

## Extra casestudy deel IV.2

# Dyson Vacuum Cleaner: Shifting from domestic to international marketing with the famous bagless vacuum cleaner



Source: Matthew Fearn/PA/EMPICS.

## The Dyson history

It is impossible to separate the very British Dyson vacuum cleaner from its very British inventor. Together they are synonymous with innovation and legal battles against established rivals.

James Dyson was born in Norfolk in 1947. He studied furniture design and interior design at the Royal College of Art from 1966 to 1970 and his first product, the Sea Truck, was launched while he was still studying.

Dyson's foray into developing vacuum cleaner technology happened by chance. In 1978, while renovating his 300-year-old country house, Dyson became frustrated with the poor performance of his conventional vacuum cleaner. Whenever he went to use it, there was poor suction. One day he thought he would find out what was wrong with the design. He noted that the appliance worked by drawing air through the bag to create suction, but when even a fine layer of dust got inside, it clogged its pores, stopping the airflow and suction.

In his usual style of seeking solutions from unexpected sources, Dyson noticed how a nearby sawmill used a cyclone – a 30-foot-high cone that spun dust out of the air

by centrifugal force – to expel waste. He reasoned that a vacuum cleaner that could separate dust by cyclonic action and spin it out of the airstream which would eliminate the need for both bag and filter. James Dyson set out to replicate the cyclonic system.

Over the next eight years, Dyson tried to license his Dual Cyclone concept to established vacuum manufacturers, only to be turned down. At least two of these initial contacts forced him to file patent infringement lawsuits, which he won in out-of-court and in-court settlements. Finally in 1985, a small company in Japan contacted him out of the blue after seeing a picture of his vacuum cleaner in a magazine. Mortgaged to the hilt and on the brink of bankruptcy, Dyson took the cheapest flight to Tokyo to negotiate a deal. The result was the G Force vacuum cleaner, priced at \$2,000, which became the ultimate domestic appliance status symbol in Japan.

In June 1993, using money from the Japanese licence, Dyson opened a research centre and factory in Malmesbury, Wiltshire. Here he developed the Dyson Dual Cyclone and within two years it was the fastest-selling vacuum cleaner in the UK.

Dyson was nearly bankrupted by the legal costs of establishing and protecting his patent. It took him more than 14 years to get his first product into a shop and it is on display in the Science Museum. Other products can be seen in the Victoria & Albert Museum, the San Francisco Museum of Modern Art and the Georges Pompidou Centre in Paris.

Dyson went on to develop the Root 8 Cyclone, which removes more dust by using eight cyclones instead of two. In 2000, he launched the Contrarotator washing machine, which uses two drums spinning in opposite directions and is said to wash faster and with better results than traditional washing machines.

In 2005 the company's sales reached £470 million, roughly two-thirds of which came from outside the United Kingdom, while pre-tax profit for the year was £103 million, up 32 per cent on 2004. Almost all the sales come from vacuum cleaners – a product in which Dyson has built large sales in the United States, Japan and Australia.

### **Marketing of the Dyson vacuum cleaner**

Dyson believes the most effective marketing tool is by word of mouth, and today the company claims 70 per cent of its vacuum cleaners are sold on personal recommendation. An enthusiastic self-publicist, Dyson believes that if you make something, you should sell it yourself, so he often appears in his own advertisements.

When a Belgian court banned Dyson from denigrating old-style vacuum cleaner bags, he was pictured wearing his trademark blue shirt and holding a Dyson vacuum cleaner in a press advertisement that had the word 'bag' blacked out several times. A note at the bottom said: 'Sorry, but the Belgian courts won't let you know what everyone has a right to know'.

Dyson has sometimes shunned advertising altogether. For example, in 1996–97 the company spent its marketing budget sponsoring Sir Ranulph Fiennes' solo expedition to Antarctica, and gave £1.5 million to the charity Breakthrough Breast Cancer.

As rivals started to manufacture their own bagless cleaners, Dyson knew he would have to advertise more aggressively and in 2000 he appointed an advertising agency to promote the £2 million business. The marketing strategy, however, remains true to Dyson's original principles, with an emphasis on information and education rather

than brand-building. Moreover, it seems to be working, one in every three vacuum cleaners bought in Britain today is a Dyson. See also Table 1.

