



Meet Verve.



The Verve

Marketing Plan

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Executive Summary:

Herman Miller is preparing to launch a new and affordable office chair, The Verve, in a mature market. We compete with other established office chairs because The Verve offers a unique combination of advanced features and functionality at a value-added price. We are targeting specific segments in the consumer and business markets, taking advantage of economic opportunities with the current economic situation bringing employees back to home offices.

The primary marketing objective is to achieve first year U.S. market share of 4 percent with unit sales of \$250,000. Our primary financial objectives are to reach first-year sales of 50 million, keeping first year losses near 5 million and break even early in the second year.

Current Marketing Situation

With the shift of services playing an increasingly important role in the office furniture industry, the industry has become less manufacture driven. Herman Miller is not new to this increasing trend and prides itself on services provided as well as outstanding quality and design. At the turn of the millennium office furniture shipments in the United States fell by more than one third, which was the largest decrease in more than 20 years. By 2007 however the furniture market made a complete recovery reaching a market value of \$11,420 million. One of the reasons for this increase in market share was the employment rate, which grew by about 1.2% in 2007. This caused office furniture purchases to increase by 5.5% that same year. Herman Miller had net sales of about \$2.012 billion in 2008. Experts say that growth for the next two years will be in the 2.2% to 2.7% range and market value is expected to reach \$12.8 billion this year.¹

Herman Miller designs and manufactures furniture for office, health care, educational, and residential settings. As of fiscal year 2008, ending May 31, 2008, 70% of

¹ <http://ezinearticles.com/?American-Office-Furniture-Market-and-Anticipated-Trends&id=775774>

the company's sales were made through 151 independent dealers in the US and several other independent dealers internationally. The other 30% was sold either directly to government institutions and major corporations or through company owned distribution networks. Despite falling demand for US office furniture from 2005 to 2008, Herman Miller has grown revenue by 16% by increasing sales in international markets and non-office related furnishings. Simultaneously, the company has increased profit margins from 5.73% to 7.57% by reducing expenses. Because Herman Miller pays designers through sales-based royalties, and partially compensates all 6,292 full-time employees by company performance, the company's expenses are partially dependent on sales. Therefore, as US office furniture demand has declined, so have the company's expenses.²

Market Description

The Verve will be marketed towards a specific segment new to the Herman Miller Company. We will stretch down and focus on the consumer market that already has maintained loyalty to IKEA since that will be the sole distributor of The Verve. This target market shops at IKEA because fundamental activities such as eating, sleeping, storing items, socializing and so on create a demand for furniture and practical products that solve essential human needs. The Verve is for those working from home or small businesses that are tight on budgets but still desire the comfort and luxury of a well-designed office chair for the long hours their bodies remained seated. Furthermore, the vast majority of people who are at the basis of The Verve's design have limited budgets and limited space in their homes and offices and this market attribute has been acknowledged in our design.

² http://www.wikinest.com/stock/Herman_Miller_%28MLHR%29#_note-10

Segment Needs and Corresponding Features/Benefits of The Verve.

Target Type	Target Segment	Customer Need	Corresponding Feature
Primary	- middle-income people, - ages 20 to 35	furnish their homes with well-designed and economic furniture	- Price at \$199 - Fits right in, whether your office is high-tech, casual, elegant, or a room at home that doubles as a gym - Three Pellicle weaves in neutral colors and a range of finish options
Secondary	- middle to upper-income - ages 36 to 65 - self-employed professionals	looking to find a healthy and cost effective alternative to seating while shopping for their homes or small offices	- Pioneering PostureFit Innovation - The patented Kinemat tilt - The Pellicle

Product Review

The Verve Chair offers the following standard features:

- *Pioneering PostureFit Innovation:* A modest, but fundamental, design addition, PostureFit is part of what makes Verve extremely comfortable to sit in, even for hours and hours on end. PostureFit supports the way your pelvis tilts naturally forward, so that your spine stays aligned and you avoid back pain.
- The high, wide, contoured back takes the pressure off your lower spine.
- Armrests slope slightly down in the back for the most natural and comfortable support.
- The "waterfall" front edge of the seat takes the pressure off your thighs, so your blood keeps circulating and you stay alert and focused.

