

KitchenAid Hand Mixer Portfolio Plan

The aim of this portfolio plan is to present two possible options for KitchenAid to pursue for its line of electric hand mixers. I will give a brief background on the company and its strategy as well as an overview of the competitive landscape before examining KitchenAid's current product portfolio and how it competes with rival offerings. Having established this background information I will then outline my recommendations for the next product development cycle.

Company Overview, Strategy, and Market Overview:

KitchenAid has a long history in American appliance manufacturing, going back to its founding in 1919. The company's original product was a stand mixer designed for domestic use, which was the first of its kind. KitchenAid has been offering innovative attachments and accessories for its stand mixers since the beginning, enabling home cooks to accomplish labor-intensive tasks with ease. KitchenAid has long enjoyed a strong position in the market thanks to its customer loyalty and reputation for quality. The Model-K stand mixer introduced in 1937 was designed with a lower price and streamlined silhouette to broaden the mixer's appeal, and the classic design was such a success that the mixer's appearance has remained largely unchanged since. The KitchenAid name is synonymous with heirloom quality thanks to the brand's commitment to product leadership and customer care. KitchenAid has offered the stand mixer in a variety of colors since 1955, with new colors added every year to keep up with trends.¹ KitchenAid expanded its product line in the 1980's to include built-in kitchen appliances as well as small electric appliances.² The rise in popularity of celebrity chefs over the last several decades has increased consumer awareness and prominence of the brand, mainly thanks to the stand mixer's popularity in professional kitchens.

The company's current position was shaped by its acquisition by the Whirlpool Corporation in 1986. Whirlpool is the parent company for several brands of large domestic appliances, but KitchenAid is the only brand in their portfolio that also produces countertop appliances. Whirlpool is currently the largest major appliance manufacturer in the world, with a dominant market share in the Americas.³ A 1987 restructuring of Whirlpool's subsidiaries prioritized KitchenAid's strategic focus on affluent and "quality conscious" consumers. This strategy was implemented through increased product quality as well as by restricting distribution channels to quality-oriented dealers.⁴ A recent reaffirmation of KitchenAid's brand strategy reemphasizes this commitment to heritage, quality, and product leadership. The following statement comes from Whirlpool's 2011 annual brands report: "With a focus on timeless design that nods to heritage and stretches toward the future, KitchenAid brand is dedicated to

¹ Klara, Robert. 2013. "Mix It Up a Little." *Adweek* 54, no. 20: 36-37. *Business Source Premier*, EBSCOhost.

² Grant, Tina. "KitchenAid." In *Gale Directory of Company Histories*, edited by Gale Research. Detroit: St. James Press. <http://www.fundinguniverse.com/company-histories/kitchenaid-history/>

³ Hinmon, Bryan. "Should You Take a Spin With Whirlpool?" *The Motley Fool*, April 26, 2011. <http://www.fool.com/investing/value/2011/04/26/should-you-take-a-spin-with-whirlpool.aspx>.

⁴ Grant, "KitchenAid."

premium performance and culinary excellence in the creation of its major kitchen appliances, small appliances and culinary tools.”⁵

Whirlpool’s revenue as a whole has been affected by the housing market crash and global economic downturn, due to the fact that sales of major home appliance are closely tied to the housing market. Whirlpool is confident that sales across the board will recover along with the economy due to their strong portfolio of brands.⁶ That being said, the KitchenAid brand posted revenues in excess of \$1 billion in 2011 and has shown no signs of slowing down, with small kitchen appliance sales proving to be particularly resilient.⁷ 22% of Whirlpool’s 2012 revenue was generated by non-major appliance sales, which is predominantly KitchenAid products.⁸ KitchenAid has weathered previous recessions well, and there are strong indications that this current downturn is no exception.⁹ The economic recovery has been particularly robust for high-income consumers, which is advantageous to KitchenAid’s strong brand presence in the high-end market.¹⁰

As a brand, KitchenAid can rely on several strengths. First and foremost is the brand’s strong reputation. The brand’s ‘professional grade’ pedigree has been further enhanced by the celebrity chef phenomenon, which accounted for a surge of stand mixer purchases beginning in the early nineties with the rising popularity of personalities such as Jacques Pepin, Julia Child, Martha Stewart, and countless others who broadcast their reliance on KitchenAid stand mixers to households worldwide on their cooking shows.¹¹



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Beyond the brand’s heritage, KitchenAid’s product leadership has been carried into the modern era by maintaining high quality standards. The brand employs domestic manufacturing for many of its appliances, and as of 2012, all of its hand mixers are made in the USA.¹³ Distribution through high-end retail channels protects KitchenAid’s

⁵ Whirlpool Corporation. “KitchenAid Brand - 2011 Whirlpool Corporation Annual Report.” <http://whirlpoolcorp.com/2011annual/brands/kitchenaid.html>.