**Table 1** Vacuum cleaners: market volume and market shares (2005)

Market/%/ Manufacturers (brands)	Germany	Italy	Sweden	France	Spain	UK	Netherlands	Total Western Europe	United States
<b>Total market</b>								+ others 3.0	
<b>Volume</b> (mio. units)	7.2	1.8	0.4	3.0	0.7	4.8	0.9	=21.8	26.6
<b>% – types:</b>									
Cylinder	67	50	94	88	73	34	80	65	9
Upright	13	30	1	5	2	62	5	25	66
Hand-held	<u>20</u>	<u>20</u>	<u>5</u>	<u>7</u>	<u>25</u>	<u>4</u>	<u>15</u>	<u>10</u>	<u>25</u>
<b>Total</b>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>
<b>Market shares (%):</b>									
BSH (Bosch-Siemens Hausgeräte)	18	–	9	–	–	–	28	8	
Electrolux (Eureka in US)	16	–	51	19	–	19	9	14	22
Miele	15	–	12	9	–	3	23	9	
Dyson Appliances	2	1	2	1	1	34	2	9	4
SEB Group (Rowenta + Moulinex)	–	18	–	22	19	–	8	7	
Maytag (Hoover)	–	–	–	–	–	–	–	–	20
Candy SpA (Hoover)	5	12	–	–	–	11	–	6	
Philips	8	–	2	–	7	–	10	4	
De Longhi	–	15	–	–	–	–	–	2	
Matsushita (Panasonic)	–	–	8	–	21	–	–	2	
Daewoo Group	–	8	–	–	–	–	–	1	
Samsung	–	6	–	–	–	–	–	1	
Electromomésticos Solac SA	–	–	–	–	10	–	–	1	
Private label	8	–	15	2	–	3	3	4	10
Others	<u>28</u>	<u>40</u>	<u>1</u>	<u>47</u>	<u>37</u>	<u>30</u>	<u>17</u>	<u>33</u>	<u>44</u>
<b>Total</b>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

**Comments:**

Two different companies in Europe and United States own the Hoover-brand. In United States the brand is now owned by the Whirlpool, but in 1995 Maytag sold its European operations to Italian Candy Spa, which owns the brand in Europe.

The SEB group took over the Rowenta brand in 1988. In 2001 the SEB Group took over Moulinex SA and the SEB Group now markets the Moulinex vacuum cleaner.

Source: Author's own work, based on Euromonitor.

## The world market for vacuum cleaners

The use of vacuum cleaners is largely related to national preferences for carpets rather than floor tiles. In many warm countries instead of carpets floor tiles are more usual, and these can be swept rather than vacuumed. In countries where houses are predominantly carpeted, such as in Northern Europe, Eastern Europe and North America, the number of households owning vacuum cleaners is high. In 2005 app. 95 per cent of households owned vacuum cleaners in Belgium, Germany, Japan, the Netherlands, Sweden, the United States and the United Kingdom. Many Belgian households possess more than one vacuum cleaner, as traditional vacuum cleaners are often complemented with hand-held cleaners (cleanettes). In parts of Eastern Europe, it is also common to carpet walls, which provides additional demand for vacuum cleaners.

Few vacuum cleaners are sold in China and India. Vacuum cleaners have only been available in China for ten years, but ownership has not become widespread. In India many of the rural population do not have the means for such appliances and power supply is erratic. The Asia-Pacific market for vacuum cleaners (not shown in Table 1) is 11.1 million units per year.

The world market for vacuum cleaners is fairly mature and stable. As average prices fell throughout 2000–05, value growth amounted to only 2 per cent overall. In 2005 the number of vacuum cleaners sold throughout the world was 74 million units. Demand is driven mainly by replacement purchases at the end of a product's life cycle (the commercial lifetime of a vacuum cleaner is about 8 years), although new product developments such as bagless models spurred growth in some markets.

