

## **MKT 568: GE Audio Transcript**

*Pat Lore:* It's almost a given when you're in the market for a new car. Or when you hit the mall in search of a trendy pair of jeans. Exciting shopping encounters that can make for an emotional buying experience. The same type of experience that the folks at General Electric say occurs when consumers are in the market for their next refrigerator or dishwasher. But can shopping for an appliance really have that much of an emotional impact on consumers? You bet. In fact, GE is banking on it. To understand this pricing story, you have to go back several years ago, when GE's appliance business was at a crossroads. Pricing had been declining for some time, but rather than accept the trend, the business decided to make a major investment in new product innovation and comprehensive brand repositioning.

*Dave McCalpin, Chief Marketing Officer, GE's Consumer & Industrial:* Consumers are willing to step up and buy higher end products and spend more for appliances, if you can appeal to their aspirations on an emotional level, if you can offer them innovation that's different than what they've had before...

*Pat Lore:* Shopping for a new frig is not like it used to be, in the past, you'd buy a replacement when the old one broke down. Now more and more consumers are ditching their perfectly working appliances for more trendy, upscale versions... and instead of just buying one appliance, they're redesigning the entire kitchen. And that brings us to the story of GE's Profile and Monogram brands, the company's upscale appliance lines. Two brands that were re-invented and are doing well today.

*Dave McCalpin, Chief Marketing Officer, GE's Consumer & Industrial:* The best thing we did 8-10 years ago, was to make a major commitment to new product investment, and we have significantly increased the amount of money we're spending on new products, and as a result, we've turned around our pricing performance. We've been able to buck the trend that's historically has plagued the industry.

*Pat Lore:* It's a move that paid off big time for GE. At the time, appliance sales in the Profile and Monogram lines were in a decade-long slump. The company's product portfolio lacked differentiation; its brand positioning was virtually indistinguishable. GE's Monogram and Profile lines were headed for a huge overhaul. With a red-hot real-estate market and no shortage of consumers tapping into their home equity, GE's Monogram & Profile lines were poised to appeal to more affluent homeowners.

*Dave McCalpin, Chief Marketing Officer, GE's Consumer & Industrial:* These brands have evolved over time. Monogram started as a relatively narrow offering primarily of refrigerators built in refrigerators aimed at the higher end of the market. Over time, we realized the opportunity existed with a more full line package of products at the high end of the marketplace. So we built out the product offering in those categories to include cooking products and dishwashers and the full suite.

*Pat Lore:* New styling, innovative features and quality that would allow the company to position these brands at the higher end of the market moving up stream in price

*Dave McCalpin, Chief Marketing Officer, GE's Consumer & Industrial:* The most important factor in success in realizing more value and better pricing for our product, is product.

*Pat Lore:* In other words, if you've got a better product, you have a better chance at setting your prices higher. That's why GE allocates significant resources to research and new product development.

*Dave McCalpin, Chief Marketing Officer, GE's Consumer & Industrial:* GE is a highly respected company, it's a brand that everybody knows, it's a brand that's been around forever, it also means that we're tied to a lot of technology.

*Pat Lore:* From Healthcare, to solar energy, to aviation, industrial security, advanced materials, and NANO-technology, GE has a tradition of turning imaginative ideas into lucrative new ways to solve problems. So when it came to reinventing its Profile and Monogram lines, they invested in new product development; coming up with cutting edge innovative features that would excite customers and try to create that all important emotional attachment to their products.

*Dave McCalpin, Chief Marketing Officer, GE's Consumer & Industrial:* The good news in appliances is that despite the fact that it's an industry, that for the better part of the past two decades has seen declining prices for its products, there has been pent up demand from consumers to buy better products.

*Pat Lore:* Not only are they spending more, but they are buying more appliances as well. The creation of a family of appliances was aimed at encouraging consumers to make multiple unit buys.

*Dave McCalpin, Chief Marketing Officer, GE's Consumer & Industrial:* As you look at the market today, there is a lot more multiple unit purchases in the market, and with our styling and consistent family appearance across both of those brands, we attempt to provide a compelling story as to why the consumer would want to buy those.

*Pat Lore:* Profile competes for the top 25% of price points while Monogram serves the top 2-5%, the ultra-high end segment of the industry.

*Jack Wright:* One of the things that we've done is put em in places that look like a kitchen alright... (Mumbled talking)

*Pat Lore:* Jack Wright knows the ins and outs of the appliance business and he knows consumers.

*Jack Wright:* One of the things that they're looking for is not only do they want it to work well, but I want it to look good. That's important to a lot of people. Profile and Monogram allows that to happen.

*Pat Lore:* And he says, buying one of these products isn't so much about the money as it is about getting a quality product a sales strategy that has benefited the dealer.

*Jack Wright:* Our sales continue to grow in Profile and Monogram year after year, month after month, it continues to grow.

*Pat Lore:* The brand repositioning helped to improve customers' perceptions of the products and as a result, the Monogram and Profile brands continue to appeal to consumers at a higher price point.

*Dave McCalpin, Chief Marketing Officer, GE's Consumer & Industrial:* The key is if we're able to offer better products, higher performing products, innovative products, that make life easier...they will pay more for the products.

*Pat Lore:* It's a reason why a few years ago consumers shopping for laundry products would have spent 5 or 600 dollars on a washer or dryer and now they'll spend a couple of thousand. Paying for high-tech features that allow consumers to appreciate the value of their purchase.

*Jack Wright:* As we begin to take them through how these products are built, the quality of the products, the quality of the burners, the Advantium cook tops, and they can see you know, for a little bit more money I can get a product that's made at a much higher standard, in the compressors, in the refrigerators, whatever, ...the people are willing to pay that extra money in order to get that.

*Pat Lore:* GE's distribution strategy also plays a role in the success of these two lines. The company is careful about who they choose to carry its products, they want to protect that very delicate brand experience.

*Dave McCalpin, Chief Marketing Officer, GE's Consumer & Industrial:* We've worked very hard in recent years on our distribution strategy. The Monogram brand is a very limited distribution strategy. The consumer has to sign up to be able and willing to support that kind of brand with a display requirement. As a result, it's a fairly narrow distribution for that particular product. The way we want the Profile brand to

be represented to consumers is in a very upscale setting, so we provide considerable support to those dealers that are willing to display it in the manner that we believe it should be displayed.

*Pat Lore:* As the Profile and Monogram brands have evolved, so too have consumer's perceptions, which have translated into higher profits. The average retail price paid for GE appliance products has increased more than 15%. And GE's appliance business has delivered five years of double digit earnings growth. Growth that the company hopes will continue no matter where the housing market or the economy heads. For the Pearson Video Library, I'm Pat Lore.