⁶ Whirlpool Corporation. “2013 Morgan Stanley Global Consumer & Retail Conference.” <http://files.shareholder.com/downloads/ABEA-5DXEK8/2790318302x0x708263/98743fd3-cd8a-4c9f-b353-3b07a3ba640a/WHR%20Presentation%20Morgan%20Stanley%20Nov%202013.pdf>.

⁷ Whirlpool Corporation. “2011 Annual Report.” pg. 35. <http://whirlpoolcorp.com/2011annual/downloads/WHR2011AR.pdf>.

⁸ Whirlpool Corporation. “2012 Annual Report: Innovation, Growth, Leadership.” http://www.whirlpoolcorp.com/2012annual/Innovation_Growth_Leadership.pdf.

⁹ Grant, “KitchenAid.”

¹⁰ Fry, Richard and Paul Taylor. “A Rise in Wealth for the Wealthy; Declines for the Lower 93%.” *Pew Research Center*. April 23, 2013. http://www.pewsocialtrends.org/files/2013/04/wealth_recovery_final.pdf

¹¹ Fitzgerald, Kate. 1998. “KitchenAid Stand Mixer.” *Advertising Age* 69, no. 26: S12. *Business Source Premier*, EBSCOhost.

¹² Image sources (from left to right): http://farm5.staticflickr.com/4014/5081880933_a27d57d391_m.jpg, http://3.bp.blogspot.com/_qlwQRByznqg/TJuD4L2Z-gI/AAAAAAAAAEdw/DOU0qrSqogE/s1600/julia+2.jpg, http://d2dvlr1w1gfn2q.cloudfront.net/-M9Ad8m0pAJ0/T_xsXRqecMI/AAAAAAAF-tA/gNesHzC-sXs/IMG_0020.JPG?imgmax=800

¹³ Loepp, Don. 2012. “Are ‘Made in USA’ reshoring trends?” *Plastics News* 24, no. 3: 0006. *Business Source Premier*, EBSCOhost.

reputation in the US market, and the brand relies on differentiation through design and quality instead of focusing on price competition. This has allowed KitchenAid to avoid the kind of corner-cutting necessary to compete in the low-priced kitchen electronics market, which Whirlpool's design chief, Patrick Schiavone rightfully describes as, "commodity hell."¹⁴ Outside of North America, Whirlpool's global distribution channels could allow for global market penetration, particularly in high-growth emerging markets. That being said, KitchenAid's major weakness is its minimal international presence in small kitchen appliances. KitchenAid can't rely on the heritage angle outside of American market, and the high price of KitchenAid products makes for a tough sell in emerging markets. Furthermore, the brand is not doing a great job of differentiating its hand mixers in terms of actual product performance. The high-end hand mixer market in general is quite homogenous, with offerings that are nearly indistinguishable between brands. There are very low switching costs inherent in hand mixers, since high-end hand mixers typically come packaged with a full set of attachments and accessories. The hand mixer market in particular can be seen as quite mature since there is minimal potential with this particular product for disruptive technological innovation. The tool itself is quite simple, and the tasks it performs are based mostly in established cooking techniques. The main market force driving competition in this arena is rivalry among established firms.