- *The patented Kinemat* tilt mechanism lets your neck, shoulders, hips, knees, and ankles pivot naturally. The Verve chair moves effortlessly with your whole body, as if your body were telling the chair what to do.
- *The Pellicle* conforms to your body and cradles it, keeping the pressure even across your body-and keeps you cool at the same time.
- Adjustment choices for seat height, arm height (lever and wheel), arm angle, PostureFit, and lumbar.

Competitive Review

Herman Miller resides in a fragmented and highly competitive office furniture industry. The company believes its primary competitive advantage lies in its focus on research and development to create innovative furniture products. With office furniture demand moderating from a weakening US economy, pricing competition between office furniture companies has escalated. If Herman Miller can continue to successfully innovate, the company can still compete against lower cost producers. In addition, the company's sales-based cost structure will be advantageous in pricing competition as operation costs will concurrently decline with sales. Nevertheless, the company faces significant competitive challenges. While the company has focused on diversification, the company's primary business, US office furniture, has lagged the industry. In fact, US office furniture shipments grew 3.5% in the twelve-month period ending May 2008 compared to Herman Miller's net sales growth of only 2.8%. Herman Miller is also facing stiff competition from abroad. Many of the company's major competitors are also simultaneously positioning themselves in foreign markets. HNI Corporation and Steelcase have already acquired local manufacturing companies that have established distribution networks in China and the rest of Asia.³

- **Steelcase (SCS)** designs and manufactures office furniture and other complementary products like lighting and infrastructure. The company retains the

³ http://www.wikininvest.com/stock/Herman_Miller_%28MLHR%29

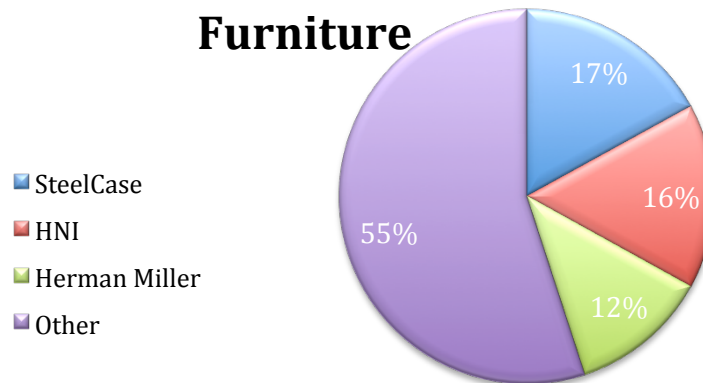
largest market share of office-related furniture in the world and competes with Herman Miller through a greater supply chain and a more expansive distribution network.

- **HNI Corporation (HNI)** also manufactures office-related furniture. Although HNI competes with Herman Miller for both contract sales to large corporations and commercial sales to independent dealers serving small businesses and home office users, each company has a different focus. Herman Miller primarily pursues contract sales while HNI pursues commercial sales.
- **Haworth Inc.** offers a full range of furniture, including partitions, desks, chairs, tables, and storage products. Brands include Monaco, Patterns, PLACES, and X99. The company operates about 60 showrooms worldwide and sells its products through more than 600 dealers.

