

## 3M Company

### Market Buster

#### **Abstract:**

3M is a global multi-holding diversified industrial materials supplier that currently operates under seven business segments in over 60 countries. It has a well-balanced portfolio and has shown solid financial performance but relies on the weakening US market which constitutes 42% of its sales.<sup>1</sup> Although the company was founded in 1916, its Consumer and Office Business segment proved to be a remarkable market buster in 1925, with the Scotch® Cellophane Tape and in 1980, with the Post-it® Notes. Prior to the Post-it® Notes, several gadgets entered the office space with the purpose of making daily tasks simpler. However, learning about each technology was complex and some needed frequent maintenance or even replacement. The sticky yellow notes were easy to use, efficient and cheap. These features along with some of the marketing strategies adopted by 3M were essential to its rapid adoption and eventual sustainability in the global marketplace. These two novel products, launched with great strategic timing and marketing, revolutionized informal communication and organization in offices and homes. The gradual introduction of related products under the same brand led this segment to have sales nearing \$3 billion in 2004.<sup>2</sup>

#### **Introduction**

Scotch®, Post-it®, Scotch-Brite® and Scotchgard™ - are just a few of the world-famous products that all belong to one parent company. 3M Company is primarily driven by innovation, today and early on. It was established as a mining company by five businessmen in Minnesota, which eventually proved to be of little value. This made them shift their focus on sandpaper products and the firm was moved to St. Paul, where they developed the world's first waterproof sandpaper. Early technical and marketing innovations led to success and attracted new investors by 1916.<sup>3</sup> In 1925, one of the young employees, Richard Drew, invented masking tape in a lab, which gave 3M an opportunity to diversify its product line. The invention soon led to hundreds of applications that developed into products such as Scotch® Cellophane Tape for box sealing, Scotchlite™ Reflective Sheeting for highway markings and magnetic sound recording tape.

3M began to explore new ventures in areas of graphic arts and electro-mechanical products. In the 1950s, 3M introduced the Thermo-Fax™ copying process, Scotchgard™ Fabric Protector and Scotch-Brite™ Cleaning Pads. By 1980, several new markets were entered and 3M was manufacturing products in areas of pharmaceuticals, medical, dental and energy control. The need to revolutionize people's behavior of communication and organization was tapped in 1980 through their most famous product, the Post-it® Notes.

Sales were rising and 3M continued to provide innovative solutions to its customers. They started producing flexible circuits used in printers, cell phones and display enhancement films which, along with other innovative new products, pushed their sales to a record of \$20 billion in 2004. The Consumer and Office Business segment of 3M was able to successfully enter the market using an innovative, simple and cost-effective product; the Post-it® Notes. 3M has managed to expand their presence globally in several locations such as India, China, Mexico, Brazil, Russia, Turkey and many others, which constitute 61% of their annual sales.<sup>4</sup>

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<sup>1</sup> Datamonitor Plc. "3M SWOT analysis." (Oct 2004)

<sup>2</sup> 3M Company Website. <<http://www.3m.com>> Accessed May 20<sup>th</sup>, 2005

<sup>3</sup> 3M Company Website. <<http://www.3m.com>> Accessed May 20<sup>th</sup>, 2005

<sup>4</sup> 3M Company 2004 Annual Report

## **Market Busting Moves**

3M identified the market trends and began to develop a multinational corporation that could serve several domestic and international market segments. The Post-it® Notes, and other products, are what made the Consumer and Office Business segment a Market Buster. It achieved this by using the following MarketBusting moves:

- #6: Dramatically improve positives
- #11: Eliminate complexity
- #29: Redirect, disrupt, or alter the evolutionary trajectory
- #36: Undertake inventive missionary work

### Dramatically improve positives:

Being the first to provide a versatile product such as the Post-it Notes gave the company a first-mover advantage into entering the market. 3M Consumer and Office Business segment did face some competition from Avery International in the 1980's, which started its own Avery notes and Avery tape. However, both projects failed in a couple of years and Avery moved out of the market.<sup>5</sup> 3M consisted of seven business segments and was a massive multi-product diversified holding at this point. Its resources, culture and established markets made it difficult for other companies to compete in markets that 3M was in. The ability of the Post-it Notes to perform better than they were advertised and surpass customer expectations has fostered brand loyalty and trust in the company.

### Eliminate complexity:

The American workplace saw a dramatic change in the mid-sixties, with the advent of calculators, Xerox machines, fax machines and personal computers. The degree of complexity in the office was increasing with employees having to study the manuals of each machine. Ironically, these complex machines were installed in the first place to simplify daily tasks, yet the office space seemed to get more sophisticated as years went by. The Post-it Notes provided a revolutionary way of informal communication and reminders that was simple to use and did not require any upgrades or servicing as other communication methods. Their ease of use, low-price and versatility led to their rapid adoption and spread into everyone's supplies.