Across the industry, the small kitchen appliance market can be seen as rather mature, with modest but appreciable growth prospects. Overall, the US market for small electrical kitchen appliances is very strong, with the total US market valued at \$5.2b in 2011, of which mixers account for \$523m. The resilience of this market can be attributed to the generally increasing trends of home cooking and value consciousness prompted by the recession.¹⁵ Mid-range to premium hand mixers are selling especially well in the online market, with the average price paid for a hand mixer being \$82 online versus \$58 in brick-and-mortar stores during the first half of 2013.¹⁶ An industry report by the Icon Group looked into global market growth potential in small kitchen appliances, and they report latent demand to be \$163m in Asia, \$139m in Europe, \$125m in North America (\$112m from the USA alone), and \$98m in the rest of the world.¹⁷

KitchenAid's current product portfolio, customer targets, and distribution channels are relatively focused on the high-end consumer market. The brand is very clear about its target customer and product leadership goal, which can be found on the Whirlpool investor relations website:

At KitchenAid we're fine tuning our strategy based on on-going consumer research. As you may know, Kitchen Connectors are passionate about their homes, kitchens and creating exquisite culinary delights to share with friends and family.

About the Consumer:

- A total focus on Family is facilitated by a clean, organized, and beautiful home.
- Cooking is used to draw family and friends together.
- The kitchen is the hub of the home for a variety of activities.
- Wants consistent performance and things to be easy.

[KitchenAid, http://insideadvantage.com/powerful_brands/kitchenaid.jsp]

¹⁴ Hagerty, James R. "For Appliance Makers, Less Is More." *The Wall Street Journal*. May 29, 2012. <http://online.wsj.com/news/articles/SB10001424052702303879604577410193241593100>.

¹⁵ Hagerty, James R. "For Appliance Makers, Less Is More."

¹⁶ The NPD Group. "NPD Reports Double-Digit Sales Growth of Small Kitchen Appliances in the First Half of 2013." Aug 29, 2013. https://www.npd.com/wps/portal/npd!/ut/p/a/0/04_Sj9CPyKssy0xPLMnMz0vMAfJc3Kt8jNTrKLM4w0tLBw93C0MvCy8TEwNHA1cA_1MTcOMLFzNHMAqzHCqMDPVD07N0y_IdlQEAAcPfv0/

¹⁷ Parker, Philip M. "The 2011-2016 World Outlook for Small Kitchen Appliances." *Icon Group International*. 2010.

KitchenAid's focus lies firmly on the high-end consumer who sees the kitchen as a place of socialization as well as a showcase of a homemaker's style and good taste. In keeping with this target customer, KitchenAid's hand mixer product line is in line with the high-end consumer market, although the lowest two offerings (3 and 5 speed) are definitely catered to a lower tier to compete with cheaper offerings. KitchenAid currently offers four different hand mixer models (the following information comes from the KitchenAid website unless otherwise noted):

- **3-speed Ultra Power Hand Mixer**
 - \$49.99 MSRP, sells for \$34.92 at Wal-Mart (exclusive retail outlet)¹⁸
 - Available in one color, mechanical speed selection.
 - Fighter product, gives KitchenAid a low-end market presence.

- **5-speed Ultra Power Hand Mixer**
 - \$49.99 MSRP
 - Available in 9 different colors, mechanical speed selection.
 - Lowest-cost option available directly from KitchenAid as well as retailers other than Wal-Mart. The pricing on this model is comparable to the \$58 in-store purchase price average according to NPD's market research, making this product a contender for shelf space in big-box retailers like Target and department stores such as Macy's.¹⁹

- **7-speed Digital Hand Mixer**
 - \$79.99 MSRP
 - Available in 5 color options, plus one 'Architect Series' metallic finish.
 - Digital controls, with 'Soft Start' technology, which slowly ramps up speed to minimize splattering. Features a more 'premium' styling than the Ultra Power, with a design language that reflects the stand mixer's styling.
 - Middle-tier option with high-end retail presence at kitchen specialty stores like Williams Sonoma and high-end department stores.

- **9-speed Digital Hand Mixer**
 - \$109.99 MSRP
 - Available in 6 colors, plus 3 'Architect Series' premium colors/finishes.
 - Digital controls with 'Soft Start,' comes with a full range of accessories including beaters, a whisk, dough hooks, an aerating mixer, and an accessory bag. Same premium styling as the 7-speed Digital Mixer.
 - This is the hand mixer for KitchenAid's high-end homeowner who likely owns the stand mixer as well.