The most sold vacuum cleaner types are the upright and the cylinder types. The distinction between upright and cylinder vacuum cleaners became less clear in recent years, with the addition of hoses and tools to the upright version and cylinders mimicking uprights by adding turbo brushes to eradicate dust from carpets.

Cylinder, or canister, vacuum cleaners make up the majority of the global market, but do not take a strong lead, accounting for 65 per cent of European volume sales in 2005, compared with 25 per cent for upright models (see Table 1). As upright vacuum cleaners are more expensive, their share is higher by value, amounting to 33 per cent of the market by value.

Generally, the sales of upright vacuum cleaners grew faster than cylinders over the five-year period from 2000 to 2005. This largely reflected trends in the US, which was the world's leading market for vacuum cleaners (especially upright vacuum cleaners). Here, the addition of new features fuelled the upright subsector, including bagless operation, HEPA (High Efficiency Particulate Air) filtration and self-propulsion, which are available in various combinations on models selling for less than US\$200.

In other markets, such as in Eastern Europe, cylinder vacuum cleaners are the most popular type, as they are more practical for use on wall carpets, which are common for example, in Russia.

The handheld vacuum cleaners do not play an important role in the market, so they are neglected in the rest of this case.

The market for vacuum cleaners tends to be dominated by leading white goods manufacturers. Electrolux was uncontested world leader in this sector with a volume share of 14 per cent in 2005, through its brands Eureka and Electrolux.

In recent years one of the most significant developments in the market was that of bagless technology. Dyson UK pioneered its dual cyclone technology back in 1993, Dyson's technology is protected by patent, but other manufacturers were quick to develop bagless versions. In the United States, bagless vacuum cleaners increased their unit share from just 2.6 per cent in 1998 to over 20 per cent in 2005.

Electrolux owes its global dominance to its leadership in both Western Europe and North American markets, though in the latter market its position is strongly contested by Maytag and Royal Appliance Manufacturing (under 'others' in Table 1). Between them, these three manufacturers accounted for 60 per cent of the North American market in 2005. Electrolux also led the emerging market in Africa and the Middle East, and ranked second in Latin America behind Swiss manufacturer Koblenz Electrica.

The Western European market is more fragmented. Dyson was some way behind Electrolux with a share of 9 per cent (see Table 1), closely followed by the premium appliance manufacturer Miele, while BSH and Candy also had strong shares. Though Dyson's overall market share is not high it used to be one of the dominating brands in the high-priced segment.

The Asia-Pacific market for vacuum cleaners is highly concentrated, with the top five players accounting for 80 per cent of sales in 2005. These were all Japanese companies, led by Matsushita. The latter also led the Australasian market, slightly ahead of Dyson. Interestingly, Samsung did not rank among the top five Asian manufacturers in 2002, although it led the eastern European market.

In the United States Dyson now sells 1 million units, equal to a total market share of 4 per cent. However, in the high-priced segment (\$400 – plus) Dyson (in 2005) pushed Hoover to a second place with 21 per cent of the market against Hoover's 15 per cent. Dyson is taking market shares in the high-end, which Hoover used to dominate, and at the same time Hoover lost the lowcost market to non-brand Asian competitors.

## Competitors

The following describes the five most important players in the world vacuum cleaner industry:

### **BSH (Bosch-Siemens Hausgeräte)**

Bosch-Siemens Hausgeräte ([www.bsh-group.com](http://www.bsh-group.com)) was established in 1967 by the merger of the domestic appliance divisions of Robert Bosch Hausgeräte and Siemens. During the 1990s, the company was largely geared towards improving its international presence. This was achieved mainly through organic growth, with a cautious approach taken towards acquisitions (e.g. Ufesa).

Ufesa is the leading manufacturer in Spain and Portugal of small appliances such as vacuum cleaners, irons and coffee makers, and has a good export network to Latin America. The acquisition allowed BSH to improve its production and distribution arrangements.

Bosch-Siemens Hausgeräte (BSH) is entirely focused on the production and servicing of domestic electrical appliances, including large kitchen appliances and small electrical appliances. Total revenue for the group amounted to a6,289 million in 2002, of which a small proportion (4 per cent) was derived from customer services. The rest came from electrical appliances. The operating profit in 2002 was a434 million.

