cars and designing appliances. "It's not purely about price and performance anymore. It's about the satisfaction people get out of the products," he says. "Now, people want their personalities to be reflected by their appliances."

Under Otto's leadership, the design department began asking "how do we make these products more emotional, and how do we get away from the boxy white look of home appliances?" Through home visits and interviews with more than 160,000 consumers worldwide, various types of core consumer profiles emerged. They were refined by Electrolux into four archetypes dubbed Anna, Catherine, Maria, and Monica to help the innovation teams visualize who they were developing products for.

Catherine is a neatness freak, while Anna just wants to get the chores over as quickly as possible. Monica is superefficient and Maria is a homebody who dotes on her family. Hjertonsen says the personas cut across nationality, age, and socioeconomic groups. During product development training sessions, managers are assigned one of the models and encouraged to think of her as a real person, giving her a fictional life story.

Straberg is training 700 managers, including nearly all of his top execs, in the methods of the Consumer Innovation Program. Working in small groups that include designers, engineers, and marketers, the managers develop their prototype products. By working in multidisciplinary teams from the be-



The Gentle Dryer prototype with yellow drum suggests summer breezes and clothes drying on the line. Scents are optional.



Cologne or perfume can be added to this prototype for a handheld, cordless steam iron that removes stains and freshens fabrics.

ginning, designers avoid developing products that can't be engineered, engineers eschew technological solutions that aren't visually appealing, and marketers can help shape products so that retailers are more likely to give them prominent play.

Electrolux has a way to go in turning itself into an innovative, design-driven company. In a trial run of the training program, two senior management teams came up with prototype products and then submitted them to consumer panels for review. The upshot? "They killed us," says one participant. Some top managers still don't know how to appeal to consumers.

But others do. In Britain, home visits provided the inspiration for the Twin Clean vacuum. Consumer Innovation Program project director Anthony Ford, 40, went to one woman's house and watched as she struggled to clean the dust filter in a competitor's bagless vacuum. He decided Electrolux could make something better.

But his team didn't get it right the first time. The prototype they designed was rejected by consumers as too big and heavy. The problem, Otto says, was that the team zeroed in on a technical solution without considering how the vacuum would actually be used or how practical its size was. In short, the team failed in its ethnography. It may have looked at how people vacuumed, but it didn't really see how much they had to struggle to operate them. After a redesign, the Twin Clean hit store shelves in Europe in 2005 at 295 euros (\$370), and has just launched in the U.S. at \$500.

Two new refrigerators, Glacier and Source, have also come out of home visits. Richard Sells, director of the division for cold appliances, says that through the innovation process, including home visits and focus groups, his team learned that consumers wanted automatic icemakers in their refrigerators

as well as water dispensers, but didn't like the amount of space they took. Consumers are also drinking more bottled water, but they find it bulky to bring home and worry about the environmental effects of all the packaging.

Electrolux' solution was to design smaller water and ice units and a water filter and carbonation system that is compact. Glacier and Source have automatic icemakers that are smaller than average, freeing up valuable refrigerator space. Source also has a carbonated water dispenser. Introduced in Europe in January, 2006, each refrigerator costs 3,220 euros (\$1,600). The company is selling twice as many units as it had estimated.

Electrolux is also using design thinking to relaunch older products. Countertop dishwashers and frost-free freezers in Europe are cases in point. Electrolux relaunched a mini-dishwasher about the size of large microwave in Italy, aimed at households with one or two people. When these households have full-size dishwashers, they wait for them to be full, and run them only once or twice a week. That makes it harder to get dishes clean. It also means favorite mugs or plates can't be used every day. The Electrolux machine was marketed with the pitch that it allows those favorites to be used daily. Frank Dowling, North American marketing and design director, says home visits are helpful for his engineers. "It brings the consumer focus that a lot of the designers don't see," he says. That helped Electrolux engineers redesign dishwashers for the U.S. market, repositioning baskets and racks after watching consumers load machines.

While Straberg and Hjertonsen have made progress re-inventing Electrolux, they don't kid themselves that they are finished. Hjertonsen believes it will take "many, many years," to complete the transformation. "Once you are on this quest," he says, "it is a continuous journey rather than a race." IN