

Can Tacony Vacuum Leave Miele in the Dust?

When it comes to the right upright and the correct canister, the country's leading vacuum makers are vying for your business.

When Miele became one of the nation's best-selling premium vacuum cleaner brands in the second half of the 1990s, it came at tiny Tacony's expense. Tacony's two brands, Riccar and Simplicity, were top sellers at independent vacuum cleaner stores, where most \$500-and-up machines are sold. But Miele's vacuums – praised for their German engineering and sleek styling – quickly surpassed Riccar and Simplicity sales, threatening to undermine Tacony's business.

"The sun rose and set on Miele," recalls Geoffrey Bagnal, owner of Sweeps Vacuum & Repair Center in Hudson, N.Y., which sells both Miele and Tacony products. "They were absolutely the best." Not anymore.

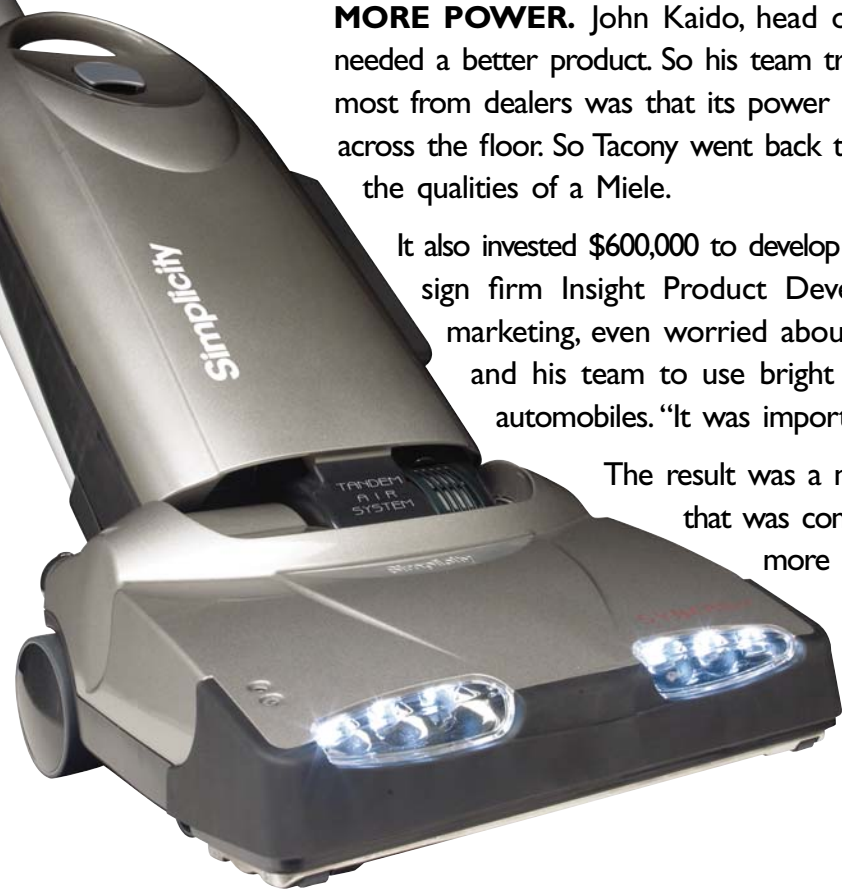
In 2004, Tacony turned the tables on Miele. The Fenton (Mo.) company's sales of Riccar and Simplicity machines totaled \$68 million, surpassing Miele's \$65 million, according to both Tacony and Stevenson Co., a research firm that tracks appliance sales. The gap has since grown, with Tacony posting sales of \$83 million to Miele's \$74 million in 2005. Miele officials declined to comment on sales figures or to discuss the company's growth strategy. That Tacony supplanted Miele shows how a company can use design to beat a rival with a far bigger advertising budget. It also underscores the importance of staying on top of customers' needs.



EUROPEAN STYLING. Miele did more than surpass Tacony in sales in the late 1990s – it threatened the market for the type of machines the American company made. Privately held Tacony, which was founded as a sewing machine parts company in the 1940s, made upright vacuums. With larger homes than Europe, and more wall-to-wall carpet than wood floors, the U.S. had long favored such machines.

