HARVARD BUSINESS REVIEW / McKINSEY M-PRIZE FOR MANAGEMENT INNOVATION

FINALIST

INNOVATING INNOVATION CHALLENGE

Complementary Graphics for

Whirlpool's Innovation Journey:

An On-Going Quest For a Rock-Solid and Inescapable Innovation Capability

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WHIRLPOOL CORPORATION INNOVATION HISTORY

INNOVATION & MARGIN REALIZATION

1911

Phase I

Burst: Sea of White

1999

i. 3 dedicated teams
ii. White canvas innovation
iii. 100 day plans
iv. Double Diamond Process Adoption

Phase 2

Scale: Big Time

2004

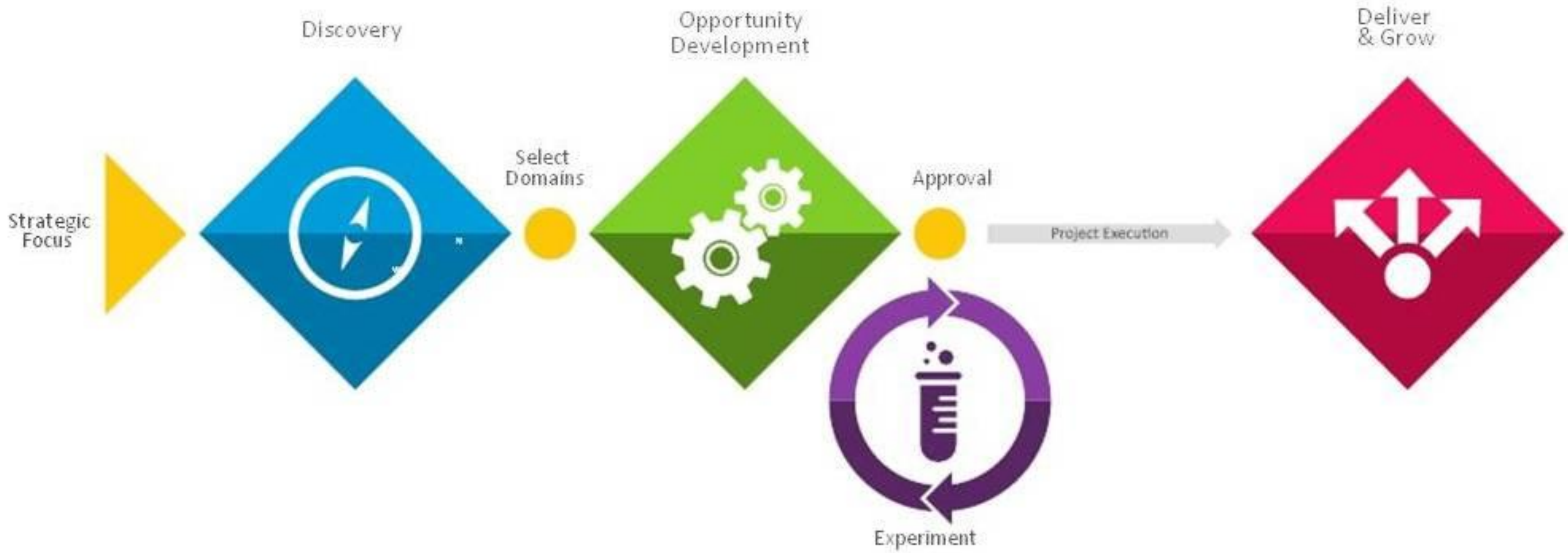
i. i-mentor program
ii. Sandbox for innovation
iii. Seeing is Believing
iv. i-Boxes
v. Formal Metrics

Up a Notch: What Goes Around Comes Around

2010

i. New scaling mechanisms
ii. 100 day plans (reprise)
iii. I-turbo projects
iv. Third Diamond
v. Doing more with less
vi. Creating desire through design

Whirlpool


Discovery
Opportunity Development
Deliver & Grow
Strategic Focus
Select Domains
Approval
Project Execution
Experiment

TEAM 1 – TARGET CONSUMER 1
CONSUMER IMMERSION, GARAGE ORGANIZATION

Observations

- Perfectly organized home s don't seem so nice in the garage
- Consumers seemed ashamed of showing us the garage
- As long as the home is in good shape the garage can be a mess
- The standard for organization in the garage is not the same as the rest of the house
- No clear logic in the way the things are organized in the garage
- Seasons are very important

IT'S JUST THE GARAGE

"My home is a reflection of me, but the garage isn't."