KitchenAid's high-end retail positioning and online presence is a key factor to reaching their target customer. Williams Sonoma carries the 9-speed Digital Mixer (\$109.99 MSRP) in three exclusive colors and finishes, along with a full range of KitchenAid appliances. The 9-speed Digital Mixer is also available from high volume online channels

¹⁸ WalMart, "KitchenAid 3-Speed Ultra Power Hand Mixer, White." www.walmart.com/ip/KitchenAid-3-Speed-Ultra-Power-Hand-Mixer-White/30155137.

¹⁹ The NPD Group. "NPD Reports Double-Digit Sales Growth of Small Kitchen Appliances in the First Half of 2013."

like Amazon, Macy's, Bed Bath & Beyond, and Sears. None of the hand mixers are available at discount retailers or online channels, except for the 3-speed Wal-Mart model.

Competitive Landscape, Target Customers, and Trends:

The competitive landscape in the hand mixer arena is largely composed of established manufacturing concerns and appliance companies. At the high-end of the market, the largest competitor is the Conair Corporation, which is the parent company of Cuisinart. Cuisinart has the most comparable product portfolio of high-end hand mixers, and a strong brand reputation that is built on their well-regarded food processor. Cuisinart enjoys favorable placement in high-end retail and in the cooking industry in general, especially among celebrity chefs.

Breville as a brand holds a smaller market share than KitchenAid in the appliance market as a whole, but the company produces one high-end hand mixer, the Handy Mix Digital (\$79.99 MSRP), that is competitive with KitchenAid's high-end offering. The Handy Mix Digital is unique in its innovative digital display that includes a timer, as well as offering an unmatched 16 speeds.²⁰ Although Breville is not a contender in terms of their market penetration, they are certainly a threat to KitchenAid's product leadership.

The low end of the market is far more crowded, and dominated by larger electronics manufacturing firms. The products in this category are typically manufactured overseas, minimally differentiated, with mechanical speed adjustment, no digital displays, and minimal accessories. Nacco Industries is an American manufacturing corporation that holds an 18% US market share in food prep appliances with its Hamilton Beach brand alone, and it is also parent to the Proctor Silex brand of consumer electronics.²¹ Combined, Hamilton Beach and Proctor Silex produce eight different hand mixers, ranging in price from \$12.99 to \$34.99.^{22 23}

Jarden Brands is an American corporation that holds a 16% US market share in food prep appliances as the parent company of both Sunbeam and Oster.²⁴ Sunbeam and Oster manufacture eight different models of hand mixers priced between \$14.99 and \$34.99.^{25 26}

Another sizeable electronics manufacturer competing in the low-end hand mixer market is Black & Decker, which offers three different models priced from \$19.99 to \$24.99.²⁷

In comparing KitchenAid's hand mixer offerings to its competition, it is clear that the brand has chosen to stay out of the low-end market due to the intense competition and minimal profit margins inherent in a commodity market. At the high end of the market, KitchenAid's portfolio is quite similar to that of Cuisinart, which is concerning. Cuisinart and KitchenAid employ similar combinations of brand reputation, high-end retail placement, and product quality in their strategies, while Breville is more quietly working to dominate in the product leadership arena with increased functionality. The main bases

²⁰ Breville Group Ltd. "Handy Mix Digital." <http://www.brevilleusa.com/the-handy-mix.html>.

²¹ Euromonitor. "Food Preparation Appliances in the US." <http://www.euromonitor.com/food-preparation-appliances-in-the-us/report>.

²² Hamilton Beach. "Hand Mixers." <http://www.hamiltonbeach.com/hand-mixers.html>.

²³ Proctor Silex. "Hand Mixers." <http://www.proctorsilex.com/products/kitchen-appliances-hand-mixers.php>.

²⁴ Euromonitor. "Food Preparation Appliances in the US."

²⁵ Sunbeam. "Hand Mixers." <http://www.sunbeam.com/kitchen-appliances/mixers/hand-mixers>.

²⁶ Oster. "Mixers at Oster.com." <http://www.oster.com/food-prep/mixers#prefn1=ostMixerType&prefv1=hand-mixer>.

²⁷ Black and Decker. "Food Preparation." http://www.blackanddeckerappliances.com/products/food-preparation.aspx/?page=1&filter.brand=Black%20and%20Decker&filter.categorytier2=Food%20Preparation&_=1&filter.categorytier3=Mixers.

of competition in hand mixers are style/color, interface and speeds, accessories, and quality/price.