The company is involved in all five sectors of the large kitchen appliances market, in which cooking appliances are the most important with 28 per cent of sales in 2002. This is followed by refrigeration/freezing appliances and washing/drying appliances, which each took 20 per cent of the total. Dishwashing appliances accounted for a further 16 per cent. Other business activities centred on the production of consumer products, including small kitchen appliances such as food processors and coffee makers and small appliances such as vacuum cleaners and hair dryers.

BSH remains highly focused on Western Europe, especially its domestic German market. Germany alone accounted for 28 per cent of total sales in 2002, which was down from 30 per cent the previous year. This was due to the difficult trading environment, which led to a 4 per cent decline in sales in this market.

The rest of western Europe took a further 54 per cent of sales in 2002, up by two percentage points on 2001 as sales in the region rose by 8 per cent. This was due to particular growth in France (8 per cent), the United Kingdom (10 per cent), Spain (8 per cent) and Italy (11 per cent). Turkey also continued to see very high growth of 9 per cent, despite the impact of economic and political turmoil in this market.

Sales in markets outside western Europe were minimal, with North America, eastern Europe and Asia- Pacific each accounting for 6 per cent of the total, and Latin America just 3 per cent. Eastern Europe recorded above-average growth rates, especially Russia with over 21 per cent.

Sales in Latin America continued to decline, due to the ongoing economic crisis in Argentina, and both Brazil and Argentina causing significant foreignexchange- related losses. However, double-digit growth was achieved in China, where the company saw sales rise for the fourth consecutive year.

## **Electrolux**

Electrolux (headquarters in Sweden) [www.electrolux.com](http://www.electrolux.com) is the world's second largest manufacturer of large kitchen appliances behind American Whirlpool, in terms of revenue derived from this activity. The company produces a wide range of large kitchen appliances, as well as vacuum cleaners, and heating and cooling equipment. In addition, Electrolux manufactures products outside the scope of this report, such as garden equipment, food service equipment and chainsaws.

Electrolux dates back to 1901 when its predecessor, Lux AB was formed in Stockholm as a manufacturer of kerosene lamps. The company changed its name to Electrolux AB in 1919, following collaboration between Lux AB and Svenska Elektron AB. The company shifted into electrical appliances in 1912, when it introduced its first household vacuum cleaner, the Lux 1. In 1925, this was followed by the launch of the first Electrolux absorption refrigerator. The company was quick to expand internationally, and by the 1930s was selling refrigerators and vacuum cleaners across the globe.

Between the 1940s and the 1980s, Electrolux expanded into all areas of the large kitchen appliances, floor care and garden equipment sectors through a wide range of acquisitions. In the 1990s the company worked to expand its appliance business internationally.

From 1997, Electrolux entered into a restructuring programme to improve profitability. In line with this, several divestments were made, including industrial products, sewing machines, agricultural implements, interior decoration equipment, recycling, kitchen and bathroom cabinets, professional cleaning equipment, heavy-duty laundry equipment, leisure appliances, baking equipment and electric motors. Furthermore, the programme aimed to streamline the product portfolio down to a smaller number of well-defined brands. Concurrently, the company made some further notable acquisitions in core areas.

The company is divided into two major business areas:

1. Consumer durables, including large kitchen appliances and air conditioners, floor care products (vacuum cleaners) and garden equipment (such as lawn mowers, garden tractors and lawn trimmers).



2. Professional products, including foodservice equipment, laundry equipment for apartment/house laundry rooms, laundrettes, hotels and institutions, components such as compressors, forestry equipment such as chainsaws and clearing saws, and other products such as landscape maintenance equipment, turf-care equipment and professional-use power cutters.

In 2002 the Electrolux Group had a total sales of a14,500 million, of which a800 million was left for operating profit. Consumer durables accounted for 84 per cent of total sales, and 7 per cent came from vacuum cleaners.

