CASE STUDY

Breathing new life into a lagging product line

Challenge: When a once hot product is no longer new and exciting, how do you maintain record-breaking sales performance?

Company: Emerson Process Management, a division of Emerson Electric (which purchased Knoxville-based Computational Systems Inc. in 1997), manufactures health monitors and technology that provide advance warning of pending machine failures. These monitors enable organizations to plan and implement cost-effective maintenance procedures before failures occur, thereby avoiding expensive repairs and shutdowns. One such monitor, the CSI 4500, is an online application often employed in the paper, chemical, power, petroleum and pharmaceutical industries. For example, a CSI 4500 Monitor may be used to predict failures in a turbine at a TVA power plant.

Opportunity: The CSI 4500 product line was launched in 1999 and quickly exceeded sales records. Three years later, however, sales began to decline. Bill Broussard, who had just completed the University of Tennessee’s Professional MBA program, was tasked with resurrecting the product line.

Solution: “I used every skill I learned in UT’s Professional MBA program to turn the business around,” says Broussard. “From accounting to logistics and everything in between, it all came into play.”

EMERSON PROCESS
MANAGEMENT

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Broussard shares these highlights:

Management: One of the critical first tasks was to refocus the sales team. Five sales consultants, or application experts, began reporting to Broussard, who instituted weekly conference calls. Goals were set, forecasts were regularly updated and much-needed education about the product was provided. In addition, younger reps were assigned to mentors. A change-averse staff became an informed, empowered and goal-oriented team.

Accounting and finance: Another focus was maximizing the profitability margin of each solution sold to a customer. In this business, rarely are two solutions the same. Each solution is customized for the customer, and the bill of materials needed for each solution often involves a mix of high-margin and low-margin products and services, as well as outsourced buy-in items. In the past, the proposal process had been time-consuming and ultimately produced less-than-ideal results for the bottom line. Using accounting and financial tools, Broussard analyzed revenues, cost of goods sold and overhead expenses to understand what each proposal component actually cost the company. Now his management team can make informed pricing negotiations knowing the margin contribution of each sale. With the proper data for decision making now in hand, the effort required to prepare accurate, timely and profitable proposals has been significantly reduced.

Marketing: At UT, Broussard learned “customer value determination,” in which customer satisfaction measurements are based on the concept of value. Measured quantitatively and qualitatively, customer value determinations then are applied to specific product features. Broussard said this strategy was used to develop a new product feature for the CSI 4500 line. “We shifted from an engineering approach to a marketing approach,” explains Broussard. “We assessed what our customers valued and designed the product accordingly, instead of engineering a product we thought would work and then expecting our sales force to figure out how to sell it.”

The old cycle of development — develop, launch, get customer feedback, re-engineer and begin again — was replaced with a new style — identify the customer’s requirements and then engineer a solution to meet them. “For all intents and purposes, the new feature ‘hit the nail on the head’ with respect to what our customers wanted,” says Broussard.

Global perspective: The CSI 4500 line is sold all over the world, but each market is unique. “We must address different distribution models by country, such as currency fluctuations, transfer price factors, cultural differences, and service capability — and still figure out how to make money for the company,” explains Broussard. “For example, in Latin America, we had a representative with very strong service and technical capabilities, but he faced significant competitive pressure and price challenges. We were able to support his efforts by devising creative approaches to his unique market environment. As a result, he succeeded in securing one of the largest contracts in the product line’s history.”

Outcome: These techniques helped a promising product line realize its potential, with sales meeting Emerson’s high expectations over the past four years. Moreover, in 2006, Emerson began a strategic partnership with a key supplier in Germany that led to an evolutionary release of the CSI 6500. Investing in further growth of the line, Emerson recently acquired that manufacturing facility and promoted Broussard to oversee its integration into the Emerson family.

Case Study is provided by the University of Tennessee College of Business Administration Professional MBA program. For more information, contact Cindy Raines at cranies1@utk.edu.

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DECEMBER 2009 33

11:30 a.m.-1:30 p.m. Dec. 17 at the Oak Ridge Chamber of Commerce. For more information or to register, call 865-483-2668.