There are several emerging customer segments and trends for KitchenAid to consider in their target market of high-to mid-range consumers. High-end home-owning consumers see the kitchen as a social place to express a homeowner's individual style. For the high-end homeowner market segment, the desired outcome in buying a mixer is to be able to complete demanding mixing tasks with ease while fitting into the owner's expression of their overall kitchen style. A unified, refined style is the goal. The high-end homeowner market segment is important to KitchenAid because these consumers are the most likely to buy into the KitchenAid stand mixer's mystique as an item of 'kitchen bling.' Although the KitchenAid brand already serves high-end consumers well, the already wealthy have enjoyed the most robust recovery from the recession, and they are well worth the effort necessary to retain them. The ideal channels to reach these consumers are through high-end kitchen retailers like Williams Sonoma and Sur La Table as well as through established homemaking celebrities such as Martha Stewart.

The mid-range consumer for KitchenAid products is defined by the foodie Millennial demographic. Foodie Millennials are spending more on 'aspirational appliances' in the recession recovery, and are increasingly drawn to gourmet cooking in the home.²⁸ The desired outcome for these consumers is the ability to complete demanding mixing tasks and advanced techniques to achieve 'professional' results. In the age of food bloggers and Instagram, every home chef can be a food celebrity, and for foodie Millennials the choice of kitchen appliances is all about balancing capability and budget. The 'prosumer' category utilized by the audio-visual electronics industry would apply well to this group in regards to their choices in kitchen equipment. This market segment is growing in size and affluence, and they are more likely to save up for a higher-quality product that will last them into adulthood than to buy a 'disposable' low-end product. This segment should also be treated as a high priority for KitchenAid because of the potential for future growth as the economy improves. The Internet is the ideal channel to reach these consumers, through food blogs as well as online retail.

The low end of the market is far less discerning, with their desired outcome being the ability to complete mixing tasks at a reasonable cost. These consumers were hit hardest by the recession and will be the slowest to recover, resulting in high price sensitivity. KitchenAid should give this market a low priority due to the difficulty of competing in a commodity-priced market without lowering product standards and harming brand reputation.

The three key trends defining the hand mixer market right now are home cooking, 'aspirational appliances,' and the rise of 'prosumer' kitchen appliances. The most recent incarnation of the home cooking trend is being driven by consumers' desire to know what is in the food they eat. Home cooks are undertaking increasingly involved techniques like home meat grinding and juicing to avoid processed food additives like 'pink slime' and high fructose corn syrup. The economic recession has also driven people to cook at home due to the cost savings, and the popularity of food bloggers and celebrity chefs have helped make it trendy to do so. 'Aspirational appliances,' as coined by the Euromonitor research group, is a term to describe the increasing perception of kitchen appliances as lifestyle accessories, and how the economic downturn and recovery have spurred

²⁸ Euromonitor. "Consumer Appliances in the US." <http://www.euromonitor.com/consumer-appliances-in-the-us/report>.

consumers into spending more money on their home than on entertainment or non-durable goods. Particularly with foodie Millennials, this trend has translated to a willingness to spend more on kitchen appliances for the increased quality and style they afford the user.²⁹ Finally, the ‘prosumer’ trend in housewares can be seen in the ruggedized styling of Dyson vacuum cleaners or the extreme capability of BlendTec blenders, which are powerful enough to heat up soup and reduce iPhones to dust, which the company has been very successful at advertising with its viral, “Will it Blend?” videos hosted on YouTube. BlendTec’s success is a clear indication that product leadership combined with the right channels can open up new market opportunities in kitchen appliances.

Portfolio options or directions to pursue:

Overall, KitchenAid should stay with its current customer base, because the mid-to high-end consumers are the most likely to value product leadership, brand reputation, and style when choosing a hand mixer. KitchenAid is not structured to compete in the low-price market without potentially tarnishing its reputation as a high quality brand. It is in KitchenAid’s best interest to hone its strategy in on the high-end homeowner and foodie Millennial demographics because they are both already attracted to our products, although taking a greater share of either market will require different but potentially overlapping strategies.