### Redirect, disrupt, or alter the evolutionary trajectory:

Dr. Spencer Silver discovered the repositionable adhesive that is used in the Post-it notes when working in a 3M research laboratory. Once an application was discovered, the company realized that the success of the product relied on massive sampling and began saturating the office supply industry in Boise, Idaho. This move was called the Boise Blitz and its timing was crucial as these notes provided employees in a highly complex office, with a very simple, yet effective method of informal communication. Surprisingly, 90% of the customers that were given samples were impressed with the sticky yellow notes and said they would be willing to buy it.<sup>6</sup> This breakout innovation and appropriate timing of entry were key factors in the success of the Post-it notes. It revolutionized the office supply industry and also made other firms realize the importance they placed on innovation in their corporate structure and its effects.

### Undertake inventive missionary work:

The Post-it Notes was a rapid innovation, the first of its kind and thus had no competition in the early stages. Compared to an incremental innovation, with less associated risk of success, the Post-it notes was a breakthrough, whose success, which depended on several factors such as the market size, could not be determined as there was no need or demand for it. It was only after the Boise Blitz distribution, that people realized how convenient it made communication and

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<sup>5</sup> Darlin, Damon. "Thank You, 3M." (25 Sept 1995). *Forbes*. Vol. 156, Issue 7.

<sup>6</sup> Coppendale, John. "Achieving breakthrough innovation." (Oct 2004). *Manufacturing Engineer*. Vol. 83, Issue 5, p34.

that it could be a useful utility around the work place. Such innovations are encouraged throughout 3M, and led to another successful brand within the Office and Supply industry, Scotch®. Initially started with the famous Scotch tape, the brand spread to include several products that spanned more than one industry such as Scotchgard that is used in carpets to protect against stains.

**Implementation:**

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**DRAT Table, 3M Company**

**SOURCE**

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**External**

Powerful Incumbents	Global presence exposes it to worldwide risk affecting local regulations, exchange rates and other economic fluctuations. Stiff competition in many of its markets
Opposition from advocacy groups	NA
Risk to key external stakeholders	NA
Inertia	Prove to shareholders that continued growth is possible and that there will continue to be customers that prefer 3M products in every field owing to quality, utility and brand loyalty built over the years.
Disruption of customer's system or process	NA
Changes in standards or regulations required	Less regulation for office supplies but involved in some lawsuits related to breast implants and asbestos that undergo vigorous regulatory processes.

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**Internal**

Internal political maneuvering	Conflict amongst subsidiaries is possible. However, most of the business segments function synergistically and share resources and information to boost the commercialization of innovative ideas.
Reluctance or resistance by those needed for active implementation	NA
Resource Constraints	Must produce results in each expansion to keep stock price up. Investors will flee with bad reports about the quality of products offered and market share.

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**Platform changes required**

Human resource and skills platforms	Needs to continue to attract intelligent and innovative employees that seek challenges and develop new products.
Logistics platforms	NA
Distributor platforms	NA

IT and database platforms	NA
Technology platforms	Find new ways to add value to its products by further integrating technology and information across segments.
Assets, operations, and systems platforms	NA

## Market busting Kite

Element	Needed to Support the Market busting System
<b>Agenda</b> The key things that the critical people spend time on	<ol style="list-style-type: none"> <li>1. Expansion in the US and abroad</li> <li>2. Meeting and maintaining quality standards</li> <li>3. Developing a positive brand name and reputation</li> </ol>
<b>Norms</b> What principles and behaviors are valued?	<ol style="list-style-type: none"> <li>1. Innovative ideas</li> <li>2. Persistent commitment to growth (market share, revenues)</li> <li>3. Commitment to serving the needs of its customers</li> </ol>
<b>News</b> What information and measures are paramount?	<ol style="list-style-type: none"> <li>1. Consistently bringing innovative products to the market</li> <li>2. Financial stability</li> <li>3. Revenue growth</li> <li>4. Results of test product launches and their success in targeted market segments</li> </ol>
<b>Allocations</b> What gets resourced and how are people rewarded?	<p>Resources go to</p> <ol style="list-style-type: none"> <li>1. Providing funding for projects with potential</li> <li>2. Making the use of 3M products, efficient and convenient</li> <li>3. Integrating technology, feedback, new ideas into meeting or creating customer needs</li> <li>4. Marketing the 3M brand name</li> </ol> <p>Rewards and recognition for successes go to</p> <ol style="list-style-type: none"> <li>1. Employees that develop innovative ideas</li> <li>2. New ideas to increase revenue stream</li> </ol>
<b>Structure</b> Power, authority, responsibility structure	<ol style="list-style-type: none"> <li>1. Each 3M segment follows the six sigma to improve supply chain efficiencies, customer service and growth</li> <li>2. Seven business segments based on function, further divided by geographic location</li> </ol>
<b>History</b> Key routines that have developed and drive activities	<ol style="list-style-type: none"> <li>1. Attention to technology as a business driver</li> <li>2. Desire to mold the business according to customer needs</li> <li>3. Willingness to undertake risk and encourage innovation</li> </ol>

### Key Takeaways:

The culture established at 3M encourages employees to pursue their ideas, even if it is out of the segment's line of business. This spirit of innovation has led to several products that have either provided solutions better than existing ones or created a need that customers were unaware of. The superior quality brand recognition of their products in all personal and commercial office supplies has made it easier to launch new products into this market. Following some of the market busting moves described, 3M's Consumer and Office Business segment has successfully established its position in its market and continues to introduce an array of innovative new products for its customers.