

New ventures case series: Strutting your stuff

Good companies are built on great ideas. Success, however, only comes when they reach the right market

The Pierre Morrisette Institute for Entrepreneurship at the Richard Ivey School of Business, Financial Post Business

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The Company: Wyse Design & Development Inc. is a young start-up in St. John's, N.L., that makes a unique, portable winch for the outdoor work and recreation equipment markets. Existing customers - mainly in its local area - like the product, and founder Brian Lundrigan is readying a second item with the potential to extend the business.

The Situation: Despite his company's early success, Lundrigan needs an affordable way to market and sell his winches to a larger audience. He's tried to find a manufacturer that would license his designs and he's also dabbling in online marketing. But until he can find a formula that works, the company's long-term viability remains in doubt.

Brian Lundrigan typed his company's name, Wyse Design & Development Inc., into Google. Then he clicked on the link leading to a promotional video for its main product - a portable winch system - that he had posted on YouTube. The clip told a simple story: A man driving an all-terrain vehicle through soggy muskeg suddenly becomes stuck in a deep mud hole. He hops off his vehicle and pulls out a small case holding the winch. He hooks one end of the winch's cable to his ATV, the other to a tree, with the winch's motor slung between the two points. He flips on the motor and, a few moments later, is out of the muck and back on his way.

"Putting the demo on YouTube was a good idea," Lundrigan thought to himself as he watched the clip one more time. It helped him deal with one of the key tasks facing his St. John's, N.L.-based firm - specifically, educating consumers and retailers accustomed to fix-mounted winches about his unique, portable product, dubbed the Wyse Mid-Span Winch System. Instead of listening to him explain it, potential customers could see it in action. Best of all, posting videos on YouTube was free - a major consideration for a young company like Wyse, which had little money to spend on a full-scale advertising campaign yet dearly needed to get word out about its product.

Until this point - approximately three years since he launched Wyse - Lundrigan had built up a small but enthusiastic roster of clients that included individual customers as well as local institutional users such as Fisheries and Oceans Canada, the Newfoundland and Labrador Search and Rescue Association and the Newfoundland Department of Resources. But long-term success could only be achieved if he extended his reach. On the plus side, Lundrigan was convinced there was a much wider market for his winch, as well as a soon-to-be-launched kit option that would allow owners of fix-mounted winches to convert their units into portable devices using Wyse's design.

He saw his biggest opportunity in the mass retail market, even though it was (and remains) dominated by cheaper imports. He believed his product's quality and flexibility would convince consumers to accept his price.

The problem was, how could he get the word out when he had no resources to invest in a major marketing campaign? Posting videos on YouTube was a start. But Lundrigan knew he'd need to do much more than that. But what?

Lundrigan, who had worked for a major food distributor before founding Wyse, came up with the idea for his winch system in 2003. It happened one day while he was visiting a friend, sitting in the man's garage and talking about a new snowmobile he had bought.

"This man, who was about 50 years old at the time, was telling me about how he had been out in the backcountry by himself and had gotten his new snowmobile stuck," Lundrigan recalls. "He complained that it had taken him an hour to walk back to his cabin, an hour back to the sled, and a third hour to dig the machine out." While the man was talking, Lundrigan found himself staring at an ATV in the corner of the garage that had a fix-mounted winch system. "I'm an avid fan of snowmobiles myself and I'd been in a lot of similar predicaments. I kept looking at the winch on the ATV and thinking: This can be made much more useful."

Inspired, Lundrigan spent the next few months sketching out his idea for what would become the Wyse (an acronym for "When You've Struggled Enough") mid-span winch. In 2004, he pulled some funding together and applied to a local business incubator for technology start-ups called the Genesis Centre, which was affiliated with Newfoundland's Memorial University. The centre believed that Lundrigan's concept had potential to compete in the global market and accepted his fledgling company as a client.

Initially, Lundrigan simply planned to design his winch system and license it to a manufacturer. As it turned out, his timing couldn't have been worse. Since early in the decade, the domestic winch industry had been facing stiff competition in the form of cheap imports from Asia. Mass merchandisers had been selling the imports for as low as \$69, much cheaper than the \$200 to \$600 charged for winches made in North America. The Asian winches were of lesser quality, but they had gained market share rapidly. "The traditional winch manufacturers were going through a particularly hard time trying to recapture market share they had lost to the cheaper Asian products," he says. "It seemed that most were in survival mode and focused primarily on cutting costs, not so much on new product development."