Electrolux's business is largely split between Europe and North America, which together accounted for 87 per cent of sales in the consumer durables division in 2002. The company has achieved a good balance between these regions, with similar sales levels.

## **Miele**

Miele ([www.mielevacuums.com](http://www.mielevacuums.com)) is a German-based, family-run company, which produces a range of premium household appliances (e.g. vacuum cleaners), commercial appliances, components and fitted kitchens.

Carl Miele and Reinhard Zinkann established Miele in Gütersloh, Germany in 1899. The company has, since its inception, been focused on producing high-quality appliances at the premium end of the market.

The company began producing washing machines in 1900, with vacuum cleaners and dishwashers added to the product portfolio in the 1920s. During the 1950s and 1960s the company began to produce fully automatic washing machines and dishwashers, as well as tumble dryers. The 1970s saw further advances in technology, with the launch of built-in washing machines and condenser dryers and microcomputer-controlled appliances.

Since then, the company has produced a number of innovative appliances including washing machines with hand wash programmes for woollens, and during the 1990s, vacuum cleaners with the HEPA filter and Sealed System.

Over the past decade, Miele has focused on expanding its business overseas, especially in eastern Europe and Asia-Pacific. The company opened a branch office in Hong Kong in 1998, followed by offices in Poland and Russia. In 1999, Miele opened its US headquarters in Princeton, New Jersey and in 2001 it opened sales offices in Singapore and Mexico.

Miele has made few significant acquisitions through its history. Its largest acquisition was that of Imperial in 1990, a German company specialising in built-in appliances and catering equipment.

Miele products are marketed throughout Europe and also in the United States, Canada, South Africa, Australia, Japan and Hong Kong, through subsidiaries, and elsewhere in the world via authorized importers.

The company's range of domestic electrical appliances covers vacuum cleaners, large kitchen appliances such as home laundry appliances, refrigeration appliances, large cooking appliances, microwaves and dishwashers, and other small appliances such as

rotary irons and coffee makers. The company specializes in producing innovative products within these sectors.

As a private company, Miele does not release detailed financial results. In 2002, company revenue reached a2,200 million, up by 3.2 per cent on the previous year. This occurred despite a difficult operating environment, particularly in its domestic market of Germany.

Miele does not publish detailed financial results by geographic region. However, for the 2002 financial year, the company reported that sales in Germany fell back by 1 per cent to reach a800 million. Outside Germany, sales increased by a strong 6 per cent to reach a1.4 billion. As a result, international sales accounted for 65 per cent of total sales in 2002.

The company lists its highest gross overseas market as the Netherlands, followed by Switzerland, France, Austria, the United Kingdom and the United States. The United States recorded especially swift growth at double-digit rates. Double-digit growth was also achieved in Greece, Finland and Ireland, while other markets showing above average growth, included the United Kingdom and Norway. Russia also showed extremely good growth, although to date the company has only focused on Moscow and St Petersburg.

### **SEB Group**

SEB Group of France ([www.seb.com](http://www.seb.com)) is one of the world's leading producers of small domestic equipment. The company is entirely focused on this area, manufacturing household goods (cookware), as well as small electrical appliances such as cooking appliances (steam cookers, toasters, coffeemakers, and grills), home appliances (vacuum cleaners and fans), and personal care appliances (hair dryers, scales, and electric toothbrushes). SEB's key brands include T-Fal/Tefal, Rowenta, Krups and SEB. The total sales of SEB Group in 2002 were a2,496 million.

Groupe SEB's origins date back to 1857, when the tinware company Antoine Lescure was founded. The company gradually expanded its activities to include products such as kitchen utensils and zinc tubs, beginning to mechanize its production at the beginning of the 20th century. In 1953, the company launched the first pressure cooker.

The company has since grown by acquisition. This began with Tefal in 1968, a company specialising in nonstick cookware, and continued with the acquisition of the Lyon company, Calor, a maker of irons, hair dryers, small washing machines and portable radiators in 1972. In 1973, a group structure was formed under a lead holding company, SEB SA, which was listed on the Paris Stock Exchange two years later.