Consumers believe that the appearance of your home tells other people a lot about you. But that belief seems to stop at the garage and other storage areas. Moreover, there is a general acceptance that it's *normal* to have a messy garage and there are few examples of anything better that would cause people to want to improve this space. How do you extend "keeping up with Jones's" into the garage?

Who/What: Consumers who believe a messy garage doesn't count against them.

What: The standard for the appearance of the garage/storage area is low, yet it is often on display to the neighborhood.

Why: People don't hang out there. Having storage areas is what allows the rest of the home to look good. People are using rationalizations to justify the condition of the garage.

Ideation Starters:

- How could we inspire people to apply "design" thinking to the garage?
- How could we create a catalyst that ignites the perception that "keeping up with the Jones's" also includes the garage and other storage areas?
- How can we drive an industry change so that investing in the garage increases the resale value of the house?
- How could we change the garage's reputation and who could help us do that?

INNOVATION MANAGEMENT SYSTEM

Change the Systems... Free the People

INNOVATION DEFINITION

1. Unique and Compelling Consumer Solutions
2. Creates Sustainable Competitive Advantage
3. Creates Superior Shareholder Value

#2: Unique and compelling solution

Project name:

A) Compelling consumer solution (5 points)

Outline customer needs and related solution(s) which address these needs. *(Circle number)*

0	1	2	3	4	5

Little proof (low scores and no supporting research)	Moderate proof (medium scores and positive research data)	Strong proof (high scores and strong research)

- Use 3 or 4 key bullet points to outline the customer needs and the related solution(s) which address these needs.
- How are these aligned with the top needs/attributes for the product category and brand e.g. cleanability etc? Does this align with the brand performance curve?
- Include evidence to prove that this is a compelling consumer solution e.g. VOC data, concept test scores, influencer network comments, habits/practices research ...
- What experiments were run to confirm the reaction of consumers?

B) Willingness-to-pay or market share gain (2 points)

0	1	2

Little proof (No research or market share gain)	Moderate proof (Pay a little more with no share gain)	Strong proof (Will pay more and gain share)

- Describe any pricing research or evidence that consumers are willing to pay more for this innovation over a comparative product – if so, how much more?
- If there is no gain in pricing, what is the expected gain in market share (%)?

C) Unique consumer value (3 points)

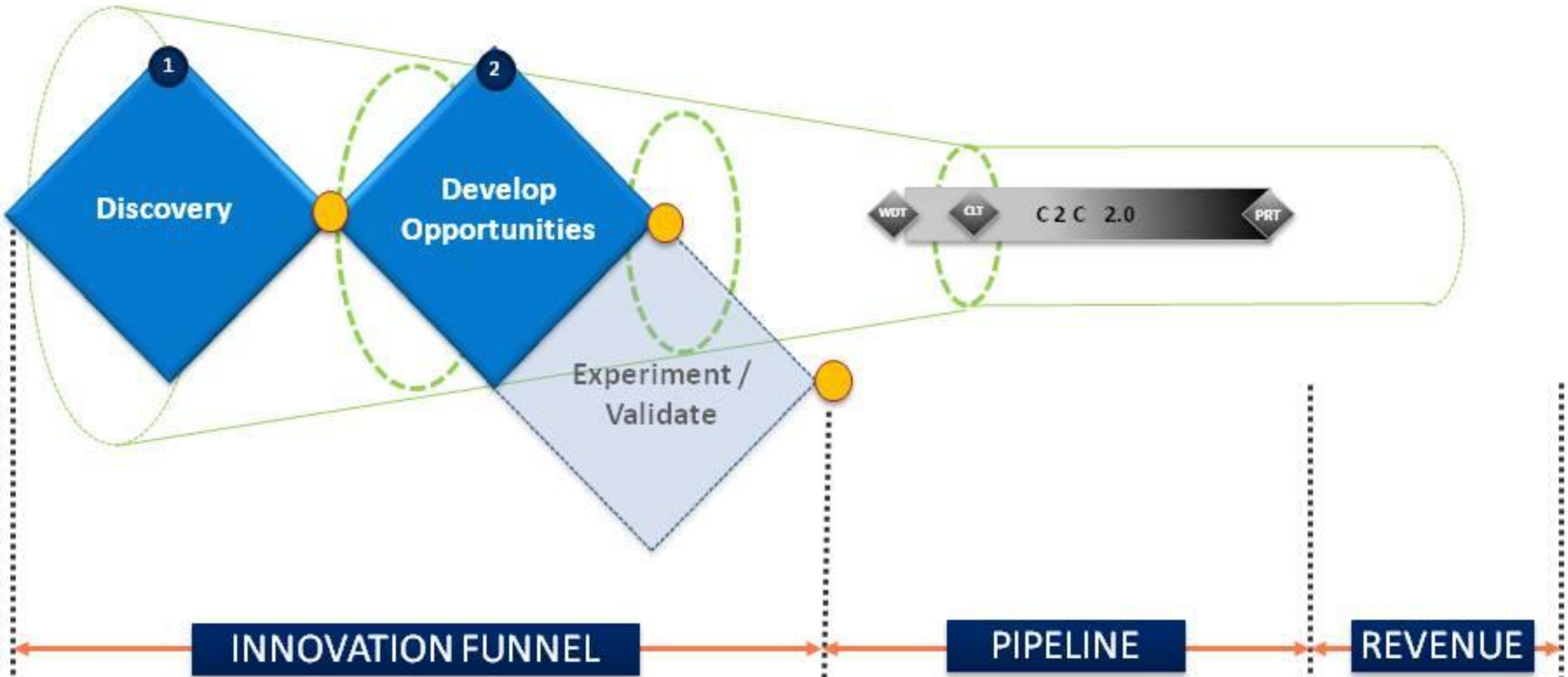
Outline differentiation from competition at time of launch (not today).