But Miele, which first entered the U.S. market in the mid-1980s, made a canister vacuum. Its European styling appealed to more upscale shoppers, as did the pitch about exceptional air filtration. Miele also benefited from spending heavily on advertising in national design magazines, which Tacony couldn't afford. "We didn't know if Miele would undermine the market for uprights," says William Hinderer, Tacony's president.

Tacony responded by launching a simple mid-sized canister machine in 1997, so there wouldn't be a hole in the Simplicity and Riccar lineup next to Miele in stores. It contracted with Korean manufacturer Daewoo International, to do so, buying off-the-shelf technology. But Tacony's new canister machines were less powerful than Miele's and were straight suction, where Miele offered a motorized power nozzle – a rotating brush on the end of the wand to help lift dirt. Miele's machine also had better filtration.



MORE POWER. John Kaido, head of Tacony's vacuum division, said he knew the company needed a better product. So his team tried to find a weakness in Miele. The complaint they heard most from dealers was that its power nozzle head was underpowered and a little hard to push across the floor. So Tacony went back to Daewoo to design a mid-sized canister that would have the qualities of a Miele.

It also invested \$600,000 to develop a more powerful power nozzle, using Chicago industrial design firm Insight Product Development. Joy Petty, Hinderer's daughter and head of marketing, even worried about the colors of the new machine. She convinced Kaido and his team to use bright metallic colors that were sprayed on just like paint on automobiles. "It was important for the vacuums to stand out in stores," Petty says.

The result was a new mid-sized canister Tacony launched in February, 2002, that was comparable to Miele in suction and filtration, but came with a more powerful power nozzle. This way it could use stiffer bristles on the brush, which are better for lifting dirt and make the machine easier to push across the floor. That would also give the independent vacuum dealer a selling feature to demonstrate. The consumer could feel the difference when comparing it to a Miele in the store, Kaido says.

TOTALLY FLOORED. To make things more difficult for Miele, Tacony priced the machines at \$699, the low end for Miele midsized canisters with fewer features. "We wanted to hurt them at the entry level," Kaido adds.

That's not all Tacony was doing. It had invested \$1 million with Daewoo to develop a full-sized canister that would compete with Miele's top-end machines selling from \$1,000 to \$1,300. And it invested \$3 million (a big sum for a company with \$160 million in total sales) in designing a new upright that would not only clean carpets better, but wood floors, where canisters excelled.

Tacony launched the new full-sized Simplicity and Riccar canisters at the beginning of 2003. Not only did they have more suction and more powerful power nozzles than Miele, they had full sized, on-board tools, such as a crevice cleaner and floor brush, compared to Miele's miniature ones. And it had a longer power cord so users wouldn't have to unplug as frequently, all for \$1,000. "Now we started hurting Miele on the top end," Kaido says.



SNEAK ATTACK. Indeed, Tacony surpassed Miele in U.S. sales the following year. The gap has only grown since then with the launch in 2004 of Tacony's premium new line of Simplicity and Riccar uprights, which it manufactures itself in St. James, Mo. Called Tandem-Air technology, they are the only vacuum cleaners to use two motors, one to push and another to pull air into the machine, a design it is seeking to patent. The twin engines improve both carpet and wood floor cleaning, Kaido says. This gives consumers with wood floors the option of using an upright, if that is the model they prefer, he adds.

Privately held Miele has hardly been standing still. In 2004 it launched its colorful line of machines called Art. Last year it launched its S4 line of compacts. This summer, Miele will launch another new line as well, dealers say.

But many dealers now see a changing of the guard. Ret Sobelman, owner of Sobel Vacuum Cleaner in Great Neck, N.Y., says Simplicity sales have surpassed Miele sales in his store. "The primary reasons are value and performance," he says. The same is true at Sweeps, where owner Bagnal believes Miele didn't keep a close enough eye on Tacony. "They never had them on their radar screen," he says.