Company	Total Revenue (\$M)	Sales Growth (Loss) from FY06	Profit Margin"	Net Income(\$ M)
Herman Miller	1,918	10.5%	10.3%	198.1
Steelcase	3,420	10.4%	3.9%	133.2
HNI	2,108	(4%)	4.7%	120

Note: Financial Data from Fiscal Year 2007

Market Share of US Office Furniture



Sample of Competitive Products and Pricing⁴

Model	Features	Price
EMECO Navy 1006	Corrosion resistant, maintenance free, and comprised of one continuous piece of aluminum without seams. The aluminum used in these chairs is subjected to a proprietary thermal treatment, making them three times stronger than steel. The anodized surface approaches the hardness of a diamond, and the hand-brushed finish just gets better with age, which is just as well -- this chair has a life expectancy of at least 150 years, and can be used indoors or out, in even the harshest environments. It is as near indestructible as it is handsome.	\$415
Knoll Life	Features include a wide range of adjustments that enable it to be adjusted to most users needs. Seat height adjustment can be varied between 16 - 21.5 inches, whilst seat depth adjustment can be varied between 15 - 19 inches. Both are controlled by a little lever on the right underside of the chair. Moving the lever up allows height adjustment of the seat, whilst moving it down controls seat depth. The lumbar support adjusts between 7.5 - 11.5 inches on the seat's back. Casters are available for both carpeted and hard floors. The chairs carry a 10 year warranty with the exception of the upholstery which has a 3 year cover, reduced warranty on upholstery is fairly normal on office seating.	\$450
STUA EGO	The seat and backrest are hinged, and the chair adapts to differing body weights and sizes, offering exceptional comfort. It is in production for some years now, and is already a contemporary design classic. The frame is made of chromed steel, and the seat and backs are offered in a variety of woods, upholsteries and leathers. Wheeled versions are also available.	\$450

⁴ <http://www.emeco.net/product/navychair.html>
<http://www.stua.com/eng/coleccion/egoa.html>
http://www.knoll.com/products/product.jsp?prod_id=188

Channels and Logistics Review

Traditionally through the following avenues:

- Independent Contract Furniture Dealers and Licensees
- Owned Contract Furniture Dealers
- Direct Customer Sales
- Independent Retailers

Our channel strategy for The Verve is to use selective distribution exclusively through IKEA. The Verve Chair will be designed and manufactured by Herman Miller, and will be sold and distributed through partner, IKEA, using customer marketing channel number two. The Verve Chair will also be featured on the IKEA website and in its catalogues, as well as the Herman Miller website. During the initial year the Verve Chair will be sold at IKEA stores exclusively in New York while available nationwide online. During the second year we will begin to sell the Verve Chair in IKEA stores nationwide.

We have chosen to work with IKEA because they have a strong market presence. They also target the segment we wish to pursue with The Verve; our primary consumer target is middle-income people, ages 20 to 35, who are looking to furnish their homes with well-designed and economic furniture. Our secondary consumer target is middle to upper-income self-employed professionals looking to find a healthy and cost effective alternative to seating while shopping for their homes or small offices. Our decision on IKEA as a distributor is primarily because we share common values and this collaboration will reinforce those beliefs and strengthen our image collectively.

IKEA marketing strategy⁵:

The IKEA vision, business idea and market positioning statement provide a framework for all IKEA marketing communication worldwide.