0	1	2	3

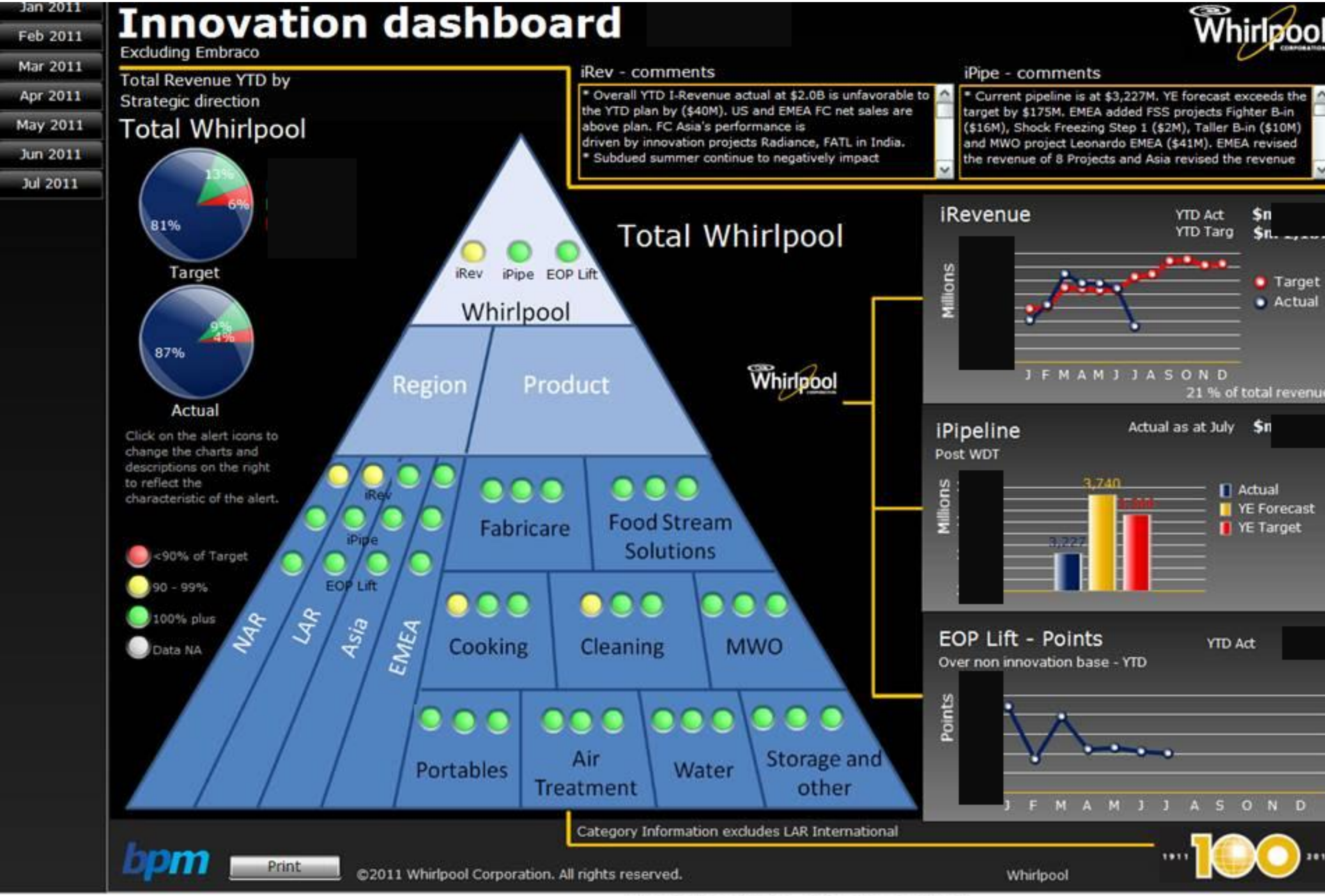
Nominal advance (meets competition)	Significant advance (clearly outperforms competition)	Disruptive advance (step change better than competition)

