

Marketing Analysis

Dean Thommes is seeking a method through which to create awareness for and profit from his product Electralube. The client has expressed interest in advertising, a competitor analysis, a market analysis, and a sales forecast. The team conducted a survey that was completed by 74 homeowners to collect data on where people purchased their light bulbs, if they use an electrical lubricant, and how much they would be willing to spend on a lubricant. The team received surveys from 38 Male homeowners and 37 Female homeowners. The 3 top stores that these homeowners in this area purchase their light bulbs from are Meijer, Lowes, and the Home Depot. The team also found that 45% of these homeowners have broken a light bulb in the past and only one of these homeowners had used a lubricant before, which was Vaseline. On average, the homeowners change their light bulbs once every 6 months to once a year. The homeowners surveyed would most likely see the advertising for Electralube via Popular Mechanics Magazine (.4%), Infomercials (27%), Hardware Store (63%), and Billboards (.5%). The team concluded that it would be beneficial to package this product with light bulbs because 82% of the homeowners said they would use this product if it was a packaged deal. Over half of these homeowners would purchase Electralube again if it was effective. The percentages these homeowners would be willing to pay for Electralube are 81% for \$3.00-\$5.00, 15% for 5.00\$-\$7.00, 4% for \$7.00-\$10.00, and 0% for \$10.00-\$15.00.

Sales Forecast

The sales forecast for Electralube is based on a compilation of market data obtained through surveys. The surveys were administered to current homeowners and electricians in order to obtain information that pertains to the demographics Electralube would pertain to. The data from the surveys concluded that the current pricing is over the amount of which potential customers are willing to pay. The surveys indicated that 81.2% of consumers were only willing to pay a maximum of \$5.00 for the product. We recommend that the product be sold at a lower profit with higher volume in order to obtain a larger sales margin. Based on the information given to us by our client regarding product costs we can estimate startup and monthly costs.

Using this information we can figure out the point at which all expenses and revenues balance out using break-even-analysis. Break-even-analysis is essential to the client because it provides a target for the company to exceed in order to begin to earn profit. The total fixed start-up costs for Electralube total \$7,100.00 and variable costs total \$2.00 per unit. The following equation was used to calculate the break-even-point from the given information:

The break-even-point shows us that after 2,367 units of Electralube sold, the client will begin to incur a profit. This data is only relevant to the first month as start-up costs for machinery and other expenses will not be incurred as business continues in the following month. From an accounting standard our client could choose to allocate start-up costs over the machinery's lifetime. Depending on how this is handled, however, our breakeven point could potentially be affected.

Also, regarding sales forecasts, 82% of those surveyed stated that they would use

a sample of Electralube if it was packaged with light bulbs. However, only 66% of the people surveyed said they would purchase Electralube if they found it useful. This means that in order to reach the break-even-point, given that the product is shown to be effective, our client would have to target $2,367/.66 = 3,586$ potential consumers with a free sample of Electralube.

The following sales forecasts have been established based on the retention rate of our audience and market research for the best, most likely, and worst case sales scenario for the next three years. These were calculated to show consecutive growth of 20%, 15%, and 10% respectively to each month.

Another important factor in the sales forecast are sunk costs. Sunk costs are costs that have already been expensed and can't be recovered. Our client has already invested funds in the product such as patents for the dispenser, advertising in Popular Mechanics, and the samples of Electralube. The USPTO product patent cost our client \$6,950.00 in initial fees and a 10% recurring royalty fee for yearly sales of the product. For an ad to be placed in an issue of Popular Mechanics it cost our client \$2,300.00. Finally, our client obtained 100 samples of Electralube at \$2.00 a unit, totaling \$200.00. Accumulated sunk costs for Electralube now totals \$9,450.00, excluding royalties for potential sales of the product.

It is important for our client to assess sunk costs when making business decisions because it allows him to evaluate whether investing more into the product is going to result in an escalation of commitment. Providing additional financing to a product that is not creating current profits may lead our client further into debt. In relation to the sales forecast it is likely that the product will not break even until after the first year.

Continuing to invest in the product is ultimately up to the client, but the risk of not having an immediate return on the investment and the inability to recover sunk costs are important factors that must be taken into consideration when making a final decision.

It can be concluded that there is potential for the product to be profitable if the product is marketed successfully. Based on the team's research it appears that the clients business is feasible, but the start-up costs may be unobtainable unless funding is obtained. Other factors such as inability to retrieve sunk costs and immediacy of returns on the investment must be considered in order to avoid an escalation of commitment. All of these factors pose a large risk for our client, especially in a market that is not sought after by average consumers, but the ultimate decision in whether to proceed is entirely up to our client.