Undaunted, Lundrigan continued to test designs and develop prototypes. In the end, he decided to build the business on his own. In 2006, after sourcing his own components and finding a manufacturer, he went to market with the final version that retailed in the range of \$300 to \$400. Lundrigan decided to call his product a mid-span winch - not a "portable winch" - because he wanted to avoid being confused with various imported winches, some of which gave the impression of being a portable product. "It can be confusing to the consumer because these 'portable winches' are only portable while you are carrying them from the place of purchase to your home," Lundrigan says. "Then they have to be permanently bolted down to something for it to be used."

The name of Lundrigan's winch system may have been a mouthful for casual consumers, but that didn't stop it from having a successful launch. It scored great reviews and generated decent business, much of it via word of

mouth. While that interest alone was enough to convince Lundrigan that he needed to reach a wider market, the issue grew more acute when he came up with the idea of the conversion kit.

From his research and meetings with retailers, Lundrigan knew that many consumers had purchased imported fixed winches on a whim, either due to the low shelf price or for a specific but infrequent use. But industry contacts were also telling Lundrigan that many of these winches were not actually being put to use by the people who bought them, due to their impracticality and the added cost of having them mounted on vehicles.

This insight led him back to the design process to develop a product he would call the Wyse Winch Kit. The final version was essentially his mid-span winch system, minus the winch. The customers he was targeting already owned those. What they lacked was the true portability that came with his mid-span concept - and, thus, the motivation to pay to have their inexpensive Asian winches fix-mounted on a single vehicle. Lundrigan was hoping that his solution to the mounting issue would give winch owners a whole new reason to open their pocketbooks.

Lundrigan is now ready to launch the Wyse Winch Kit and is looking for an affordable marketing strategy for both his mounting kit and his mid-span system. "The question is, how do we effectively educate potential customers about our products?" he asks. "If consumers realized how useful their winches - either fix-mounted or sitting unused - could be with our kit, I'm confident that they would look for our products at their local retailers. And if they wanted a full winch system, we'd gladly be able to serve their needs as well."

Lundrigan also faces another, related hurdle - getting his products placed at retailers. "Every major retail chain is offering winches in their product line, but what they seem to forget is that every winch they sell will require a mounting solution," he says. "We think we have the solution with our kit, but I'm having a hard time convincing the retailers. How can I get them to see the potential profit that walks out their door every day?"

Indeed, although word about Wyse products is spreading, Lundrigan needs some-thing more to take his business to the next level - specifically, a marketing strategy that's both high-impact and low-cost. What to do?

The expert view

by Luke Sklar, President of Sklar Wilton & Associates

I love this guy. I love that he has a passion for his product and that it looks - based on the good reviews - that his product is going to amount to something. It sounds like he has a better mousetrap, something that solves a real problem. It makes me think of James Dyson and the Dyson vacuum. He didn't like the vacuums that were around so he set out to invent a new vacuum - one with constant suction.

That ingenuity is something we should celebrate. But like so many brilliant entre-preneurs, Brian Lundrigan lacks focus. The slogan on the Wyse website of "Any Vehicle, Anytime, Anywhere" is indicative of the company trying to be everything to all people. Instead of trying to target everyone, Lundrigan needs to take a step back and really figure out who his consumer is. Making a broad attack on the market will have zero impact. The way to have impact is to find those people who want it most and to convert them into ambassadors.

The ideal customer needs to be someone in a situation where a portable winch is a huge asset, someone who is prepared to pay a premium price and who really fears being stuck. That's not everyone, and it's not the people who pay \$69 for a winch at Canadian Tire. So Lundrigan's first step is figuring out whom he's trying to sell to. (I think he has a lot of potential in the ATV market.) The second step is figuring out how to reach them. They're not likely the people going on YouTube to watch videos.

But if they aren't online, where are they? To answer this question, Lundrigan needs to find out what trade shows his target customers attend. He needs to know which magazines they read. Are there particular sports that they watch or are involved with? I really like the idea of having Wyse sponsoring a sporting event of some kind. A sponsorship can add credibility to the company's claim of better performance for its winch system.