- Will any competitors in the region offer this solution at any price point or have a close alternative at the time of launch?
- How is this solution different from the competition?
- Would a consumer be able to understand the improvements?
- Would our trade partners be willing to displace a competitive product on the floor or add new floor space for this solution?

INNOVATION METRICS



- Estimated steady state revenue of active projects/initiatives
- Steady state revenue
- Actual Revenue
- EOP lift



FOR ILLUSTRATION ONLY

OFFERING CONCEPT WAS REFINED DURING 100 DAY PLAN

100 Days | Formal pilot

FULL LAUNCH

Cycle #1

UNDERSTANDING THE GARAGE SPACE

Who:
Varied sample of 2-car garages in households > $150k

What:
1 day ethnographic observation in 30 homes, 10 per city, 3 diff geographies

Initial hypothesis:
Consumers value an appliance designed for their garage

Learnings:
Main issue is organization
People may value a freezer

Cycle #2

"WORKBENCH FREEZER" EXPERIMENT

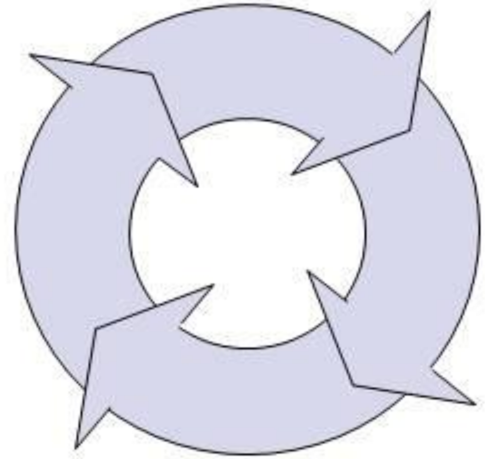
Who:
Target consumers, households > $200

What:
Test prototype in 10 homes with organization issues in the garage

Initial hipothesis:
An appliance/organizer (freezer) would be valued by consumers

Learnings:
While freezer is valued, the bench and its organizational features are what consumers are most attracted to. Consumers adapted org features.

Cycle # 3



INITIAL LIMITED LAUNCH

An organization solution for the garage

HEALTHY HOME

FROM: Making Tasks Easier TO: Enabling a Healthier Lifestyle

TRENDS & SIGNALS

- 73% of US consumers consider being physically fit important to being 'well', with 74% including 'feeling good about themselves'
- Aging population 65+ represented 12.4% of the population in the year 2000 but are expected to grow to be 19% of the population by 2030
- One fifth of US population express preference for "healthy & sustainable lifestyle."
- Past scares over food & viruses hav consumers risk-averseness regarding food & health spinach, tomatoes, etc. & pandemics like bird flu, swine flu & H1N1
- The emphasis on preventive medicine continues to grow including nutrition and wellness movements
- Household emphasis from feeding to nourishing the family
- 500M people worldwide expected to use mobile healthcare apps by 2015

EVIDENCE OF MARKET POTENTIAL

- Rise of health-centric brands
  - Whole Foods (US) – $12B market cap
  - Natura (Brazil) – $14B market cap
  - Kingfisher (UK) – $9B market cap
- Overall three-fourths of all U.S. families are buying organic products for consumption or some household use

POTENTIAL IMPLICATION & IDEA STARTERS

- Air purification & humidity control
- Sterile, antibacterial & self-cleaning surfaces
- Sense allergens & pollutants on food, air & water
- Appliances tailored for Seniors needs
- Steam for healthy cooking
- Health monitoring
- Safe management of pharmaceuticals at home
- Appliances that better preserve organic food
- Nutraceuticals storage & preparation
- Preventative health care delivered at home
- Home that enables easy senior living

CONSUMER PERSPECTIVE

- ~20% of US population wants "healthy, sustainable lifestyle." Brand loyal, status conscious, influential.
- Increasing germophobia, association of chemicals with disease