Groupe SEB made a significant push into international markets when it acquired Rowenta in 1988, a German manufacturer of irons, electric coffee makers, toasters and vacuum cleaners. In 1992 and 1993, it took advantage of the opening up of Eastern Europe, setting up marketing operations to make inroads in these countries and gain a foothold in the Russian market.

In 1997–98, Groupe SEB entered South America with the acquisition of Arno, Brazil's market leader in small electrical appliances. Arno specializes in the manufacture and sale of food preparation appliances (mixers/ blenders), non-automatic washing machines and fans.

In September 2001, Groupe SEB's main domestic rival, Moulinex, filed for bankruptcy. The company submitted an offer for a partial takeover of the business assets



of Moulinex, for which it finally received approval by both the European Commission and the French Finance Ministry in 2002. Moulinex had purchased one of Europe's leading brands, Krups, in the early 1990s, and was a good fit with Groupe SEB's existing businesses.

Examples of new SEB vacuum cleaners introduced in 2002 are:

- The new Neo vacuum cleaner, with a futuristic and compact design and very high performance which heralded the arrival of a new ultra-modern range.
- The relaunch of Moulinex vacuum cleaners in all market segments, including the Boogy supercompact vacuum cleaner with an automatic bag ejection system; and the Alto high-power compact vacuum cleaner.

Groupe SEB is one of the few small electrical appliance manufacturers to have achieved a truly global presence. Furthermore, the company has a good geographical balance of sales. Although its domestic market in France accounted for the highest proportion of sales, 26.4 per cent in 2002, a further 30.6 per cent of revenues was derived from other EU countries. The Americas represented 23.2 per cent of sales, with the rest of the world accounting for the remaining 19.8 per cent.

Groupe SEB has stated its intention to expand in emerging markets which offer high growth potential, such as Brazil, Korea, the CIS countries and China, although it also sees potential for development of high added-value niche products in developed markets such as the EU, North America and Japan.

Growth was achieved in all regions in 2002, which was largely due to the partial acquisition in that year of Moulinex-Krups.

## **Whirlpool**

In 2006 Whirlpool announced that it had taken over Maytag's Hoover vacuum cleaner division. Whirlpool closed its takeover of Maytag in March, after passing an extended Justice Department antitrust review. Hoover was acquired as part of its \$1.68 billion purchase of Maytag Corp. The company operates under the premium brands Maytag, Jenn-Air, and the lower-end brands Magic Chef, Amana and Admiral. It operates mainly in the United States, but has sales subsidiaries in Canada, Australia, Mexico, Puerto Rico and the United Kingdom.

Maytag Corp traces its roots back to 1893 when FL Maytag began manufacturing farm implements in Newton, Iowa. In order to offset seasonal slumps in demand he introduced a wooden-tub washing machine in 1907. The company diversified into cooking appliances and refrigerators after the Second World War in 1946. It introduced its first automatic washing machine in 1949, and its first portable dishwashers in 1966.

One of the most famous brands in the vacuum cleaner industry – Hoover – dates back to 1907, when it was developed by the Hoover family in Canton, Ohio. The Hoover Company began selling its products worldwide in 1921. Maytag took over the Hoover brand in 1989 when they merged with Chicago Pacific Corporation. In 1995, Maytag sold the European Hoover operations to Italian appliance manufacturer, Candy.

In the vacuum cleaner sector, Whirlpool operates only under the Hoover brand, which has a strong heritage and is the leading brand in the US market. Hoover

manufactures a wide range of vacuum cleaners, including uprights, canisters, stick and handheld vacuums, hard surface cleaners, extractors and other home care products.

In mid-2006 Whirlpool Corp. announced that it planned to sell the Hoover vacuum cleaner business. The Hoover brand, with its 3,000 employees, does not fit with Whirlpool's core products – laundry, refrigeration and kitchen equipment.

### **Distribution of vacuum cleaners**

The situation in Dyson's domestic market, the UK, is as follows:

Department stores are the most popular source of small electrical goods in the UK, with many trusted names (e.g. Co-op Home Stores and John Lewis) who are able to stock a sufficient variety of competitively priced goods to attract consumer loyalty. Their share has increased slightly over recent years, as department stores in general have become more fashionable again.

