

Developing the purrfect product

Company spends big to get into minds of consumers, their pets

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For Knoxville high-tech pet product company Radio Systems, success means getting into the heart and mind of the consumer.

The company got into the wireless fencing business - from which it derived its name - nearly 15 years ago. Since then it has introduced numerous other products, primarily technology-driven, under the PetSafe brand. They include timed cat and dog feeders; pet doors that use magnets or infrared readers to open only for a particular household pet; static and spray bark collars; backyard agility gear; and sporting dog products.

In the past couple of years, the company of 400 employees with expected sales upwards of \$120 million this year has begun focusing not simply on selling useful products, but on selling itself as a trustworthy brand to consumers.

The results already can be seen on store shelves. For example, a new "Comfort Fit" line of training collars focuses on a comfortable fit and high-tech look that's replacing the company's older line. In product packaging, the company is moving away from the utilitarian to a sleek, high-tech look with photos of happy children and their animals.

"We're not saying, 'Your pet is a bad pet,' " said Doug Grindstaff, vice president of marketing and business development. "This product is focused on enhancing the relationship with your pet, and we want you to know that from the very beginning."

In the family circle The company's transition from a pet product focus to what Grindstaff refers to as the "pet experience" reflects the changing role of pets in American families, who've embraced them as full-fledged members.

For Radio Systems, that means it's important to understand what the consumer wants. Customers - human, canine and feline - are involved from product conception to research and development to market introduction to the feedback the company receives after customers have purchased the product.

Take the case of PetSafe's Wellness Bed, a product Radio Systems introduced this fall that provides aging dogs with heat and massage.

The idea came from consumer focus groups the company held in late 2002 that focused on different stages of a pet's life and what product gaps Radio Systems might fill, Grindstaff said.

Pet owners, many of whom are older themselves, talked about their concern for making pets more comfortable in their old age, he said. Out of that came the concept for a therapy bed for dogs.

"When we look at unmet needs (in the market), a lot of times it's stuff that people can relate to themselves," said Grindstaff, former head of marketing for Kraft Macaroni and Cheese.

However, it's not enough to fill a niche and make customers feel good about a product, he said. It also has to work.

As a result, 500-700 customers and twice as many animals participate in the product development process before an item appears on store shelves.

Part of that testing happens nationwide. Part of it happens locally, with customers in the area and at the PetSafe Village, a kennel, day care and grooming facility that Radio Systems set up in West Knoxville in part to test its products.

In the case of the wellness bed, the basic massage technology Radio Systems landed on had been developed for NASA astronauts who needed to stimulate their muscles while working in the low gravity of space.

In addition to making the technology work, developers had to determine what type of foam to use, how to protect the technology inside the product from pet accidents, how to make the product washable, and how to provide heat and massage without startling the dog and making him unwilling to use the bed. The entire process took about 18 months.

"It's a thousand little details," Grindstaff said, "because what can happen, in the end, is this one problem, not thinking of one detail, can be a reason for the consumer to reject this product. If they reject this product, they're probably not going to look" at other PetSafe products.

Cost of product development ranges from \$250,000 to \$2 million, depending on the product and the time to market.

The company's interaction with customers doesn't end with a product's sale.

The company staffs a call center to take customer questions or complaints about PetSafe products. There, Grindstaff said, customer service representatives aren't evaluated on the basis of how quickly a call can be terminated or how many calls they process.

Instead, he said, "The driver of this business is their ability to create raving fans."

Each week, the company surveys 500 consumers who've called in to the center to "measure and evaluate their experience," Grindstaff said. Employees are reviewed and rewarded based on those comments.

The company also uses that customer feedback to make further changes to products. A customer who feels good about the company will spread the word, he said.

"It is particularly a big deal for us because of the importance of word-of-mouth referral in static correction products," he said.

With 400,000 consumers expected to contact the call center this year, "those 400,000 people that call can potentially be the ones that drive our entire sales next year."

Expanding horizon Radio Systems has taken its quest for consumer-driven products to a new level with the launch of IdeaFetch, an online contest for the best new pet product.

The contest, which ended in early December, gives \$40,000 to the winner, and Radio Systems will develop and manufacture the product. Money prizes also go to second and third place with potential for product development of those ideas as well.

Grindstaff said the contest is helping Radio Systems tap into the thinking of pet owners as well as helping the company create new products.

Although he can't disclose specific concepts yet, the ideas that have emerged, he said, have "a lot to do with different ways to enjoy the pet. This is about pet and owner interaction."

Contest winners will be selected in January.

The company also is pursuing several new lines of business on its own, including the small dog market and cellular- and GPS-equipped products for pets.

One new market Radio Systems is eyeing is the pet toy business, Grindstaff said.

Toys that dispense treats after a dog solves a puzzle and toys capable of learning an individual pet's behavior and responding appropriately "are some very exciting trends," he said. "The technology is such that the toys of the future can really be very exciting and fun, like what kids have today."

He said he expects the company to begin launching such products in the next couple of years.

Radio Systems also is expanding its product line through acquisition.

Tuesday the company announced that it has acquired Fence Masters, a Jackson, Tenn.-based company that manufactures chain-link dog kennels. The company has 150 employees and annual sales of \$25 million.

The company acquired Reilor Holdings, the Preston, England-based parent company of the Staywell brand of pet doors. Terms of the deal, which was announced last week, were not disclosed. The 60-employee Reilor has \$12 million in revenue.

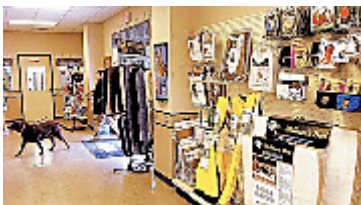
Each of the company's initiatives is driven by the company's motto, Grindstaff said: "To be the most trusted brand in the pet ownership experience."

"If you trust me with your bark, maybe you'll trust me with the door. Then maybe you'll trust me with the pet bed. Then maybe you'll trust me with the GPS system. Then maybe you'll trust me with the service that lets me into your house that lets me pet sit for you," he said. "It's really about being part of this relationship."



PHOTOS BY MICHAEL PATRICK
NEWS SENTINEL

A video camera resting on Snowball's play equipment will record how she responds to a new product placed in the PetSafe Village where she lives. Radio Systems, a company that focuses on technology-based pet products, works diligently to develop products consumers and pets will like. As a result, 500-700 customers and twice as many animals participate in the product development process before an item appears on store shelves.



Radio Systems develops high-tech pet products from wireless fences to automated

feeders. Pet- Safe Village serves as a product testing facility and retail sales outlet for the company.

RADIO SYSTEMS

- Founded: 1991
- Headquarters: Knoxville
- Locations: Jackson, Tenn.; San Diego, Calif.; Canada; England and China
- Employees: 400 total, 178 in Knoxville
- Revenue: more than \$120 million projected for 2005.
- Growth since 1991: 44.1 percent (compounded annual growth rate)
- Products: Pet containment, bark collars, remote training, pet doors, pet wellness