WHY WHIRLPOOL & LEVERAGEABLE CAPABILITIES

- Internal Use Only


Processo Growth & Innovation
Visão geral
G&I
ToolKit
Discovery
Experiment
Develop
Opportunities
Deliver & Grow

VALUE CREATION FROM INNOVATION

Fabric Care Evolution

Sale of single machines transformed to increased pair sales

Pair sales transformed to lifestyle suites

2000

$698 MSPR

Dryer Match Rate =15%

2006

$2,398 MSRP

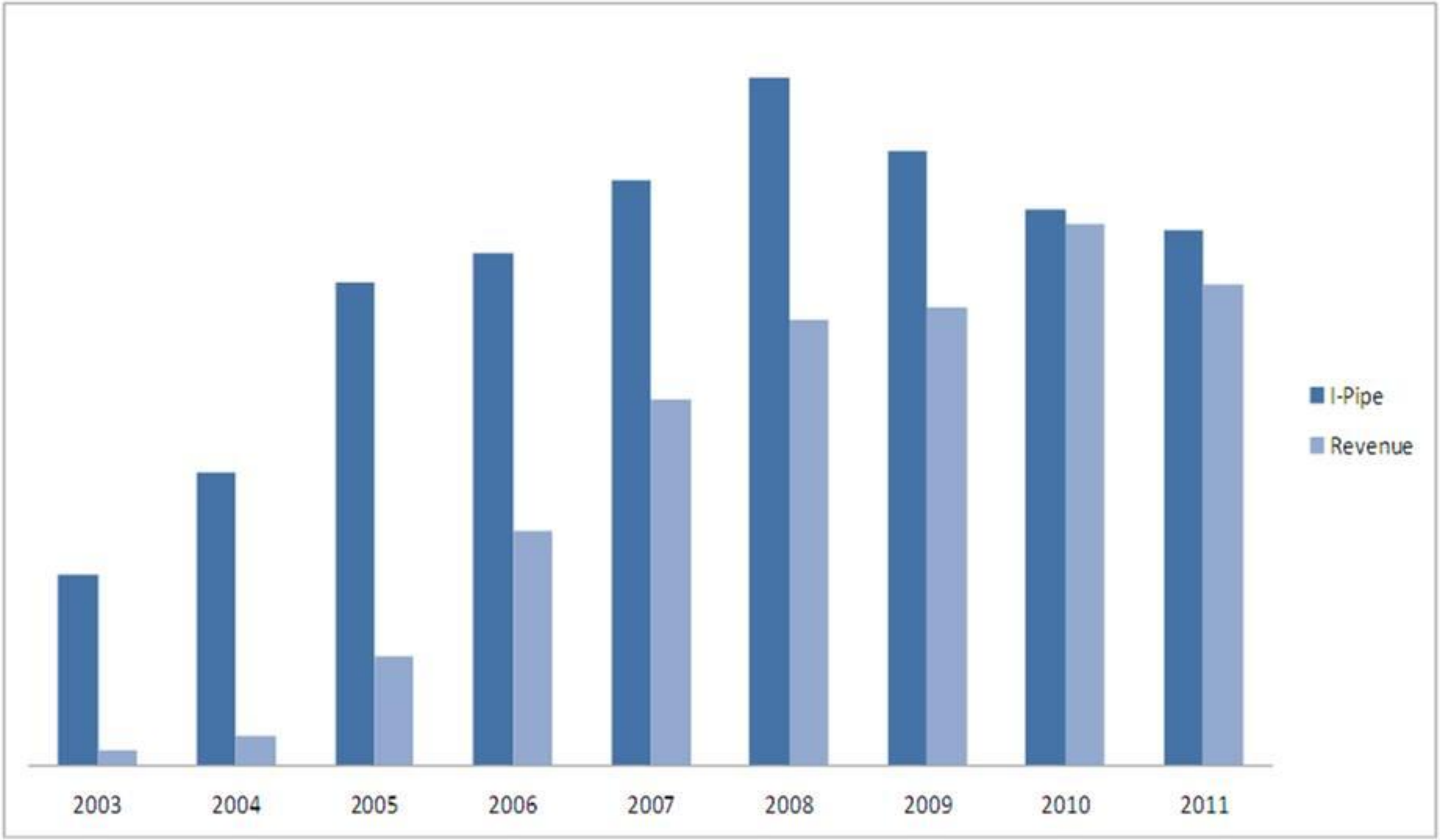
Dryer Match Rate=96%

Pedestal Match Rate=60%

2008

$3,000 MSRP

HISTORICAL PILELINE AND REVENUE



Learning Curve