Specialist multiples have the second largest share, although not far behind are the independents which have a larger share of the small electrical appliances market than they do of large appliances. Smaller high street stores in small and medium-sized towns attract buyers of small electrical appliances, like vacuum cleaners, since consumers are less motivated to drive to a retail park for these items, than they are say, for a fridge.

Grocery multiples, such as Tesco and Asda, sell vacuum cleaners and generally offer advantageous deals on a narrow range of goods. Catalogue showrooms such as Argos also benefited from increasing their range and from low pricing and online shopping facilities.

Distribution of vacuum cleaners has become hugely extensive, with supermarkets and grocery stores stocking the cheaper to mid-end of the market. For electrical retailers still selling smaller items, their domain lies more in the pricier, higher-end of the market.

The distribution of vacuum cleaners in most other major countries is limited principally to specialist 'household appliance' store chains and department stores.

Huge retail chains like Electric City, Best Buy and Sears more and more dominate the distribution of vacuum cleaners in United States.

### **Latest development**

During the last years, Dyson has decided to move most of its vacuum cleaner production from the United Kingdom to the Far East (Malaysia).

Although Dyson is still a leading vacuum cleaner brand, it is beginning to lose out to cheaper machines that have developed their own bagless technology.

The dilemma Dyson faces is dropping its own prices or reinforcing the power and quality of its brand. The loyalty of Dyson's customers has dropped off and the company's market share in UK by volume has also decreased.

Besides vacuum cleaners Dyson is also trying to make headway in washing machines, an industry with global annual sales of £15 billion and with big competitors including Whirlpool of the United States and Japan's Matsushita.

Dyson gained success in vacuum cleaners through high price and stylish machines that featured a new way of sucking up dirt without a bag, which appealed to consumers' desire to try something new. Then in 2000 Dyson unveiled a novel type of washing machine – called the 'Contrarotator' because it featured two drums spinning in opposite directions. Most industry analysts say that the complexity of manufacturing washing

machines, which feature a host of sophisticated mechanisms including pumps and motors that have to work reliably, is a lot higher than for the relatively simple design of a vacuum cleaner. Dyson's washing machine is very expensive, retailing at more than £500, or twice the price of a standard washing machine sold in the United Kingdom. And whether consumers will pay significantly extra for a new design – even if its performance is better – is open to question.

Even in its best year for sales in 2002 the Contrarotator accounted for sales of only 18,000 units in the United Kingdom, out of total washing machine sales of some 2.2 million a year. In 2005, the number of Contrarotators sold slumped to 2,500.

Counting only those sales of 'up-market' washing machines retailing at above £500, the Dyson product chalked up a creditable 21 per cent share of the market in 2002. But by 2005, when the machine was quietly withdrawn, this figure had fallen to 2 per cent.

Dyson insists that a new type of washing machine – now being worked on by a research and development team at Dyson's headquarters in Malmesbury, Wiltshire – will be better than the first one. He says: 'We will develop a new machine and then see how many people want to buy it. I am sure it can be a success.' (Marsh, 2006)

Sources: [www.dyson.com](http://www.dyson.com); [www.electrolux.com](http://www.electrolux.com); [www.mielevacuums.com](http://www.mielevacuums.com); [www.seb.com](http://www.seb.com); [www.hoover.com](http://www.hoover.com); <http://news.bbc.co.uk> Marsh, P. (2006), 'A 10-year struggle to clean up in the appliance market', *Financial Times*, 27 June, p. 26.

## Questions

1. Until now Dyson has concentrated its efforts in the United Kingdom, the United States, Japan and Australia. In your opinion, which new international markets should be allocated more marketing resources, in order to develop them into future Dyson growth markets?
2. In the US market Dyson achieved its market share by moving into the mass retail channels, like Electric City and Best Buy. Some industry specialists are critical towards this the long-term strategy for Dyson's high-priced product. Evaluate the Dyson distribution strategy in the US market.
3. Do you think that James Dyson can repeat the international vacuum cleaner success with the new washing machine? Why? Why not?