⁵ http://www.ikea.com/ms/en_GB/about_ikea/press_room/student_info.html

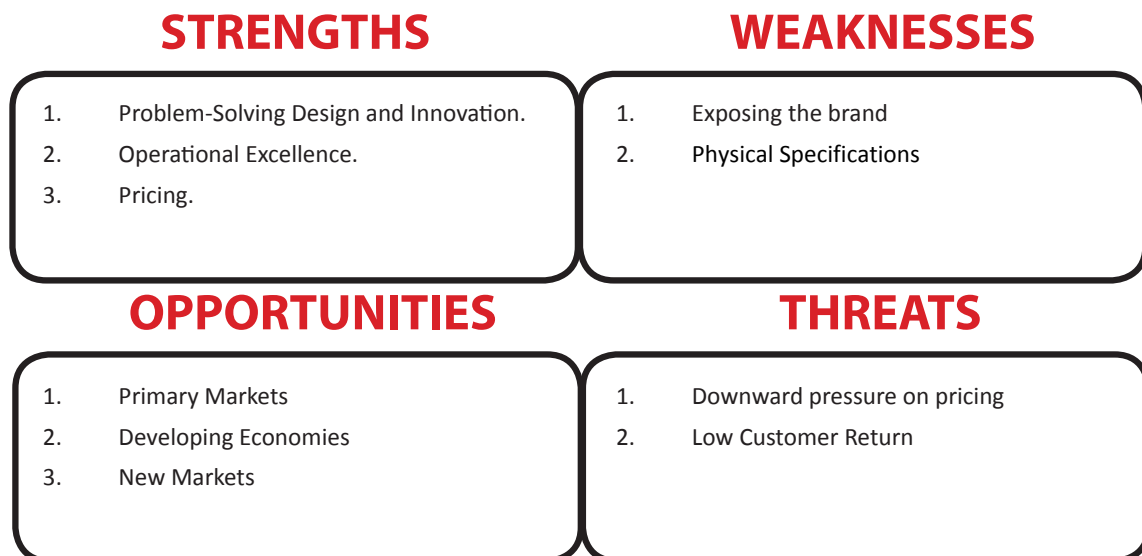
The IKEA vision is "To create a better everyday life for the many people."

Our [IKEA] business idea is "To offer a wide range of well designed, functional home furnishing products at prices so low that as many people as possible will be able to afford them."

Our [IKEA] market positioning statement is "Your partner in better living. We do our part, you do yours. Together we save money."

Strengths, Weaknesses, Opportunities, Threat Analysis

We at Herman Miller have great strengths like the fact that we are committed to developing research-based functionality and aesthetically innovative new products and have a history of doing so. Our major opportunity is tapping into new markets in which we have basis for The Verve. We also face the threat of downward pressure on pricing and low customer return.



Strengths

We rely on the following core strengths in delivering workplace solutions to our customers.

1. **Problem-Solving Design and Innovation.** We are committed to developing research-based functionality and aesthetically innovative new products and have a history of doing so. We believe our skills and experience in matching problem-solving design with the workplace needs of our customers provide us with a competitive advantage in the marketplace. An important component of our business strategy is to actively pursue a program of new product research, design, and development. We accomplish this through the use of an internal research and design staff as well as third party design resources generally compensated on a royalty basis.
2. **Operational Excellence.** We were among the first in our industry to embrace the concepts of lean manufacturing. We are committed to continuously improving both product quality and production and operational efficiency. We have begun to extend this lean process work externally to our manufacturing supply chain and to our distribution channel. We believe this work holds great promise for further gains in reliability, quality and efficiency.
3. **Pricing.** Our product is priced lower than competing multifunction models—none of which offer the same bundle of features—which gives us an edge with price conscious customers.

Weaknesses

1. **Exposing the brand.** Because The Verve is responding to a cost based society we have chosen to limit some design attributes in the chair, specifically in the adjustment choices, to keep costs down. We have addressed this issue through our prioritizing key design features.
2. **Physical Specifications.** Although most of our products are up to 95% recyclable and earth friendly we regret to say that this product is only 56% green. At Herman Miller we will make a greater effort to make consumers aware of product disposal techniques.

Threats

Like all businesses, we are faced with a host of challenges and risks. We believe our core strengths and values, which provide the foundation for our strategic direction, have us well prepared to respond to the inevitable challenges we will face in the future. While we are confident in our direction, we acknowledge the risks specific to our business and industry.

1. Downward pressure on pricing. Increased competition and market-share strategies and harsh economic times for our target segment are pushing office furniture prices down. Still, our 10% profit on second-year sales of the original model is realistic, given the lower margins in the office chair market.
2. Low Customer Return. Because most people invest in buying office furniture they do not need to return and buy more products quickly. However we are confident that The Verve's great design and low price will make it the go-to item for office expansion.