Product Leadership Strategy:

My first recommendation involves pushing KitchenAid’s product leadership in a much more explicit manner. Product leadership is already a strength for the brand, but little has been done to showcase the superiority of KitchenAid’s small appliances beyond the hand mixer line. For hand mixers, this strategy could drastically differentiate KitchenAid’s high-end offerings through product innovation. A parallel example in kitchen appliances is to look at how BlendTec is able to sell their super-premium blenders at retail prices ranging from \$500 to \$1000.³⁰ By increasing the capability of the top-of-the-line hand mixer, KitchenAid could attract more male consumers and ‘prosumer’ Millennials looking for kitchen appliances with a workhorse reputation. Millennial consumers particularly value this level of product leadership. When a Millennial sees a KitchenAid stand mixer in a restaurant kitchen or in the kitchen of a celebrity chef on television, then the brand is validated for them. KitchenAid would greatly benefit from having this type of credibility extend to the rest of its product line. KitchenAid already has a differentiating product leadership in its hand mixers by using quiet and powerful DC motors, as opposed to the AC motors found in other mixers. This fact is not widely distributed, however, and I only discovered it by contacting the company directly when I sought information on the wattage of the motors in their hand mixers (which other companies readily display, despite their lower-quality AC motors). The strategy proposed here is two-pronged: KitchenAid must not only redefine product leadership in the hand mixer arena, it must also make its product superiority explicit to the consumer. The strategic roadmap for this type of product leadership is as follows: Increase the capability of our high-end hand mixer to make it an ‘Ultra Mixer.’ The Ultra

²⁹ Euromonitor. “Consumer Appliances in the US.”

³⁰ BlendTec. “Professional Kitchen Blenders.” <http://www.blendtec.com/products/category/blenders>.

Mixer will sell at a higher cost than our current offerings, but the price will be justified by its clearly defined superiority over all other hand mixers on the market, with the capability to replace other kitchen tools such as immersion blenders or even a stand mixer.

Product Leadership Portfolio Plan:

KitchenAid will become the clear product leader in the hand mixer market by designing an ‘Ultra Mixer’ with such unmatched capabilities and performance that it will be able to perform tasks that are currently the realm of other small kitchen appliances. Beyond the ability to whip and mix, our hand mixer will be able to excel in tasks that are currently seen as beyond the capabilities of a hand mixer. Our goal is to capture the market of foodie Millennials who either cannot afford the stand mixer, or do not have space for it, yet want to take advantage of the added capabilities that a KitchenAid stand mixer would offer. We will measure success by whether or not we create a new niche by capturing the underserved market of prosumers who don’t have the space for a stand mixer. The product portfolio would shrink to one “Ultra Mixer” offering, catering specifically to the high-end of the market. The lower tier hand mixers would no longer be relevant to the brand with this strategy in place, and would only serve to detract from the brand reputation.

Concerns:

- One major concern with this strategy would be the possibility of cannibalizing sales from KitchenAid’s other appliances and products, especially stand mixers.
- Dramatic change to product portfolio could alienate us from the market, especially if consumers do not immediately adopt the new functionality.

Brand Allegiance Strategy:

Another possible path forward for KitchenAid’s hand mixer portfolio would be to push the hand mixer as an integral part of KitchenAid’s product family as a whole, thus increasing customer engagement with our brand experience by encouraging them to purchase the full set of kitchen appliances. KitchenAid stand mixers are already a highly regarded, aspirational item. They are found on wedding registries and sought after on the used/hand-me-down/bargain hunter market because of their high price and high desirability. People are experiencing our brand by bringing it into their own lives and family stories. Instead of seeing a customer inheriting “grandma’s KitchenAid” as a lost sale, KitchenAid could work to encourage these customers to complete their family of KitchenAid appliances, thus increasing market penetration. By promoting a *system* of small appliances instead of just a collection of standalone products, KitchenAid can counter the low switching costs inherent in the hand mixer market and drive brand loyalty. KitchenAid successfully employed a similar strategy for its entry into the built-in kitchen appliance market in the 1980’s. KitchenAid’s president Ken Kaminski sought to discourage consumers from cherry-picking their appliances from several different manufacturers by selling them on the benefit of, “a full kitchen's worth of [KitchenAid] appliances with coordinated colors and styling, and one point of contact for sales, delivery, use and care and after-the-sale services.”³¹ In terms of small appliances, the most likely candidates for this sort of coordination will be high-end homeowners who

