CEO of the City

Trainer(s):

John Lynch
The Tuck School of Business,
Dartmouth College
www.tuck.dartmouth.edu
Sealed Air would like things to stay the same...

- R&D $
- Technological Leadership
- Innovative Products
- Consultative Selling
- High Value In Use
- Great Margins
- High Commissions

Sales Growth = 25%/year
Earnings Growth = 25%/year
Recognition as Technology Leader
...but markets change over time...

- Customers
  - Gain expertise/understanding
  - Become more demanding
  - Become more price-conscious

- Competitors
- Channels
- Company
- Environment
  - Recognize opportunity
  - Challenge incumbent
    OR
  - Better satisfy poorly met demand
  - Hasten the segmentation of a market
Early Markets
- Revolutionary product
- Vast improvement over previous alternative
- One/few major player(s)
- Naïve consumers

one size fits all

Late Markets
- Product enhancements
- Improvement for some consumers
- Major players
- Experienced consumers

specialized products to meet segment needs
Question to ask:
How should Sealed Air respond?

<table>
<thead>
<tr>
<th>Technology or Company-Oriented Response</th>
<th>Market or Consumer-Oriented Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>“Uncoated is low quality”</td>
<td>For some applications…</td>
</tr>
<tr>
<td></td>
<td>It is the same quality as coated</td>
</tr>
<tr>
<td></td>
<td>It delivers the same customer benefit</td>
</tr>
<tr>
<td>“See creep box tests”</td>
<td></td>
</tr>
<tr>
<td>“No real threat to Sealed Air”</td>
<td></td>
</tr>
<tr>
<td>“GAFCEL is hurting Astro”</td>
<td></td>
</tr>
<tr>
<td>“Low quality - not what we do as</td>
<td>The “market leader” meets customer</td>
</tr>
<tr>
<td>technological and market leaders”</td>
<td>needs in the most efficient manner</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>“The margins are no good”</td>
<td>Some margin is better than none</td>
</tr>
</tbody>
</table>
Questions to ask:
How do you define product quality?

Does it fit with current or future company capabilities?

Does it meet or surpass company needs?

- Yes
- No

© 2016 Trustees of Dartmouth College
“A new and unique manufacturing process creates an uncoated bubble material that is inexpensive, flexible, transparent, tough & tear resistant, lightweight and clean. It’s just right for the manufacturer who doesn’t need heft or super-strength in his packaging—ideal for any number of products from produce to pewter.”
What happened: Impact of the Uncoated Introduction

Bubble Sales:

1981: $34.8 MM
1982: $32.8 MM (UNITS 4%)
1983: $35.6 MM
1983: Acquired foam company; split salesforce
1986: Introduced “Polycap Plus” - a “lightly coated” bubble
-“An Innovative New Product”
-Sales growth = 30%/year
-Aggressive support
Product Line Management in a Changing Environment

Product:

- Have a vision of product line evolution - i.e., anticipate change!
- Drive product line off understanding of customer needs
- Define product quality from customer perspective
- Keep cannibalization in the family
- Capitalize on being a full-line house (bubbles vs. packing material)

Salesforce:

- Incentives must be aligned with those of the company
- Allow salesforce to play to their strengths - e.g., consultative selling
### Impact of PolyCap Introduction

**Early 1982**

(Price: Match Competitor  
Salesforce Comp: 1% of Sales)

<table>
<thead>
<tr>
<th>Total Bubble Sales</th>
<th>(Coated and Uncoated)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Dollars ($MM)</strong></td>
<td><strong>Sq. Ft. (000s)</strong></td>
</tr>
<tr>
<td>Year Prior to Intro</td>
<td>$34.8</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>1st Year on Market</td>
<td>$32.8</td>
</tr>
</tbody>
</table>

- 67% Aircap
- 33% PolyCap

© 2016 Trustees of Dartmouth College
Protective Packaging 2014

- Full product line/global sales effort
- Sales = $1.6B
- Change differentiation and value proposition to sustainability in: manufacturing, shipping, using, recycling, or materials
- “Sustainability as a value proposition for our customers while reaching the thresholds of performance and cost competitiveness.”

Geographic Scope

% of Sales Outside U.S.

- $1.6B
- 65%
- 24%

Whatever You Ship

Product Scope

1981

© 2016 Trustees of Dartmouth College
Firm Revenue Growth to 2013

% of Sales Outside U.S

65%

24%

Geographic Scope

$88MM Revenues

1980

$7.6B Revenues

2013

86x

Whatever You Ship

What You Eat
(CryoVac Acquisition)

Where You Go

Product Scope
What is the meaning of life?
To define quality, not in terms of the product, but in terms of the customer
All of this applies to the public sector...
• Education
• Health care
• Economic development
• Etc., etc.
#NLCDC

to follow along and comment on social media