Opportunities

We believe we are well positioned to successfully pursue our mission despite the risks and challenges we face. That is, we believe we can continue to improve the performance of human habitats worldwide. In pursuing our mission, we have identified the following as key avenues for our future growth.

1. Primary Markets. Capturing additional market share within our primary markets by offering superior solutions to customers who value space as a strategic tool and are doing it on a budget.
2. Developing Economies. Expanding our geographic reach in areas of the world with significant growth potential. Taking The Verve across seas in countries developing new office spaces.
3. New Markets. Developing new products and technologies that serve new markets. The Verve is appealing to a younger and cost-driven market.

Objectives and Issues

We have set aggressive but achievable objectives for the first and second years of market entry.

First Year Objectives

The primary marketing objective is to achieve first year U.S. market share of 4 percent with unit sales of 250,000. Our primary financial objectives are to reach first-year sales of 50 million, keeping first year losses near 5 million

Second Year Objectives

Our second year objectives are to achieve a 10 percent increase in the share of the household furniture market nationwide and also to break even early in the year.

Marketing Strategy

Herman Miller's Verve marketing strategy is based on a positioning of value-added design. Our primary consumer target is middle-income people, ages 20 to 35, who are looking to furnish their homes with well-designed and economic furniture. Our secondary consumer target is middle to upper-income self-employed professionals looking to find a healthy and cost effective alternative to seating while shopping for their homes or small offices.

Positioning

Using value propositioning we are taking a more for less position on The Verve our positioning statement is as follows:

“For the design lover with a budget who wants a healthier alternative to seated work; The Verve is a revolutionary office chair that provides maximum comfort at a much lower price.”

Product Strategy

Herman Miller will be designing an office chair for the home and for a business at a lower price point while maintaining high profile design features, comfort, reliability, and aesthetics. The brand and logo of Herman Miller will be displayed on the product and it's packaging, along with that of IKEA's and reinforced by its prominence in the marketing campaign.

Pricing Strategy

The Verve Chair will be introduced at \$149 wholesale/\$199 estimated retail price per unit. We expect to raise revenues the second year as we will expand our in-store stock across country. The prices reflect fixed costs per unit and other intangible expenses such as distribution and goodwill costs.

Distribution Strategy

Our channel strategy for The Verve is to use selective distribution exclusively through IKEA. The Verve Chair will be sold and distributed through partner, IKEA, using customer marketing channel number two. During the initial year the Verve Chair will be sold at IKEA stores exclusively in New York while available nationwide online. During the second year we will begin to sell the Verve Chair in IKEA stores nationwide.

Marketing Communications Strategy

By integrating all messages in all media we will reinforce the brand name and the product strategy offered to consumers by The Verve. Research about media consumption patterns help our marketing team choose appropriate media and timing to reach prospects before and during the product introduction. The Verve will be featured in the annual IKEA catalogue and to create buzz we will be hosting an exhibition at the MoMa.

Excerpt from Press Release: "Herman Miller launches the new Verve Chair on July 1, 2011; available in all IKEA stores throughout the US. A promotional exhibition, named *Sit Active!*, will take place at the Museum of Modern Art in New York City on July 1, 2011 until July 8th.

Traditionally where product design pieces are behind black ropes, this exhibit, in contrast, is intended for visitors to actively interactive with. An evolution of the modern office chair will be presented where copies of historical chairs will be available for comparison testing. Each chair will have some historical background and relative pricing examples. There will be multiple Verve chair's in a microcosm of a home and of a small business in which users will have the ability to relax and use computers provided by the staff at the MoMa with museum information. *Sit Active!* is a public exhibition open to all who have the MoMa general admission passes.