³¹ Grant, “KitchenAid.”

have either purchased built-in KitchenAid appliances or one of KitchenAid's venerable stand mixers. Once these customers have bought-in to the KitchenAid brand, the best way to drive further purchases would be to encourage these customers to 'complete their collection,' so to speak. The key to this strategy would be the ability to offer a full set of KitchenAid small appliances in a matching color or finish, whatever that color might be (discontinued colors included). The current line of stand mixers is offered 28 different colors across 11 different models. Color mixers have been offered since the 50's, and while some colors have been discontinued, new colors are added every year. The variety of potential colors means that there are consumers who may love the color of the stand mixer they already own, but are unable to match it with KitchenAid's current offerings. By offering custom color coordination using on-demand manufacturing, KitchenAid can leverage its broad product portfolio to increase market penetration among existing customers. Motorola is taking advantage of this sort of customization and on-demand manufacturing with the MotoX smartphone. The key to their success with this strategy is a direct-to-consumer online channel combined with the flexibility and quick turnaround afforded by assembling the phones domestically. KitchenAid is unique among kitchen appliance manufacturers in that it employs domestic manufacturing for all of its hand mixers and stand mixers.³² This unique position would give KitchenAid the advantage in any attempts at custom color matching over any current competitors. More expensive appliances could be offered in combination with small appliances at a discount, but the ability to custom order a color would allow foodie Millennials with less purchasing power to build up their small appliance collection over time. In the longer term, this strategy would benefit from further coordinating the KitchenAid design language across the brand to make owning the 'complete set' a goal that consumers will aspire to reach. Advertising would make up the short-term implementation of this strategy, until the manufacturing processes can be reorganized to accommodate customization. The hand mixer and other appliances should not be depicted separate from the rest of the set, in order to reinforce the product system image. There could be further opportunities in encouraging celebrity chefs to create recipes that utilize the whole family of appliances in one recipe. KitchenAid would also benefit from ensuring that the whole set of appliances is available wherever the brand has a retail presence. The retail experience must reinforce the product bundling strategy as much as the online and advertising presence. In terms of the product portfolio, KitchenAid should cut the low-end models to focus on creating one high-end model and one mid-range model. The decreased product offering will offset the increased complexity inherent in offering a greater color variety. I recommend staying out of the low-end, commodity market in order to protect brand reputation and focus on the most valuable consumers.

Brand Allegiance Portfolio Plan:

KitchenAid will generate maximum brand loyalty from our customers by showcasing the small appliances as a system instead of as individual parts. Stylistic elements like color as well as design language will set the groundwork of this strategy, reinforced by advertising as well as promotion of recipes and techniques that utilize the entire product line in concert. Success in this strategy can be measured by the number of existing customers that choose our brand over others for their small appliance purchases in order

³² Hagerty, James. "Once Made in China Jobs Trickle Back to U.S. Plants." *The Wall Street Journal*. May 21, 2012. <http://online.wsj.com/news/articles/SB10001424052702304587704577333482423070376>.

to 'complete their collection.' This strategy will help KitchenAid capture a larger market share in high-end hand mixers and drive direct-to-consumer sales from its website.

Concerns:

- Increased complexity of color matching might make manufacturing costs prohibitive.
- Would have to check this strategy against how prospective customers approach the brand, i.e. whether or not they would desire the whole package and value this level of coordination

Recommendation on Which Direction to Pursue:

Although both of these proposed strategies carry certain risks, I believe that strategy number two is the most viable. KitchenAid's current market position is strong, and deepening customer engagement with our brand is a much safer bet than attempting to redefine the category with a super-charged hand mixer. Although the 'Ultra Mixer' product might present too great a risk right away, the potential rewards inherent in disruptive innovation in this category warrant a modest R&D expenditure on the product to investigate its viability. The strength of strategy two is that KitchenAid would continue to offer the hand mixers that are already successful, but with a new way to engage customers, particularly among foodie Millennials who are accustomed to customizing their own products, and among high-end homeowners who have already proven themselves to be valuable KitchenAid customers.

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