Keeping both that and his budget in mind, Lundrigan might do well to involve himself as a personality in that sponsorship. He should think of himself as part of the brand. He's the inventor. He brings credibility to his winch just as Dyson brings credibility to his vacuum. They've both invented products that solve big problems. Lundrigan should read the biography of James Dyson and learn not only what he should do, but also what he shouldn't do.

Lundrigan is also being too ambitious with his invention of a new vocabulary for the winch market. My search of "winch" on Google turned up 10.7 million entries. My search of "portable winch" turned up 162,000. That seems to be an excellent description and it's narrow enough that people looking for a winch won't be overwhelmed. On the other hand "mid-span winch" is not meaningful to most potential customers. It's tough enough to build a brand, let alone create brand new words. (I also fear the "Wyse" acronym will never register as "when you've struggled enough.")

While I love his passion, Lundrigan is also too involved with his product - too in love with his product - to be able to step back and focus on the customer. The customer likes a back story, but they ultimately care about what this product can do for them.

The other option is to look at a partnership. As Wyse gets bigger, the company is going to need to continue building its infrastructure. Lundrigan needs to decide what type of business he's building. Does he want to be his own brand? One option may be going to Canadian Tire and offering to produce the winches for them, which isn't far off the licensing concept he'd considered in the early days of his company. They would brand the winches under their own label and they would carry the expense of building and marketing the brand to consumers.

Ultimately, Lundrigan has to decide where his winning options lie. On the consumer side, he has to decide what kind of people are most likely to be passionate about his product, and who will be willing to pay a premium to get it. Next, he has to figure out how to reach them. On the retail side, he has to explore all his options, particularly the possibility of forming a partnership with a major Canadian retailer that has the infrastructure to help market his products and build up the brand.

The expert view

by Lisa Shepherd, Mezzanine Consulting

Developing a product that consumers need is a remarkable accomplishment for any entrepreneur. Unfortunately, it's the easy part of creating a successful business. Distribution, sales and marketing often prove far more difficult. While the development of Lundrigan's product is a great accomplishment, it only addresses one of the critical "4Ps" for market success. He's got the product, now he has to deal with price, place and promotion. Let's address these three systematically.

PRICE: The price of the Wyse Mid-Span Winch is high compared to foreign products available through various channels. And it is consistent with the superior quality of Lundrigan's product. This makes it virtually impossible to compete on price. Lundrigan must show the benefits of his winch system to customers who are less price-sensitive and who value the benefits of his speciality product, rather than cater to infrequent users whose purchase behaviour is largely driven by price.

PLACE: This issue deals with distribution. The target market for a product greatly affects the appropriate channel for distributing it. Who will benefit most from his winch? Once again, it's the kind of users who value a high-quality and flexible winch system. These customers are the early adopters - those who pioneer new product use prior to mass distribution. Lundrigan should focus on these people and get the product in front of them at outdoor shows, in local specialty retailers and through partnering with ATV and snowmobile clubs. Once niche users give Wyse a thumbs-up, Lundrigan will have a track record and the ability to get larger retailers interested in Wyse, too.

PROMOTION: I love PR. It's effective and it's often free. Sound too good to be true? It's not. Lundrigan needs to develop a sexy press release that will highlight the real benefits of his product and create a story that is worth listening to. There are many angles to take when pitching PR. Is the product the result of good old elbow grease by a local Canadian? Or has the winch system saved a user from certain injury or death?

In today's world, PR is a very effective tool. Daily life is saturated with expensive advertising. Good PR creates a story and is considerably less intrusive than most of the marketing messages out there. My advice to Lundrigan would be to spend time developing an interesting story that highlights the benefits of his products - and then distribute that story as much as possible - particularly targeting media closely aligned with the niche users of his product.

This 4P approach will help Lundrigan establish a track record for his product, gain a loyal base of users and start generating profits that he can reinvest to grow the business.

The outcome

Try as he might, Lundrigan has had little success taking any big steps forward. His preferred plan is still the idea he started with - to license his two products to a winch manufacturer. "Someone with dedicated manufacturing and established points of distribution could take these products quite far," he states. But absent any obvious partner, he is continuing on his current path. That means relying on word of mouth and trying to generate demand by putting information on the Wyse website and YouTube for consumers to find. Lundrigan is thinking about calling on ATV distributors and dealers alike. "Our products do require some explanation, because they're different from what people are used to seeing or using. Often, I know that people are puzzled by what a 'mid-span' winch is. It's not just new and better. It's new and different. After all, we've created a new category of products."

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