Competitor Analysis

Some direct competitors consist of any dielectric grease companies such as Super Lube, which is a dielectric grease compound known for lubricating electrical connections; Bulb-Ez, another dielectric grease compound known for lubricating electrical connections; and Buster produced by Armchem, which is the same lubrication used in our product but in aerosol form.

These direct competitors may threaten the success of our product. Each of these products has particular strengths and weaknesses associated with lubricating light bulbs. For example, Super Lube, a dielectric grease competitor, is available in varying sizes and shapes, from a .5 oz. squeeze tube to a 16 oz. jar. However, Super Lube requires the user to squeeze the lube from the tube onto his or her finger in order to apply it to the connection. Each of the competitors' products (Bulb-Ez, Super Lube) are applied manually, save for Buster Penetrating Lubricant & De-moisturant, which is available in an aerosol can form. Each of these products can influence the market demand of our product, bringing down demand. These products are available locally. For example, Super- Lube is located at Home Depot and Ace Hardware. The client's product has a slight advantage for consumers by providing an easy application process to the light bulb rather than having to apply it manually by touching the lubricant or potentially spraying the lubricant onto oneself. You can apply the lubrication by sticking the light bulb into the foam slit within the cup, twisting the bulb around to apply the grease. Also, our product is complimented with a holster, having the holster attached to a belt and fit perfectly within the holster. However, the competitive disadvantages include our product being a high cost compared to the other competitors.

Various indirect competitors might be Petroleum Jelly, WD-40, which are used as grease. Also, Needle-nose pliers, potatoes, and tennis balls used to remove broken light bulbs from a socket might be considered indirect competitors.

Jelly and WD-40 are grease compounds used to lubricate common household products. These two lubricators can be applied to light bulbs to prevent being stuck in the light outlet. These can directly affect the success of our business; however it is not directly related to our product. The other indirect competitors, including needle-nose pliers, potatoes, and tennis balls, are not in the dielectric grease business nor do they provide ample help in the lubrication of light bulbs. However, these products are known to help remove broken light bulbs from their sockets. Several tricks of the trade have been used in place of having to buy a lubricant for light bulbs, and these products may influence homeowners and electricians toward not purchasing our product and to instead use these common household items. All these indirect competitors can be bought at a local convenience or hardware store.

In the future, the Department of Energy could possibly require the use of lubrication on light bulbs through General Electric. Also, any new manufacturers or suppliers of dielectric grease moving into the Kalamazoo/Michigan/Midwest area.

Future competitors include the Department of Energy, General Electric, and any new manufacturers or suppliers of dielectric grease. The DOE may have the power to regulate the light bulb usage, and knowing the dangers of mercury spilling out from a broken light bulb, they may propose that all light bulbs may have lubricator pre-applied to the bulbs in order to prevent breakage. Also, companies may package light bulbs with lubrication on them in order to gain a competitive advantage in the marketplace.

Our team has found that Electralube is one of the more expensive products available for light bulb lubrication. Products associated with Superlube can be found from a ½ ounce tube which is about \$6.48 per unit to a 16 ounce jar that runs for about \$15.20. These prices from Superlube also come with a shipping fee from Jamestown Distributors of about \$11.00. Bulb Ez offers a range of products from a 1 ounce container to these ready lubricated 3 inch pads that come in a pack of 50. The 1 ounce container was found for a price of \$4.99 plus a \$3.00 shipping fee from Amazon.com. The pack of 3 inch pads was found for a price of \$3.95 plus a \$6.45 shipping fee from Amazon.com. We also found an average 13 ounce household container of Vaseline from Wal-Mart for \$3.24. Our team researched and found that 81% of Homeowners would pay \$3.00 to \$5.00 for a container of Electralube.

"Grease and Oil lubricants." *Super Lube*. Synco Chemical Corporation, 2008. Web. 14 Feb 2012. <<http://www.super-lube.com/>>.

"WD40 Grease and Lubricant." *Wd-40*. WD-40 Company, 2012. Web. 15 Feb 2012. <<http://www.wd40.com/>>.

"Buster Penetrating Lubricant &." *Archem*. CommerceV3, 2010. Web. 24 Feb 2012. <[http://www.armchem.com/product/Buster Penetrating Lubricant/By Manufacturer ARMCHEM SPECIALTY PRODUCTS](http://www.armchem.com/product/Buster_Penetrating_Lubricant/By_Manufacturer_ARMCHEM_SPECIALTY_PRODUCTS)>.

"Bulb Ez." *Bulb Ez*. Copperwolf, Inc., 2012. Web. 14 Feb 2012. <<http://www.bulbez.com/bulbez/home.asp&xgt;>>.

