# CASE STUDIES

## De Mar's Product Strategy

De Mar, a plumbing, heating, and air-conditioning company located in Fresno, California, has a simple but powerful product strategy: *Solve the customer's problem no matter what, solve the problem when the customer needs it solved, and make sure the customer feels good when you leave*. De Mar offers guaranteed, same-day service for customers requiring it. The company provides 24-hour-a-day, 7-day-a-week service at no extra charge for customers whose air conditioning dies on a hot summer Sunday or whose toilet overflows at 2:30 A.M. As assistant service coordinator Janie Walter puts it: "We will be there to fix your A/C on the fourth of July, and it's not a penny extra. When our competitors won't get out of bed, we'll be there!"

De Mar guarantees the price of a job to the penny before the work begins. Whereas most competitors guarantee their work for 30 days, De Mar guarantees all parts and labor for one year. The company assesses no travel charge because "it's not fair to charge customers for driving out." Owner Larry Harmon says: "We are in an industry that doesn't have the best reputation. If we start making money our main goal, we are in trouble. So I stress customer satisfaction; money is the by-product."

De Mar uses selective hiring, ongoing training and education, performance measures, and compensation that incorporate customer satisfaction, strong teamwork, peer pressure, empowerment, and aggressive promotion to implement its strategy. Says credit manager Anne Semrick: "The person who wants a nine-to-five job needs to go somewhere else."

De Mar is a premium pricer. Yet customers respond because De Mar delivers value—that is, benefits for costs. In 8 years, annual sales increased from about $200,000 to more than $3.3 million.

### Discussion Questions

1. What is De Mar's product? Identify the tangible parts of this product and its service components.
2. How should other areas of De Mar (marketing, finance, personnel) support its product strategy?
3. Even though De Mar's product is primarily a service product, how should each of the 10 strategic OM decisions in the text be managed to ensure that the product is successful?

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## Product Design at Regal Marine

Video Case

With hundreds of competitors in the boat business, Regal Marine must work to differentiate itself from the flock. As we saw in the *Global Company Profile* that opened this chapter, Regal continuously introduces innovative, high-quality new boats. Its differentiation strategy is reflected in a product line consisting of 22 models.

To maintain this stream of innovation, and with so many boats at varying stages of their life cycles, Regal constantly seeks design input from customers, dealers, and consultants. Design ideas rapidly find themselves in the styling studio, where they are placed onto CAD machines in order to speed the development process. Existing boat designs are always evolving as the company tries to stay stylish and competitive. Moreover, with life cycles as short as 3 years, a steady stream of new products is required. A few years ago, the new product was the three-passenger $11,000 Rush, a small but powerful boat capable of pulling a water-skier. This was followed with a 20-foot inboard–outboard performance boat with so many innovations that it won prize after prize in the industry. Another new boat is a redesigned 52-foot sports yacht that sleeps six in luxury staterooms. With all these models and innovations, Regal designers and production personnel are under pressure to respond quickly.

By getting key suppliers on board early and urging them to participate at the design stage, Regal improves both innovations and quality while speeding product development. Regal finds that the sooner it brings suppliers on board, the faster it can bring new boats to the market. After a development stage that constitutes concept and styling, CAD designs yield product specifications. The first stage in actual production is the creation of the "plug," a foam-based carving used to make the molds for fiberglass hulls and decks. Specifications from the CAD system drive the carving process. Once the plug is carved, the permanent molds for each new hull and deck design are formed. Molds take about 4 to 8 weeks to make and are all handmade. Similar molds are made for many of the other features in Regal boats—from galley and

Barry Render

stateroom components to lavatories and steps. Finished molds can be joined and used to make thousands of boats.

### Discussion Questions*

1. How does the concept of product life cycle apply to Regal Marine products?
2. What strategy does Regal use to stay competitive?
3. What kind of engineering savings is Regal achieving by using CAD technology rather than traditional drafting techniques?
4. What are the likely benefits of the CAD design technology?

*You may wish to view the video accompanying this case before addressing these questions.

## Endnotes

1. *Contribution* is defined as the difference between direct cost and selling price. Direct costs are directly attributable to the product, namely labor and material that go into the product.
2. See Scott Sampson, "Visualizing Service Operations," *Journal of Service Research* (May 2012). More details about PCN analysis are available at **services.byu.edu.**