Herman Miller prides themselves in making innovative designs while keeping the users in mind, a belief that we exemplify in *Sit Active!*"

Marketing Research

Using research we are identifying the specific features and benefits (that we have previously launched in our other products) that our target market segments value. Feedback from those products help us create and prioritize design features on The Verve. We are also measuring and analyzing market trends and people's spending habits given our current economic situations. Finally, we will use customer satisfaction studies in cooperation with IKEA to understand market reaction.

Marketing Organization

Kathleen L. Goodson is Senior Vice President of Marketing of Herman Miller, Inc. Mrs. Koch joined Herman Miller, Inc. in 2007 as Senior Vice President of Marketing. The team under her supervision will consist of 28 employees who will carry out all instructed marketing tasks specifically for The Verve. These tasks will include: national sales campaigns, trade and consumer sale promotions, public relations efforts, etc.

Financials

Herman Miller plans to launch the Verve Chair in New York City, we plan to take advantage of all the advertising space the city has to offer. Majority of the advertising budget will go toward outdoor advertisement. Our primary target consumers are ages 20 to 35, are working class, have a middle-income level, and are looking to furnish their homes with well-designed and affordable furniture. They are the everyday New Yorkers who take the subway or the bus to work everyday and we believe that our outdoor advertisements will reach them best. Our outdoor advertisement will include ads on sides of buses, on bus shelters, in subway cars, on subway shelters, in subway stations, on taxi tops and street lamp banners. We will also have product placement and script integration for the Verve Chair on shows such as Extreme Makeover: Home Edition, Desperate Housewives, and Modern Family. We will also have commercials airing mostly in the evening, as well as during the morning news.

The campaign objectives include bringing awareness to Herman Miller's new Verve Chair with the promise that it is a revolutionary office chair that will provided maximum comfort at a great low price. The budget is broken down quarterly. The first quarter of the campaign will inform consumers of the promotional exhibit being held at the MoMA as well as the launch of the Verve at IKEA stores in New York. The neighborhoods we chose for ad placement are very high traffic areas and much of our target market may work, live or shop in these areas.

Promotion Budget				
Advertising	Cost	Quantity	Length	Total
Product Placement	500,000/ 10 episodes	10 episodes	3 months	1,500,000
Television	\$175,000/spot	5 spots	3 months	2,625,000
Outdoor Adv.				
Subway Shelter	\$3,000/mo	20 shelters	3 months	180,000
Bus Shelter	\$2,500/mo	12 shelters	3 months	90,000
Bus Sides	\$500/mo	2 for 10 routes	3 months	30,000
Subway Station	\$200/mo	10 per station for 10 stations	3 months	60,000
Subway Car Interior	\$11000/mo	5 cars per major line (6)	3 months	990,000
Electric Taxi Tops	\$450/mo	50 taxis	3 months	67,500
Street Lamp Banner	\$360/mo	60 street lamps	3 months	64,800
Outdoor Total				1,482,300
Sales Promotion				
Promotional Exhibit	50,000		1 month	50,000
Total(Quarterly)				5,657,300

There are 12,500 bus stops in New York City with a ridership of 2.3 million per average weekday.⁶ We plan to have 2 bus advertisements per route for the top ten routes in the city. We also plan to have advertisements several bus shelters around the city. There will be 4 in Times Square, 3 in the Financial District, 5 in Brooklyn, 5 in Queens, and 3 in the Bronx. We will place ads on 20 street lamps in Times Square, 20 between Rocafeller Plaza and the MoMA, and 20 in the Financial District. We will also advertise on subway shelters, in subway stations, and in subway cars. Subways have a ridership of 8,279 average weekday train trips.⁷ We plan to have ads on 20 subway shelters, 10 ads per station for the top 10 frequented stations in the city, as well as have ads in 5 trains per major subway line. We will also place ads on 100 electric taxi tops. IKEA's marketing team will handle direct marketing tasks such as catalogues and emails.

⁶ <http://www.mta.info/nyct/facts/ffbus.htm>

⁷ <http://www.mta.info/nyct/facts/ffsubway.htm>



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