Advertising and Promotion

The team came up with several feasible ideas on how to generate awareness about Electralube. These ideas include both short and long term goals to reach. The team's first idea for advertising and promotion is becoming a member of the Kalamazoo Chamber. Becoming a Chamber member would increase your networking opportunities, product awareness, and boost knowledge about surrounding businesses that may want to take on your product. When the client becomes a member of the Chamber he pays a \$500 annual due. This membership will provide the client services such as member-to-member benefits, complimentary access to afterhour's events, and two slots in the Chamber's member book. Because the client is such a new company, he would be able to start out at the Entrepreneurship tier. The cost of the entrepreneurship tier is \$250. Marketing opportunities are also available if the client were to purchase them through the Chamber. As the client's company grows it will qualify for the higher tiers of the Chamber. By moving up in the Chamber the client can reap more benefits. These include benefits like accident insurance and auto-owners insurance. As long as the client keeps actively participating, the client will see the benefits of being a Chamber member.

Another form of advertising the team suggests is Pay-Per-Click (PPC). PPC is an easy, affordable, and audience attracting way to get the word out about Electralube. The client can create his ad and choose words or key phrases that match the client's product, mission, and audience. When people search Google using a keyword or phrase that the client has coined, the client's ad will appear around the search results. There is no minimum or maximum that the client has to pay to get the ad run. The more the client pays, the more the ad will run. This is an extremely effective way to attract attention to

the client's product because if someone is typing in that key word or phrase, they are already your target market. The best part about the payment is that the client only pays for these ads if someone clicks on the ad and lands onto the client's website.

Every Door Direct Mailing (EDDM) is another form of marketing the team suggests for the client. EDDM is a way to get the word out about your product that is low in cost and simple. The team found that you can reach a wide range of people at low cost and creative way. EDDM is a marketing campaign program that is great for small businesses and companies because it is inexpensive advertising. It is all done online or at the post office. There are specific specifications for the mailing piece, which makes it easy for printers and for the design. The team talked to Katelyn Braun at United States Postal Service and the exact specifications for the mailers are: weight can be up to 3.3 ounces, it has to be more than 11.5 inches length or ¼ inch thick or 6 1/8 inches in height (Katelyn). You must send more than 200 and fewer than 5000 mailers. The postcard can be doubled sided and should state "current resident" for the addressee. For 5000 postcards it will cost \$475 plus shipping.

The team recommends using local media outlets to create a consistent advertising base. The Kalamazoo Gazette and its affiliated publications offer a diverse local readership and relatively low rates. In particular, Lake Life Magazine would be a great fit for the product. It is published four times a year and circulated to 15,000 lake homes in Southwest Michigan. The team believes this would be a perfect market for advertising the outdoor benefits of the product. If all four publications are used, the cost is only \$42.00 per issue or \$53.00 per issue individually.

Another important advertising possibility for the product is the trade show market. Although most of them are in the first quarter of the year and have thus already passed, it is something to consider for the future. A good local opportunity is the Home Builders Association of Greater Kalamazoo's Home Expo, which is held in March of each year in Portage, MI. The cost is between \$200 and \$550, depending on the amenities needed for the booth. The team believes this would be a great way to develop the product's brand in the local community.

Kalamazoo Chamber of Commerce. Acccrinet, 03/14/2012. Web. 14 Mar 2012.

<<http://www.kazoochamber.com/>>.

"Google AdWords." *Google Ads*. Google, n.d. Web. 2/13/2012.

<<http://www.google.com/ads/adwords2/>>

Advertising Rates. *Kalamazoo Gazette*.

<www.kalamazoogazette.com/ratecard2009.pdf>

Katelyn, Braun . Telephone Interview. 10/02/2012.

Funding

The team looked into grants and funding for Electralube. While searching, we could not find any that would fit the client's product. In this economy, it is very difficult to receive funding. The major grants we looked into were the Small Business Administration distributed by the government. Although these grants are not feasible to obtain right now, sometime in the future there may be a better chance to receive them. Their website is www.sba.gov/category/navigation-structure/loans-grants. This is a great opportunity for grants when they have more leniency on where to spend their money.

"Loans and Grants ." *Small Business Administration*. N.p., 2012. Web. 20 Feb 2012.
<www.sba.gov/category/navigation-structure/loans-grants>.

Research

As part of the team's research process we looked into research that could be done on Electralube to have paper evidence of the corrosion. We were unsuccessful in finding any research that has been done to prove that Electralube will actually prevent corrosion after the allotted time of use. We were in contact with the client about the research as well as the liquid patent holder. They also had no research proving the prevention of corrosion.

The team researched The International Brotherhood of Electrical Workers (IBEW). "The International Brotherhood of Electrical Workers represents approximately 675,000 members who work in a wide variety of fields, including utilities, construction, telecommunications, broadcasting, manufacturing, railroads and government. The IBEW has members in both the United States and Canada and stands out among the American unions in the AFL-CIO because it is among the largest and has members in so many skilled occupations" (IBEW.org). IBEW informed us that they do not require the UL certification for the products they purchase.

The team also researched how to acquire an underwriter's laboratory certification for our product and found out that it is most likely infeasible for our product to receive an underwriter's laboratory certification because it is not a consumable product. There is a way to receive the stamp however, if we test the torque of the lubricant and it meets a certain criteria.

The team spoke to employees at Lowe's Home Improvement on Drake Road in Kalamazoo and found out there are no competitors on their shelves. We introduced the product to the assistant manager, gave him a sample along with a business card, and

asked to set up a date to talk about a day to set up a display to market our product. The client has handled any subsequent business with Lowe's.

The team also looked into auto-repair shops around the Kalamazoo area that might be interested in using Electralube on car batteries to prevent corrosion. Unfortunately, we were unable to find an auto-repair shop that would be willing to pick up the client's product at this time.

The team made an effort to contact Feit Electric in order to obtain information regarding market analysis and ask if the company if they would be interested in bundling a sample of Electralube with their products. After being redirected to their marketing department, however, Fiet Electric did not respond to our requests.

Home Builders Association of Greater Kalamazoo.

http://www.kalamazoohomepage.com/events#!_events

"Submitting Products FAQ." *Underwriters Laboratory*. Underwriters Laboratory, 2012. Web. 19 Feb 2012.

<http://ul.com/global/eng/pages/corporate/contactus/faq/productssubmission/>

Conclusion

The team researched all aspects of Electralube including a market analysis, sales forecast, competitor analysis, advertising/promotion opportunities, funding, and research. After collecting 74 surveys the team understands the cost homeowners are willing to spend on the product and recommends lowering the current price. The survey concluded that advertising in hardware stores would be the most effective way to generate revenue.

It can be concluded that there is potential for the product to be profitable if the product is marketed successfully. From our sales forecast the company will not break-even on start-up costs until the second year, based on a 66% customer retention ratio and 15% monthly sales growth. It appears that the clients business is feasible, but the start-up costs may be unobtainable unless funding is obtained. Other factors such as inability to retrieve sunk costs and immediacy of returns on the investment must be considered in order to avoid an escalation of commitment. All of these factors pose a large risk for our client, especially in a market that is not sought after by average consumers, but the ultimate decision in whether to proceed is entirely up to our client.

Knowing the three types of competitors will help establish a firm stance for our product in the market. Evaluating all types of competitors brings us to an understanding of how to better prepare for current situations as well as future scenarios. We see that the competitors have a relatively lower cost than our product, so to obtain some advantage in the market, it is necessary for us to reduce the cost of Electralube.

Our main competitors include Bulb EZ, Super lube, Buster Lubricant (made by Armchem), and Petroleum Jelly. Super lube can be found at Home Depot and Ace Hardware. Petroleum Jelly can be found at any retail grocery store. Bulb EZ and Buster

Lubricant must be purchased online through direct outlets or Amazon.

The team researched many advertising opportunities. Our top choice for our client would be the pay-per-click because it is inexpensive, easy and reaches a large audience. By making these few changes, the team believes it could effectively increase the product revenue for our client.

Recommendations

At Lowe's Home Improvement, after talking to the assistant manager Hans, he was interested in our product and would like a follow up to see invoices for our product and how we could make a business proposition with Lowe's. The recommendation we have to our client is to follow up with Lowe's to see how they may be able to assist in the success of our product. Another recommendation our team proposes would be to lower the price of Electralube or offer discounts to customers since 81% of homeowners would only pay \$3.00 to \$5.00.

After lowering the price of the product, our next focus should be trying to obtain an Underwriters Laboratory stamp on our product. Many electrical engineers and other janitorial services would be glad to use our product knowing that it has the safety approval certification from the Underwriters Laboratory. However, if it is infeasible to obtain a UL certification, our client should look into other ways to certify the product in order to let customers trust the product and have peace of mind when using Electralube.

The team discussed the possibility of redesigning the product label. It was agreed that an updated label would be helpful for attracting interest in the product, especially in terms of standing out on store shelves. It would also create an opportunity to create a branding initiative, with the product labels, displays, and advertising material all having a cohesive look.

It is recommended that an updated video be added to the website to better assist customers in understanding all of the uses Electralube offers. The new video should explain how the product protects from corrosion as well as demonstrate the products application to light bulbs. The film, video, and media studies department was contacted

and has students that would be willing to assist in creating the video.

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